



Nothing Stops Us from
Serving Our Customers

Annual Report 2011

ViTroX 

...innovating vision

Corporate Vision, Mission, Objectives, Strategies, Values and Principal Activities

CORPORATE VISION

We are dedicated to be the world leading company in providing total machine vision solutions.

CORPORATE OBJECTIVES

We aim to achieve:

- Excellent / world class products and services
- Total customer satisfaction
- Continuous growth and profitability
- Long-term partnership with our customers, alliances and employees

CORPORATE STRATEGIES

Innovation

Initiate new ideas and technological breakthroughs. We believe thinking “outside the box” leads to innovation.

Customer Focused

Make our customers our first priority. We offer our customers the best value products and services in a timely manner, without sacrificing quality.

Continuous Improvement

Continuously improve our products, services, and our organization as a whole.

CORPORATE MISSION

ViTrox, innovating vision for automation, is committed to providing the most innovative, advanced and cost-effective machine vision solution of excellent quality to our customers through integration of our technology, our people and our strategic alliances.

CORE VALUES



PRINCIPAL ACTIVITIES

ViTrox Corporation Berhad (“ViTrox”) is principally involved in investment holding and development of 3D and line scan vision inspection system. As at 31 December 2011, ViTrox has in operation three (3) wholly-owned direct subsidiaries and a wholly-owned indirect subsidiary. The principal activities of these subsidiaries are set out as follows:

Name	Date of acquisition / Place of Incorporation	Effective Equity Interest	Principal Activities
ViTrox Technologies Sdn. Bhd.	15 June 2005 / Malaysia	100%	Development and production of automated vision inspection system and digital automated vision inspection equipment and modules.
ViTrox International Sdn. Bhd.	7 January 2006 / Malaysia	100%	Investment holding for setting up foreign subsidiaries and catering for future foreign investments.
ViE Technologies Sdn. Bhd.	24 February 2006 / Malaysia	100%	Design, development and manufacture of printed circuit board assemblies for microprocessor applications.
ViTrox Technologies (Suzhou) Co., Ltd (A wholly-owned subsidiary of ViTrox International Sdn. Bhd.)	19 January 2006 (date of establishment) / China	100%	As sales and support office.

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DESIGN RATIONALE

Nothing Stops Us From Serving Our Customers

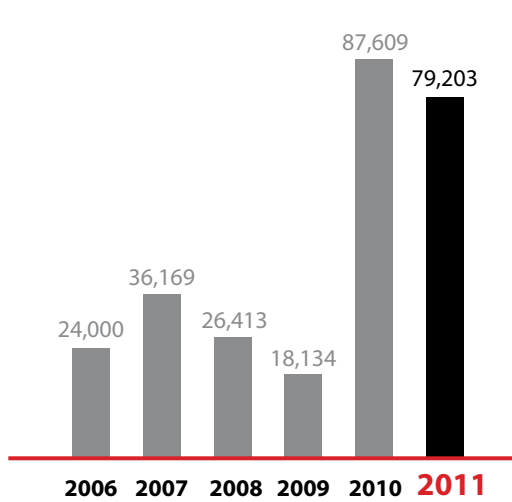
The ants are a symbol of every employee in ViTrox. At ViTrox, our customers are our first priority. The ants are undeterred by the path blocked by the leaf to move forward towards their priority. ViTrox will continue to steer forward to cater for the needs of our customers. ViTrox offers its customers the best value for products and services in a timely manner, without sacrificing quality. It acknowledges the significance of the customer through its corporate relationships towards the greater growth of ViTrox especially as it moves into the future. Customers determine the future of ViTrox in this competitive industry.



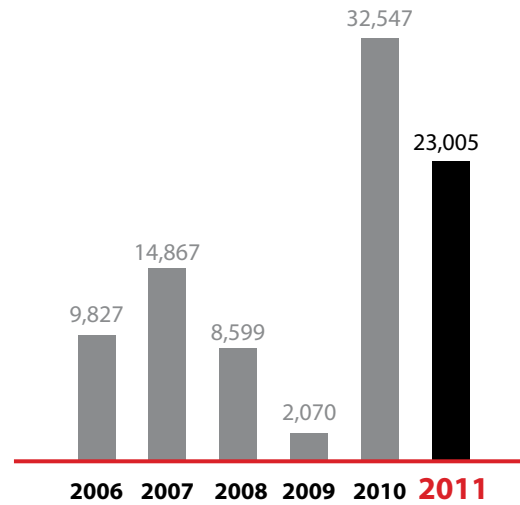
Financial Highlights



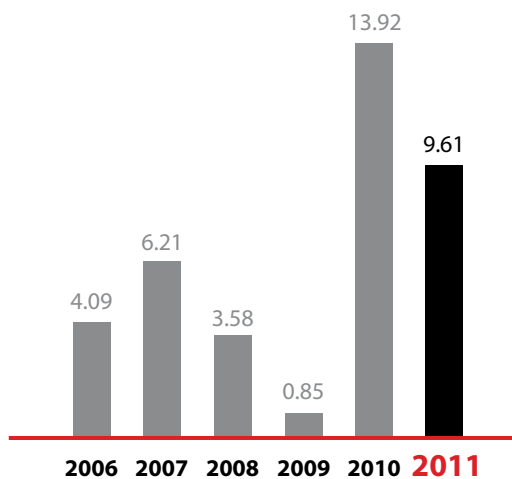
REVENUE (RM'000)



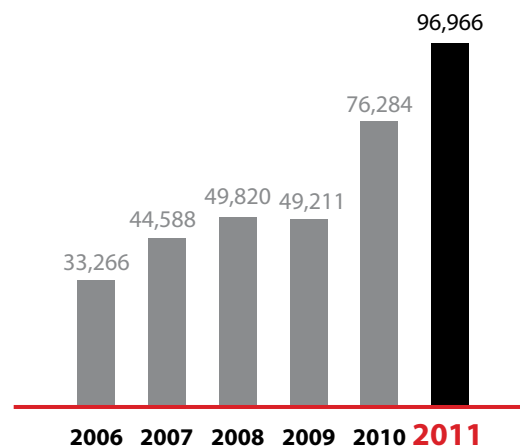
PROFIT BEFORE TAX (RM'000)



EARNINGS PER SHARE (EPS) (SEN)



TOTAL EQUITY (RM'000)



	2006	2007	2008	2009	2010	2011
Revenue (RM'000)	24,000	36,169	26,413	18,134	87,609	79,203
Profit Before Tax (RM'000)	9,827	14,867	8,599	2,070	32,547	23,005
Profit After Tax (RM'000)	9,499	14,427	8,324	1,941	31,813	22,226
Earnings Per Share (sen)	4.09*	6.21*	3.58*	0.85*	13.92*	9.61
Total Equity (RM'000)	33,266	44,588	49,820	49,211	76,284	96,966
Return on Equity	29%	32%	17%	4%	42%	23%

* Adjusted for the bonus issue for purposes of comparison.

Corporate Information

BOARD OF DIRECTORS

Dato' Seri Kiew Kwong Sen
Chairman / Independent Non-Executive Director

Chu Jenn Weng
Managing Director / President / CEO

Siaw Kok Tong
Executive Director / Senior Vice President

Yeoh Shih Hoong
Executive Director / Senior Vice President

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani
Non-Independent Non-Executive Director

Chuah Poay Ngee
Independent Non-Executive Director

Chang Mun Kee
Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Seri Kiew Kwong Sen
Chairman

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Chuah Poay Ngee

Chang Mun Kee

COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)

Ooi Ean Hoon (MAICSA 7057078)

REGISTERED OFFICE

57-G, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604 640 8933
Fax : 604 643 8911

HEAD OFFICE

ViTrox Innovation Centre
Plot 85A, Lintang Bayan Lepas 11
Bayan Lepas Industrial Park, Phase IV
11900 Bayan Lepas, Penang
Tel : 604 646 6227
Fax : 604 646 6327
Website : www.vitrox.com

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603 2084 9000
Fax : 603 2094 9940

AUDITORS

Crowe Horwath
17.01, Menara Boustead Penang
39, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

SOLICITORS

Zaid Ibrahim & Co

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Public Bank Berhad
OCBC Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : VITROX
Stock Code : 0097

Corporate Structure

ViTrox Corporation Berhad

("ViTrox") and Subsidiaries as at 30 April 2012

ViTrox Corporation Berhad





Board of Directors

FROM LEFT TO RIGHT (Standing):

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani (Non-Independent Non-Executive Director), **Yeoh Shih Hoong** (Executive Director / Senior Vice President), **Chu Jenn Weng** (Managing Director / President / CEO), **Siaw Kok Tong** (Executive Director / Senior Vice President)

FROM LEFT TO RIGHT (Sitting):

Chuah Poay Ngee (Independent Non-Executive Director), **Dato' Seri Kiew Kwong Sen** (Chairman / Independent Non-Executive Director), **Chang Mun Kee** (Independent Non-Executive Director)



Profile of Directors

“Dato’ Seri Kiew Kwong Sen [Malaysian / Age 64] is the Chairman and Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 8 July 2005. He is also the Chairman of the Audit Committee of the Company.”



Dato’ Seri Kiew Kwong Sen

Chairman / Independent Non-Executive Director

Dato’ Seri graduated from National Taiwan University with Bachelor of Science in Mechanical Engineering Degree in 1972 and received Master of Science Degree in Industrial Engineering Degree from the University of California, Berkeley, USA. He worked in various technical and management positions at Multi-National Companies in Malaysia, Singapore and USA.

He is now the Chairman and President of Mini-Circuits Technologies Malaysia, President of Gibraltar Semiconductor, San Jose, California, President of Blue Cell Technologies, Sacramento, California, and Chairman of Mini-Circuits Taiwan Ltd. He is also the Chairman of ViTrox Corporation Berhad and Director of ACX Ceramic Taiwan.

Dato’ Seri is very active in community services including sponsor of various charitable and educational projects. He is the founder and Chairman of the Mini-Circuits Scholarship Foundation. This Foundation has been awarding two full scholarships a year for deserving University students for a full 4-year degree programme at local Universities.

He has been serving as a member of Penang Competitiveness Committee since 2003. He was also the Vice Chairman of the Board of Invest Penang Berhad until March 2008. He is now Chairman of the Penang SME Management Council, Chairman of the Penang Science Council Entrepreneur Pillar and Chairman of the Board of Visitor, Penang Island Hospital.

He is also an Independent Non-Executive Director of Pentamaster Corporation Berhad.



Profile of Directors



Chu Jenn Weng
Managing Director / President / CEO

“Chu Jenn Weng [Malaysian / Age 42] is a promoter and substantial shareholder of ViTrox. He is the Managing Director / President / CEO of ViTrox Group and currently oversees the entire operations of the Group. He was appointed to the Board of Directors of ViTrox on 7 July 2005. He is the Chairman of the Executive Committee of the Company.”

Mr. Chu has more than 15 years experience in machine vision and related field. He started his first project in machine vision back in 1992 while he was still studying in Universiti Sains Malaysia (USM) majoring in Electrical and Electronics Engineering. Upon graduation from the University, he was employed as an instrumentation engineer in Hewlett-Packard Malaysia (HPM) (now known as Agilent Technologies Sdn Bhd), where he initiated and led the in-house 4-person machine vision team for more than 5 years. During his 5 ½ year career in HPM, he was directly involved in the R&D of machine vision systems, system set-up and support, as well as setting objectives and development plan for the entire team.

Mr. Chu completed his part-time post graduate study in image processing from USM in 1998. While learning the fundamental and required techniques in this field, he traveled to countries like Singapore and United States of America (USA), to study and evaluate the need of those technologies and its potential for growth. He left HPM in 1998 to start-up his own business with his partner/co-founder, Siaw Kok Tong in machine vision. Thereafter, the partnership was then converted into a private limited company in March 2000 and was officially named ViTrox Technologies Sdn Bhd (VTSB).

During the start-up phase of VTSB, Mr. Chu was involved in every aspect of the business, starting from sales and marketing, R&D of vision system, part purchasing, finance as well as service and support.

As the Managing Director / President / CEO of ViTrox Group, he oversees the entire operations of the business including company objectives, goals and directions.

Mr. Chu received the certificate of merit from The Outstanding Young Malaysian (TOYM) Award under the Business, Economic and Entrepreneurial Accomplishment category in 2005. He was recently awarded the 2011 Ernst & Young Malaysian Technology Entrepreneur of the Year and also received the Outstanding Entrepreneur Award 2011 from the Asia Pacific Entrepreneur Award (APEA).



Siaw Kok Tong

Executive Director / Senior Vice President



“Siaw Kok Tong [Malaysian / Age 41] is a promoter and substantial shareholder of ViTrox. He is the Executive Director / Senior Vice President of ViTrox Group and is primarily responsible for the operations of Machine Vision System (MVS) business unit for ViTrox Group. He was appointed to the Board of Directors of ViTrox on 7 July 2005. He is a member of the Executive Committee of the Company.”

A co-founder of VTSB, Mr. Siaw graduated with a Bachelor degree (First Class Honours) in Computer Science from USM in 1995. Mr. Siaw commenced his career with HP (Malaysia) as an instrumentation engineer in the Automation Department, where he was involved in the development of machine vision systems. During his 4 ½ year tenure in HPM, he was promoted to Senior Engineer and subsequently left the company in 1999 upon completion of his scholarship bond.

In 2000, Mr. Siaw co-founded VTSB with Chu Jenn Weng, where during the early stages of the company start-up, he was involved in application development, installation, system support and servicing, as well as the general administration and management of VTSB. With the subsequent addition of new engineers, he went on to head the development of non-standard vision applications.

Mr. Siaw played a key role in the establishment of ViTrox Group's customer base in Malaysia, Thailand, Philippines, Singapore, Taiwan, Indonesia, Hong Kong, China, Korea, Japan, Australia, India, Europe, and USA.

As an Executive Director / Senior Vice President of ViTrox Group, Mr. Siaw is responsible in promoting ViTrox Group's vision systems and vision handlers, both locally and abroad. He also manages the overall operations for Machine Vision System (MVS) business unit. He is part of the core management team involving in strategic decision making and planning.



Profile of Directors

“Yeoh Shih Hoong [Malaysian / Age 40] is a promoter, substantial shareholder and Executive Director / Senior Vice President of ViTrox. He was appointed to the Board of Directors of ViTrox on 7 July 2005. He is a member of the Executive Committee of the Company.”

Mr. Yeoh graduated with a Bachelor degree (First Class Honours) in Computer Science from USM in 1997. During his third year of tertiary study, he underwent industry training in HP (Malaysia) where he was assigned to work on machine vision projects.

Mr. Yeoh joined VTSB since its inception and has played a pivotal role in the product development of the company. He successfully co-developed many products for the company, such as Mark Lead Inspection System, IC Package Inspection System, Object Verification System and Die Counting System and the 4-in-1 Integration Solution. Mr. Yeoh played a key role in the development of the sub-pixel technology and VSCL platform of VTSB. He is currently involved in the R&D of new machine vision products, supporting existing products as well as training new engineers on the machine vision technologies.

As the Executive Director / Senior Vice President of ViTrox, he is involved in management decision making and planning.



Yeoh Shih Hoong
Executive Director / Senior Vice President



Chuah Poay Ngee
Independent Non-Executive Director

“Chuah Poay Ngee [Malaysian/Age 42], is an Independent Non-Executive Director of ViTrox. She was appointed to the Board of Directors of ViTrox on 15 November 2006 and is a member of the Audit Committee of the Company.”



Ms. Chuah graduated in 1994 from the Deakin University, Australia with a Bachelor Of Business (Accountancy) and qualified as Certified Practicing Accountant of the Australian Society Of Certified Practicing Accountants in 1996.

Upon graduation, Ms. Chuah joined Matthew & Partners (formerly known as Russ Ooi & Associates) as Tax and Audit Assistant. She then joined Grand Circuits Industry Sdn Bhd, a subsidiary of Grand United Holdings Berhad as Accounts Executive in 1995 and was subsequently promoted to Group Accountant.

In 2001, she worked for Golden Fresh Sdn Bhd as Finance & Administration Manager and was later promoted to Senior Finance & Administration Manager. She left the company in 2006 to join Mini-Circuits Technologies (M) Sdn Bhd as Financial Controller until 2010. Currently she works for Dynacraft Industries (M) Sdn. Bhd. as Finance Manager.

Ms. Chuah is a Chartered Accountant of the Malaysian Institute of Accountants and also qualified as Certified Corporate Secretary with the University Malaya Centre of Continuing Education in 1998.



Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Non-Independent Non-Executive Director

“Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani [Malaysian / Age 52] is a Non-Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 8 July 2005. He is a member of the Audit Committee of the Company.”

He graduated in 1983 from the University of Essex, United Kingdom with a Bachelor degree (First Class Honours) in Electronic Engineering. He completed his Masters degree in Telematics in 1984 and Doctorate in Image Processing in 1991 at the same university.

Prof Ir. Dr. Fadzil has been a lecturer in signal processing and researcher in image processing at USM since 1984. Between 1988 and 1991, he was a senior research officer in image processing and subsequently as a lecturer at his Alma matter, University of Essex. Upon returning to Malaysia, he was made the Dean of the School of Electrical and Electronic Engineering at USM from 1992 and 1996. In 1997, he became the Dean of the Engineering Faculty at the newly established Petronas University of Technology, Malaysia (“UTP”). He served as the Director of Academic Studies at Petronas University from 1999 till 2003. From 2003 till 2006, he served as the Director of Postgraduate Studies. He is currently leading the Centre for Intelligent Signal and Imaging Research, and the Mission-Oriented Research in Biomedical Technology at UTP. Since April 2011, he has been appointed the Deputy Vice-Chancellor (Academic) of UTP.

Prof Ir. Dr. Fadzil is a Fellow with the Academy of Sciences Malaysia (ASM) and Fellow of the Institution of Engineers, Malaysia (IEM). He served as a Council Member of IEM from 2001 to 2004. He is a registered Professional Engineer with the Board of Engineers, Malaysia and a Senior Member of the Institute of Electrical and Electronics Engineers (IEEE), USA. His research interests include image compression, image processing and computer vision applications in healthcare, telemedicine, petroleum exploration, inspection systems and artificial intelligence.

Chang Mun Kee [Malaysian/Age 47], is an Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 25 June 2010. He is a member of the Audit Committee of the Company.

Mr. Chang obtained his Bachelor of Science in Mechanical Engineering from the University of Texas, Austin, USA in 1988 and a Master of Science in Mechanical Engineering from the Massachusetts Institute of Technology, USA in 1990. Prior to founding MOL Online Sdn Bhd in the 1995 and subsequently Jobstreet.com Sdn Bhd in 1997, he was with Kendall International, a US healthcare company for 5 years, starting as a process engineer in 1990 before being promoted to manufacturing manager in 1992 and Regional Director of Sales and Marketing for Malaysia in 1994. He left Kendall International in 1996 to establish Jobstreet.com Sdn Bhd which expanded regionally under his direction. He currently sits on the Boards of Innity Corporation Berhad, Jobstreet Corporation Berhad and 104 Corporation in Taiwan.

He is an Executive Director of Jobstreet Corporation Berhad and the founder of the Jobstreet Group. He is also an alternate director of a Non-Independent Non-Executive Director of Innity Corporation Berhad and 104 Corporation in Taiwan.



Chang Mun Kee

Independent Non-Executive Director

Additional Information on Directors

Conflict of interest and family relationships with any Director and/or major shareholder: None of the Directors have any conflict of interest with the ViTrox Group. None of the Directors have family relationship with any other director and/or major shareholder of ViTrox.

Material contracts involving Directors: There were no material contracts involving Directors during the financial years.

Convictions for offenses (within past 10 years, other than traffic offences, if any): None of the Directors have any convictions for offences other than traffic offences.

Securities held in the Company: The details are disclosed on page 96 of this Annual Report.

Directorship in other public company: Save for Dato' Seri Kiew Kwong Sen and Chang Mun Kee (as disclosed in their profile above), none of the Directors have any directorship in other public company in Malaysia.



Chairman's Statement

FINANCIAL PERFORMANCE

	2011 RM'000	2010 RM'000	+ / -
Revenue	79,203	87,609	-9.6%
Profit Before Tax ("PBT")	23,005	32,547	-29.3%
Profit After Tax ("PAT")	22,226	31,813	-30.1%

ViTrox Group recorded revenue of RM79.20 million in 2011, a decrease of 9.6% over the RM87.61 million in previous financial year. The decrease was a result of lower demand of Machine Vision System (MVS) and Electronics Communication System (ECS) due mainly to European financial debts crisis and sluggish US economy. However, the demand on our products, Automated Board Inspection (ABI) increased over previous financial year with our aggressive business expansion strategies. Consequently, the PAT achieved RM22.23 million in 2011, a decrease of 30.1% over RM31.81 million recorded in previous year. As such, net earnings per share were 9.61 sen in 2011 against 13.92 sen in 2010.

DIVIDEND

A tax exempt interim dividend of 1 sen per ordinary share each amounting to RM2,322,700 for financial year ended 31 December 2011 was paid to shareholders on 18 January 2012.

The Board of Directors has recommended a special tax exempt dividend of 0.5 sen per ordinary share each and a final tax exempt dividend of 0.5 sen per ordinary share each for the financial year ended 31 December 2011. If approved at the forthcoming Annual General Meeting, the total special and final tax exempt dividends are estimated amount to a total distribution of RM2,315,850. As a result, ViTrox is expected to declare a total dividend of 2 sen per share, with a total distribution approximately RM4,638,550 for the year.

CORPORATE DEVELOPMENT

Bonus Issue

On 15 July 2011, 77,500,000 new ordinary shares of RM0.10 each ("Shares") were issued by the Company pursuant to bonus issue on the basis of 1 bonus share for every 2 existing shares held. The Shares were listed and quoted on the Main Market of Bursa Malaysia of Bursa Securities Berhad on 18 July 2011.

The enlarged issued and paid up capital of the Company is now RM23,250,000 comprising 232,500,000 shares.

ACHIEVEMENTS IN 2011

Most Competitive Employer Award

ViTrox is proud to be presented the 'Most Competitive Employer Award' from the Ministry of Human Resource Malaysia for the outstanding achievements in the field of R&D, IT, and Innovation.

1-Innocert Certification

ViE Technologies (Subsidiary of ViTrox) won the 1-Innocert Certification which criterias includes 'Technology Innovation Ability', 'Technology Commercialization Ability', 'Technology Innovation Management Ability' and 'Technology Innovation Results'.

APEA Award 2011

On 20th July 2011, ViTrox's President and CEO, Mr Chu Jenn Weng was awarded the Asia Pacific Entrepreneurship Award (APEA). Mr. Chu was awarded under the 'Outstanding Entrepreneur Award' category.

2011 Forbes Asia's 200 Best Under a Billion List

ViTrox was named the Forbes Asia's 200 Best Under a Billion company in 2011. The Forbes Asia's 200 Best Under a Billion List consists of 200 top performing companies in Asia that shows strong earning growth, sales growth and return of equity in the past 12 months and over 3 years.

KPMG Shareholder Value Award 2011

ViTrox successfully won 2 major awards in this year's KPMG Shareholder Value Award (SVA) 2011, held in KL on 13th October 2011:-

Award#1:Sector Winner-Industrial Markets

Award#2:KPMG SVA 10th Anniversary Award (for firms with revenue up to RM100M)

Best of Industrial Applications for MSC Malaysia APICTA Award 2011

ViTrox won the Best of Industrial Applications for MSC Malaysia APICTA Awards 2011 for the product: V2000 Automated Optical Inspection System (AOI). Dubbed as the 'Oscars of ICT', the MSC APICTA 2011 Award Ceremony was held in KL Hilton on 25 Oct 2011. ViTrox represented Malaysia in the International stage held at Pattaya on 9th November 2011 and won the Merit Award under the 'Best of Industrial Applications' category.

Best Product - Asia Award from the Global Technology Award 2011

ViTrox is pleased to announce that our flagship product V810 Advanced 3D X-ray Inspection System (AXI) won the Best Product - Asia award from the Global Technology Awards organized by the Global SMT & Packaging Magazine.

Golden Bull Award 2011

ViTrox won the Golden Bull Award 2011 and an ICT Transformation Award held at Genting International Convention Centre on 28 Oct 2011. Acknowledged as the most prestigious and representative annual business award, the Golden Bull Award honors the best of SMEs in Malaysia by giving them due recognition for their hard-earned success and outstanding achievements. Organised by Nanyang Siang Pau, the award aims to provide an effective platform to benchmark successful SMEs and to inspire more SMEs to strive for excellence and accomplishment.

Ernst & Young Malaysian Technology Entrepreneur of the Year Award 2011

ViTrox's President and CEO, Mr. Chu Jenn Weng was honoured as the 2011 Ernst & Young Malaysian Technology Entrepreneur of the Year for his outstanding achievements in the area of entrepreneur spirit, company financial performance, strategic direction and innovation.

FUTURE OUTLOOK AND FOCUS

By continuing to invest in new technologies & products, we will be entering into the new financial year, the Group expects to face a very challenging year ahead, particularly in the first half of 2012 due to the uncertainty in worldwide economy. However, the Group will continue to invest in research and development on Machine Vision System (MVS), Advanced Optical Inspection System (AOI), Advanced 3D X-ray Inspection System (AXI) and Electronics Communication System (ECS) to remain in the forefront of the technology advancements in preparation for the market upturn.

It is expected that market to recover in semiconductor and electronics industries by mid year of 2012, the performance of ViTrox Group will continue to grow favorably. We are poised to make further progress in new technology while gaining customer loyalty with our demonstrated performance in previous years.

In conclusion, I am most proud of the technical excellence, product innovations, project execution and teamwork demonstrated by management and all the members of the ViTrox family. The success of executing business strategies and the ability to offer new products to existing and new customer clearly demonstrates our continued ability to grow the company in years to come.

Our board of directors, management team and all our employees are looking forward to more promising & rewarding future.

Dato' Seri Kiew Kwong Sen
Chairman/Independent Non-Executive Director
24 May 2012





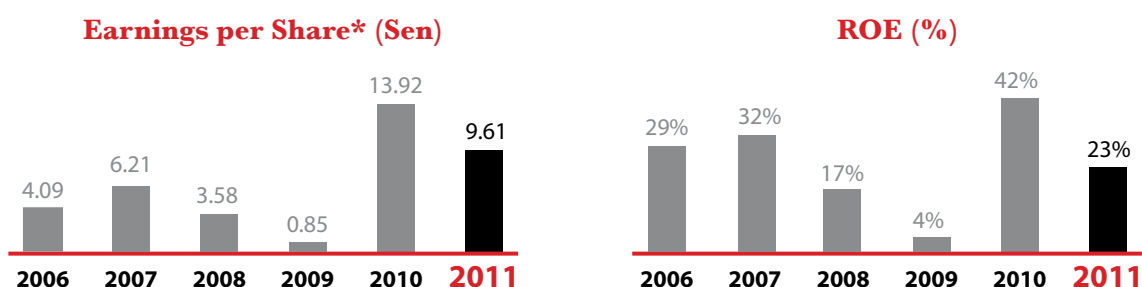
Chief Executive Officer's Review of Operations

Dear Shareholders,

FINANCIAL PERFORMANCE

I am glad to report our 11th year of consecutive annual profit. Our 2011 revenue and profit before tax (PBT) were RM79.20 million and RM23.00 million respectively. Both revenue and profit were decreased compared to the preceding year. The decline in revenue was mainly due to lower than expected demand of our MVS and ECS products in the second half of 2011 caused by the Euro sovereign debt crisis and prolonged recession in US economy. During the same period, our profit was decreased by 29.3% due to price erosion and increase of operating expenses from MVS and ABI.

Nevertheless, our financial position remains strong with cash and cash equivalents of RM42.74 million, as at 31st December 2011. Our bank borrowing was RM8.62 million, as at 31st December 2011, solely used to finance our ViTrox Innovation centre, Phase 2 expansion project. Our earnings per share (EPS) decreased to 9.61 sen from 13.92 sen a year ago and our return on equity decreased to 23% from 42% a year ago. Despite the decline in sales volume due to global recession, ViTrox continued its phenomenal record of 11 straight years of profitability, thanks to the sheer determination of the board and management team in ensuring uncompromised integrity, paying attention to business fundamentals, continuous commitment to value innovation and prudent cost management.



* EPS are calculated based on the ordinary shares, which has been adjusted for bonus issue retrospectively

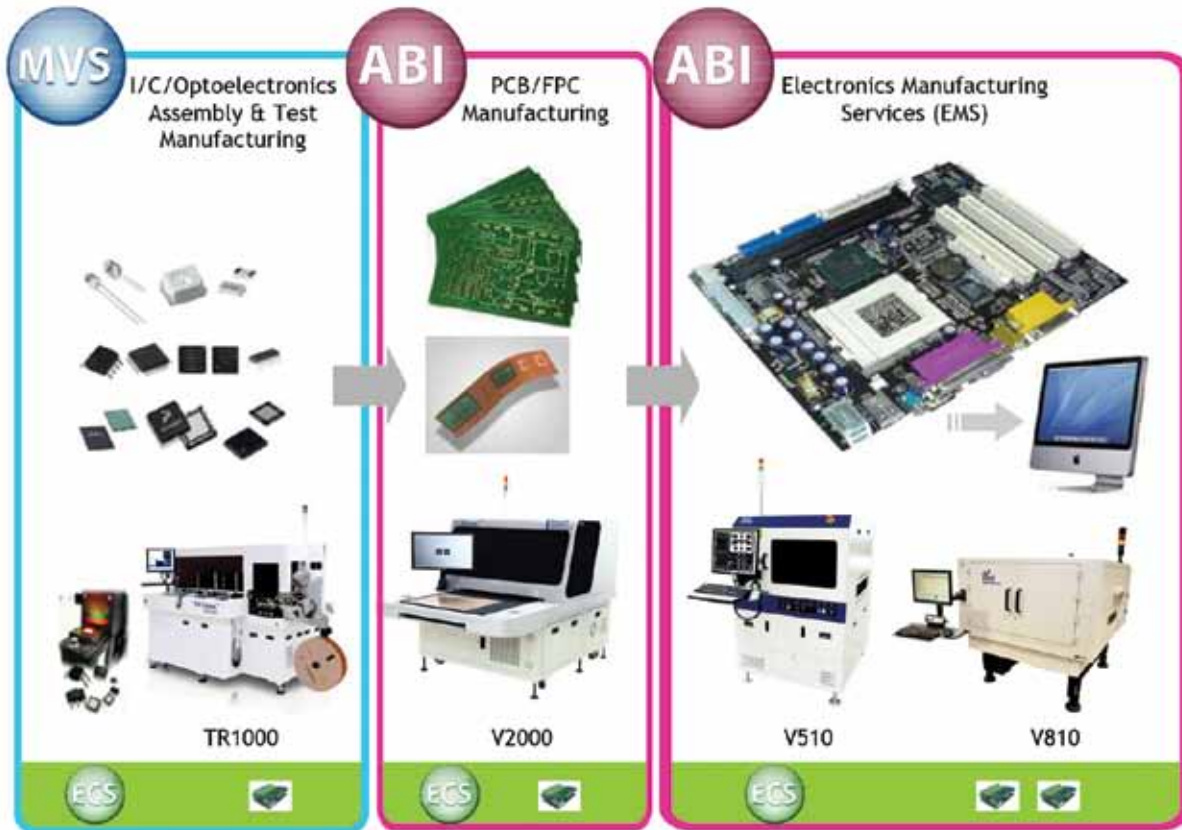
PRODUCT INNOVATION

ViTrox and its subsidiaries design and manufacture innovative, leading-edge and cost effective automated vision inspection equipment and system-on-chip embedded electronics devices for the semiconductor and electronic packaging industries worldwide. Our core products are Machine Vision System (MVS), Automated Board Inspection (ABI) and Electronics Communication System (ECS).

We serve customers from semiconductor packaging industry, printed circuit board industry, electronics assemblies industry, Original Equipment Manufacturers (OEM), Original Design Manufacturers (ODM), Electronics Manufacturing Services (EMS) and Contract Manufacturers (CM) around the world.

We provide the 'power of sight' to industrial systems for product quality and yields improvement. Our inspection system helps contain defects produced by various production stages, and prevent them from escaping downstream. Additionally, ViTrox inspection systems are capable of collecting process measurement data and provide feedback to address the root cause of defects and enable corrective action to be taken.

Smaller form factor in semiconductor packaging, denser and complicated printed circuits and assemblies coupled with higher customer's expectation in quality continue to drive the need for more stringent inspection for these industries. This will benefit ViTrox in the long run as we continue to expand our presence globally with leading edge inspection products and superior service & support.



Machine Vision System (MVS)

Under MVS, we design and manufacture advanced and cost effective 2 dimensional and 3 dimensional inspection systems to detect semiconductor and optoelectronic components' dimensional and visual defects automatically at semiconductor's back-end packaging and test processes. To-date, more than 9,000 MVS products have been installed worldwide at over 100 customer sites in 13 countries.

In 2011, MVS successfully developed and launched the following new products: -

- (a) V4 version 2.0 Platform: This enhanced multi-application platform offers seamless integration of various inspection applications, delivering easier operations, user-friendly system setup, consistent user-interface and one-glance view on active inspection applications. This new platform has been successfully installed on some customer sites and will continue to be proliferated gradually at different customer sites in 2012.
- (b) VCARE Remote Support Program: The program was introduced to existing customers with the aim to provide seamless and hassle-free remote support to our customer whenever our inspection system requires attention due to NPI, downtime or false call. This program will benefit our customers in term of support efficiency because our experienced service and support team can now handle multiple support requests from different remote locations on-line without the need to travel to customer sites. This is not only improve our support efficiency and reduce turnaround time, but also reduce our support costs and overheads in the long run.
- (c) 3D 3-Sided color inspection system for Lead and Package: We released a new inspection system that is capable to perform color inspection on multiple sides of component simultaneously and also detect color-related surface defects that occur on package surface and also contact leads. There has been a noticeable increase in the demand for this inspection function due to more stringent expectations from our customers.
- (d) V-module: A simplified 3D optical module was released to our customers to enable easier operations, conversion and maintenance. This helps to reduce the turnaround time during production use especially during package conversion process.
- (e) Tray to Tape & Reel Vision Handler (TR1000). We successfully launched and shipped our 1st TR1000 tray inspection handler in Q4, 2011. The inspection handler is capable to perform tape and reel output function with superior throughput of 12,000 unit per hour. The TR1000 has proven to be competitive in terms of cost, technology and performance when benchmarked against the market leader in this product segment. Additionally, we have also added Package Visual Inspection (PVI), 5-sided Inspection and Advanced Optical Inspection (AOI) functions to inspect for semiconductor surface defects and passive component faults respectively. This was done successfully by leveraging upon our technological expertise derived from other product development areas.





Chief Executive Officer's Review of Operations



Automated Board Inspection (ABI)

ABI division consists of 2 business units namely Printed Circuit Assemblies (PCA) and Printed Circuit Board (PCB). PCA serves the printed circuit assemblies markets while PCB serves the bare printed circuit board and bare flexible circuit markets.

In 2011, PCA launched the full turnkey solution for customer's shop floor system known as ViTrox Process Control Tool (VPCT). Through this software tool, customer is able to retrieve real time information that is critical to streamline operations, increase worker productivity, and control costs in a timely manner. This software tool consists of ViTrox Verification Tool Solution (VVTS), ViTrox Database SPC (VDSPC) and Centralized Database Distribution (CLD) that works hand in hand with each other in helping customer to achieve the desire objective of world class manufacturing facility. Ultimately, it enables our customer to be competitive in the market and be ready to confront ever greater mandates for speed, efficiency, quality, and process visibility.

New features such as Color Pattern Matching Algorithm, Multi-barcode Support, Network Offline Programming and Flexible Fiducial was released in 2011 as our commitment to customer to continuously improve user experience, enhance system performance and expand user-ability/test coverage.

Besides, V510 XXL Advanced Optical Inspection System (AOI) with the capability to inspect board sizes up to 620mm x 690mm was also launched in the year under review. This new product also incorporated the dual lane option that is able to support the lane dimension configuration of a world leading automated pick and place dual lane system.

The V810 Advanced 3D X-ray Inspection System (AXI) has made a significant technology breakthrough in 2011 through the launched of Phase Shift Profilometry Hardware Mapping Technology to enable peculiar PCA board inspection. The Variable Magnification NPI released makes μ BGA and fine pitch measurement possible with better performance than market standard. In a nutshell, V810 AXI had evolved into a more sophisticated yet user friendly system with better call accuracy, higher throughput and extended test coverage from the best-in-class today to an even higher level.

In 2011, we also launched a new model of V2000 Automated Optical Inspection System (AOI) for bare rigid PCB and Flexible PCB which comes with enhancements in inspection accuracy, speed and setup time.

Electronics Communication System (ECS)

We design, manufacture and market ECS products via its 100% owned subsidiary, ViE Technologies Sdn. Bhd. ViE produces a wide variety of ECS products for original equipment manufacturers, who use our products for image acquisition, data communication and motion control. ViE offers solution and support for high speed digital X-ray camera, high speed digital and analog input and output interface card, high speed low cost remote input and output controller PC interface card and remote modules, high speed high resolution motion controller and driver boards, universal light source controller and LAN based input/output and motion interface card.

In 2011, we successfully launched the following products: -

- (a) Orientation & open-short embedded test board for OEM customer. The embedded system is capable to perform high speed orientation and open short check for semiconductor ICs, used in high speed test and vision handlers.
- (b) Enhanced light source controller for tray vision inspection handler. This product provides better strobing and control of multiple layer of lights for the 3D BGA/Lead inspection and 2D Mark, Lead and Package inspection.



OPERATION

Our Corporate theme for the year under review was "ViTrox 2.0 - Speed, Cost & Global", signified the beginning of a new era of ViTrox, setting our priorities to deliver quality products and services to customers globally in shorter time and at lower cost. We focused on a few key initiatives in 2011: (1) Expand our global presence to serve more customers with better products and services; (2) Retain existing customers with leading edge products and prompt services; (3) Streamline and optimize our business processes through lean implementation; (4) Expand our infrastructure to support future business and operation growth, and (5) Conduct intensive R&D on key technology differentiation in machine vision and embedded systems. We believe these transformative initiatives will drive more revenue, reduce operation costs, and enable ViTrox to achieve its long term vision to be a truly lean world class enterprise in providing innovative, advanced and cost effective machine vision system and embedded system solutions.



We successfully executed our key hoshin strategies of focusing on customers, continuously enhancing our technology in machine vision and embedded solution, optimizing our business processes and constantly delivering winning products to customers in 2011.

I am proud to present our key accomplishments in operations as follow:-

- Establishment of in-house manufacturing capability on V810 Advanced 3D X-ray Inspection System (AXI) as an effort to streamline supply chain, improve product quality and reduce fix cost of the system.
- Establishment of mutual performance expectations and metrics for supplier through monitoring and provide constructive feedbacks on their Technology, Quality, Agility, Business, Cost and Delivery (TQABCD) performance. This system, as part of the LeanQMS initiative, serves as a Platform to review opportunities for improvements and to meet the tough expectation of today's competitive market place.
- Expansion of our spare parts warehouse locations across multiple continents in order to deliver best in class part delivery.
- Implementation of lean initiative to the entire organization. The Lean deployment team continue to roll out Lean program such as LeanQMS implementation, Kaizen activities, lean training programs and value stream mapping workshops across the entire organisation. LeanQMS implementation helps us to standardize, stabilize and improve the effectiveness and efficiency of our internal processes. With this, we aim to run our operation with lower cost, better quality, faster service and product delivery. In addition, we also integrated the LeanQMS with our on-line ViTrox Intranet System known as eQMS to provide more flexibility to users in accessing and updating the latest process information.
- Completion of the construction and renovation of our new 114,203 square feet 4-storey ViTrox Innovation Centre, Phase 2 in October 2011. We moved into the new facility on 8th October 2011. The new facility houses all ViTrox core business functions namely Sales & Marketing, R&D, Order Fulfillment, Manufacturing, Finance, HR & Admin, MIS and Warehouse under the same roof. This RM20 million facility gives us sufficient floor spaces for our current operations, as well as for the next 5 years expansion plan.

Recognizing that ViTrox can only achieve its vision to be world leading machine vision company when our customers achieve great success in their business with our innovation, we strive to work closely with customers to understand their present and future needs. It is therefore essential that we are able to deliver innovative solution in timely manner to address customer's short and long term objectives with leading edge technologies and excellent customer service.

RESEARCH AND DEVELOPMENT

We invested RM10.50 million, representing 13.3% of our revenue in FY2011 for research and development activities. As prudent accounting, we capitalized only RM0.50 million in 2011 compared to RM2.00 million a year ago as development expenditures under intangible assets. We continue our investment in R&D while controlling our operating expenses. This is a strategic step for the company, with its strong financial position, to further enhance our technology differentiation in machine vision and System-on-chip (SOC) technology, and product innovation.

In 2011, we successfully obtained 1 patent and filed another 3 new patents for our AOI, AXI and MVS products. To-date, we have obtained 7 patents and are working on more than 17 new technology researches that are potentially converted to patents in the next 1 to 2 years.

We continue to invest in the following areas which we believe will help us to open up new market potential and further strengthen our leading position in 3D Tray IC inspection, AOI inspection and 3D X-Ray inspection:-

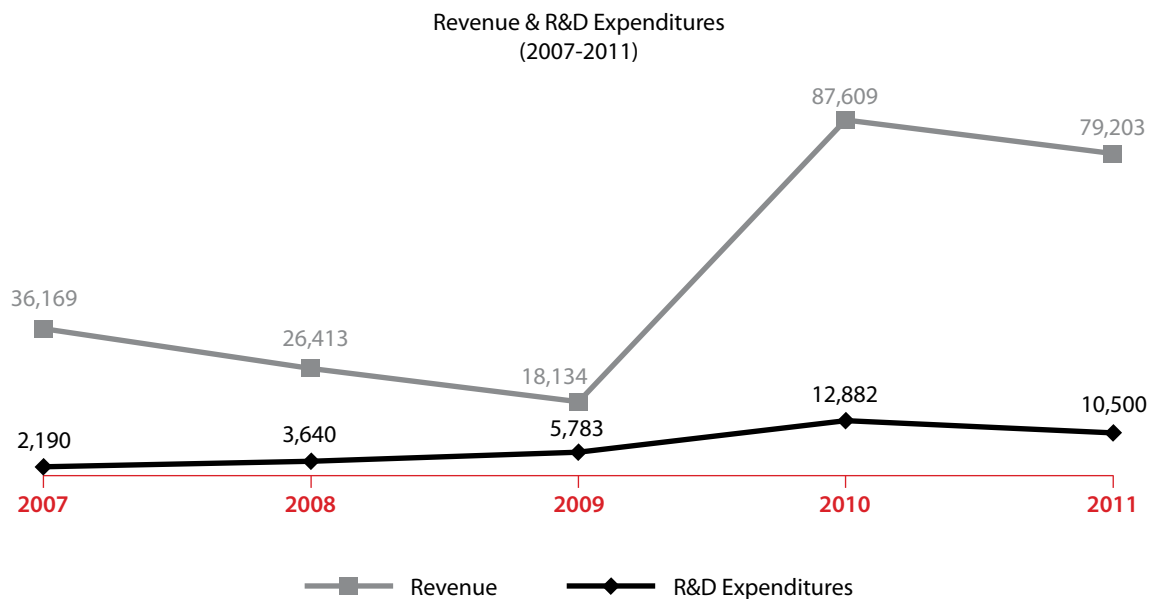
1. Release of the Advanced Solder Paste Inspection System (SPI) to capture the white space of inspection market for EMS, ODM and CM companies.



Chief Executive Officer's Review of Operations

RESEARCH AND DEVELOPMENT (CONT'D)

2. Launch of the Variable Magnification, Ultra V Light Sources and 3D Phase Shift Profilometry AOI system as our effort to make V510 Advanced Optical Inspection System (AOI) a "One-Stop" AOI solution for our customers.
3. Extra large AOI & AXI system to enable inspection with larger board size, in line with our goal to expand product portfolio offering.
4. Next generation AOI platform, offering higher throughput and competitive price to serve adjacent markets.
5. Release of color vision for 3D 5 sides lead and pad vision inspection system. This new color vision system will be able to detect certain defects that are not able to be screened effectively by conventional monochrome vision system.
6. Launch of new high speed Tray inspection handler (TH2000) and Tray to Tape & Reel inspection handler (TR1400). Both new models will come with enhanced inspection features to handle new IC packages, higher throughput and better ease of use functionalities.
7. Release of next generation X-Ray camera, offering higher throughput and better reliability compared to existing model.
8. Release of new LAN based communication solution for high speed and low cost input, output and motion interface.



SALES & MARKETING

ViTrox's MVS engagement with the sales representative in Taiwan starts bearing fruits. Through this partnership, we successfully launched the TH1000 Tray Inspection handler during the Taiwan Semicon show, held at Taipei on 7th – 9th September 2011.

Subsequently we successfully secured orders of these machines from a few major semiconductors Outsourced Assembly and Test (OSAT) companies in Taiwan.

During the period under review, ViTrox's PCA has successfully expanded the market reach to a few new territories namely Japan, Brazil and East USA. Besides, we have managed to sell our AOI beyond printed circuit board assembly industry into semiconductor industry which is adopting more sophisticated in-line AOI system.

Our Advanced 3D X-ray Inspection System (AXI) saw great success in North America market with sales of numerous AXI systems in 2011 to multinational OEMs and CMs. These order winning is a great testimony of ViTrox's commitment towards timely and well structure services & support footprint, leading edge technology and excellent product quality. As a result of our commitment, we have also received 3 appraisals from well established multinational companies from the United States.

The effort to promote ViTrox Branding and PCA AOI/AXI products are seamlessly executed in 2011 with 3 trade show participation in the US, Europe and Asia region. We are extremely proud to report that V810 AXI system has been awarded the Global Technology Award in the category of "Best Product - Asia" for its V810 Advanced 3D X-Ray Inspection System (AXI). The award was presented to us in a ceremony that took place at the Productronica Show in Munich, Germany on 15th November 2011.

For PCB-AOI, we are penetrating into medium and large PCB companies through sales agents and our own sales team. The V2000 Automated Optical Inspection System (AOI) systems are being evaluated by both medium and large sized PCB manufacturers. We are able to access to various potential customers across China and starts to gain acceptance by medium sized customers. We will embark on hiring more technical personnels this year to support the increasing sales, marketing and support activities in the region.



SALES & MARKETING (CONT'D)

We are also proud to report that V2000 AOI system had been awarded MSC Malaysia APICTA 2011 Winner Award in the Best of Industrial Applications segment. Subsequently ViTrox V2000 AOI represented Malaysia to receive APICTA International Merit Award in Thailand.

BUSINESS STRATEGIES

We executed our 'ViTrox 2.0 – Speed, Cost, Global' strategies in 2011 with reasonable success. In the area of defending existing customers' base, we continue to offer our customer with best in class products and services. We reduce our products' cost aggressively so that our customers can enjoy lower cost products to support their tough business environment.

We successfully expanded our presence to new territories include Japan, Europe, South America and East America through our sales team and local channel partners. We work closely with our customers to deliver the best value proposition to them across different continents. Our sales and R&D team always listen to customer's concerns attentively and able to deliver customized solutions to address their business needs in a timely manner. Besides offering leading edge and innovative product solution, we are committed to providing personalized and prompt customer service and support to our customers, so that we not only deliver superior products to customers but also excellent customer experience.

In 2012, we will continue to focus on growing the existing core businesses, namely MVS, ABI and ECS. We aim to build a strong foundation for each business to achieve long term sustainability. With this in mind, we will continue to pay attention to business fundamental, market expansion, research & development in specific technology differentiation in machine vision and embedded system and human capital development.

Moving forward as we are serving our customer across wider market segments and broader geographical areas, we are expected to improve our products and service quality while continue to offer innovative products at attractive price. With the readiness of our LeanQMS and our strong commitment in continuous improvement across the entire organization, we are confident that ViTrox will be able to roll out more innovative, leading-edge and quality inspection products that meet or exceed customer's expectation. In short, our core strategy for 2012 is *"keeping customer in mind, in everything we do internally and externally"*. With this, we expect to extend our market reach and broaden our customer base for all business units in 2012, as we are cautiously optimistic about the outlook and are confident with our product offerings in the pipeline. We are determined to be truly global player in the market we serve.

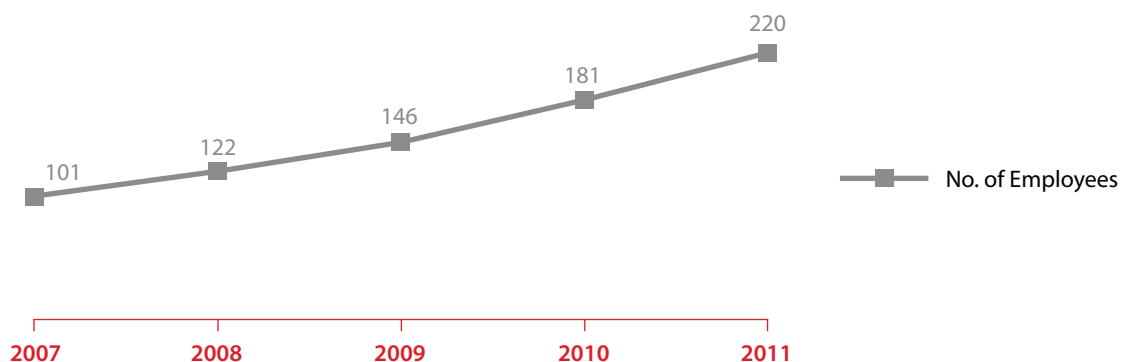
OUR PEOPLE

Our people makes ViTrox one of the most competitive enterprise in the region. In ViTrox, we are one family dedicated to our customers, our employees and the communities we serve.

As our greatest strength and the most important asset, our people create a working culture that is based on distinct and unique core values. These core values are Integrity, Accountability, Courage, Trust & Respect and Care & Gratitude. We named these values the Power of 5 – I.A.C.T.G. With these set of values, we live in a family-like working environment where our people treat one and other with trust & respect. We pay genuine attention to people around us, who are our customers, our colleagues, our suppliers and our communities. We conduct regular surveys to understand the needs of our customers and our employees.

In addition, our newly set-up work places are open, contemporary, lean and green as we believe a good and sustainable working place and culture will help to bring up people morale and hence able to deliver greater values to our customers and shareholders eventually.

We continue to strengthen our human capital by recruiting more talented people to our team. We grow our company from 181 people in 2010 to 220 people in 2011, representing a 22% growth over the preceding year, primarily to support our business development, R&D and manufacturing. In the year under review, our people spent more than 3,725 hours in various technical and soft skill training programs to further enhance our skill and ability to compete effectively in this ever changing operating environment.





Chief Executive Officer's Review of Operations

OUR PEOPLE (CONT'D)

To bring more fun to our work place, we regularly organize various team building activities for our people. We organized a company humanistic trip to Taiwan on 11th July 2011 where we visited Tzu Chi's Hospital, Tzu Chi's Recycling and Education Center, Tzu Chi's Culture and Communication Center, National Palace Museum and many more attractions in Taipei. Besides, we also organize yearly health campaign, bi-weekly corporate sharing, weekly yoga class, singing class, dancing class, cooking class etc for our people. In ViTrox, we do more than just business, we develop good characters.

CORPORATE RESPONSIBILITY

We strive to be much more than a business by making positive difference in the communities we serve. We want our charitable contributions touch as many lives as possible, hence we focus our charitable donation and outreach activities in few key areas namely education, charity and environment protection. In 2011, our employees donated more than RM90,000 to our communities, and our employees volunteered more than 5,000 hours in these activities.

In 2011, despite the busy year, we carried out various CSR programs as listed below:-

- a. Go Green Initiative. We set-up new recycling areas inside our premises and encourage all employees to bring their recyclable wastes here. Besides, we have installed rain water collection system to recycle rain water to water plants inside our premises. As global citizen, we encourage all employees to observe vegetarian diet for better health and reduce carbon footprint.
- b. ViTrox participated in the sponsorship of robotic sets for primary school in the 2011 First Lego League (FLL) Malaysia Open Championship. We not only donated multiple sets of Lego Mindstorm Robotic sets worth more than RM10,000 to Chinese primary school but also sent 2 volunteer employees to coach and teach young students about Lego robotic programming at the school on weekly basis. The program was aimed to produce more future engineers in the country by cultivating interest among young students on electronics and programming at their early age.
- c. We organized a donation and praying session in ViTrox on 18th March 2011 for the March 11th Japan earthquake and tsunami's victims. Our people poured in their care and love for the victims of the disasters by observing a minute of silent, writing wishes and donating more than RM40,000 to aid these victims in the 2 hours' event.
- d. 44 ViTrox volunteers participated in a charity event at the Children's Protection Society Penang (CPSP). Volunteers brought cheers and happiness to the children in the center through various activities such as games, singing and dancing. They also perform 'gotong-royong' to clean up the surrounding before leaving the area. The team contributed RM5,000 in cash and kind to CPSP. The cash was originally meant as a recognition reward to the team but they have decided to put it to a more meaningful use.
- e. Another charity drive was initiated by ViTrox volunteers to help victims of the Thailand's flood in October 2011. Several carton of goods and more than RM25,000 in cash were donated by ViTrox's employee to help the victims in Thailand, which include one of our employee living in Thailand.

By giving back to communities, we not only make others life better but also help ourselves to be a better person, and hence a better organisation.

GRATITUDES

2011 was a year that was full of gratitude. We received numerous national and international recognitions and awards for the efforts that our people put together over the years to make positive differences to the company. Among others, ViTrox made it to the Forbes Asia's 200 Best under a Billion company list, a recognition for our strong sales growth, earnings growth and return of equity over the past few years.

We would not have achieved these level of successes without the passionate, committed and caring ViTrox's people. These recognitions and glories entirely belonged to our people. With ViTrox's warrior spirit of never give up attitude, we continue to conquer new heights and overcome challenges to become a stronger, better and happier organization.

On behalf of the management team, I wish to thank the Board, our customers, shareholders, business associates and relevant governmental authorities who have helped us one way or another in 2011. I look forward to your continuous support in many years to come.

I would like to express my highest gratitude to my entire team, who are passionate, confident, dedicated and share the same vision to build a world leading technology company. I feel so fortunate that we are able to work as ONE family team, regardless of race, religion and background to build up our business from very humble beginnings.

Chu Jenn Weng
Managing Director/President/CEO
24 May 2012

Highlights of 2011

JANUARY

▪ **10 Years Anniversary**

The year 2010 was ViTrox's 10th Year Anniversary, and in conjunction with this, ViTrox took the opportunity to have a grand Annual Dinner. Aptly themed 'Dawn Of A New Era', it was ViTrox's biggest event ever since. All of ViTrox's employees including those based in China and the USA, major customers and vendors were invited to join in this grand event.

▪ **ViTrox 1st Technical Conference - X-Ray Inspection for Industrial Applications**

On 27th January 2011, ViTrox has organized a technical conference entitled 'X-Ray Inspection for Industrial Applications'. This event is co-organized by Multimedia Development Corporation (MDEC) and supported by University Technology PETRONAS. This conference was aimed to provide an overview of X-ray technology and the latest X-ray inspection technologies utilized in the PCB Assembly industry.

APRIL

▪ **ViTrox's Participation at IPC APEX 2011 @ Las Vegas, USA**

On 12th - 14th April 2011, ViTrox had participated in the IPC APEX 2011 held at Las Vegas, USA. ViTrox introduced its V810 Advanced 3D X-ray Inspection System (AXI) and V510 Advanced Optical Inspection System (AOI) during the show and received excellent responses.

MAY

▪ **ViTrox won the 'Most Competitive Employer Award'**

ViTrox is proud to be presented the 'Most Competitive Employer Award' from the Ministry of Human Resource Malaysia for the outstanding achievements in the field of R&D, IT, and Innovation.

▪ **ViTrox's Participation at Nepcon China 2011 @ Shanghai, China**

ViTrox has participated in the Nepcon China 2011 in Shanghai Everbright Convention and Exhibition Center from 11th to 13th May 2011. This is the 21st Anniversary of NEPCON China and the event is one of China's largest, longest standing, most comprehensive SMT trade shows.

▪ **MVS Charity Trip**

On 21st May, a total of 44 volunteers from ViTrox has participated in a Charity trip to the Children's Protection Society Penang (CPSP). Headed by Executive Director/Senior Vice President, Mr. Siaw Kok Tong and organized by ViTrox's MVS team, the charity programme is part of ViTrox's Corporate Social Responsibility to contribute back to the society.

JUNE

▪ **ViTrox Announces the First System of V810 Advanced 3D X-Ray Inspection System (AXI) Sold in US**

ViTrox proudly announces the first system of V810 Advanced 3D X-Ray Inspection System (AXI) sold to a top EMS customer, AsteelFlash in US.

▪ **ViTrox's Participation at SMIDEX Showcase 2011 @ Kuala Lumpur, Malaysia**

ViTrox's subsidiary, ViE Technologies has taken part in the SMIDEX Innovation Showcase from 7th to 9th June 2011. SMIDEX is an annual event, in collaboration with Ministries and Agencies that are designed to showcase the capabilities and capacities of Malaysian SMEs in producing products, technologies and services for the global market.

▪ **ViE Technologies (Subsidiary of ViTrox) won the 1-Innocert Certification**

ViE Technologies (Subsidiary of ViTrox) won the 1-Innocert Certification which criterias includes 'Technology Innovation Ability', 'Technology Commercialization Ability', 'Technology Innovation Management Ability' and 'Technology Innovation Results'.

Highlights of 2011

JULY

- **Humanistic trip to Taiwan**

On July 2011, a total of 127 ViTroxians visited the Tzu Chi Hospital, followed by Tzu Chi Recycle Center and Daai TV Station during their humanistic learning trip in Taiwan. The trip was carried out with a sustainable concept and to cultivate the healthy living lifestyle among ViTroxians.

- **ViTrox won the APEA Award 2011**

On 20th July 2011, ViTrox's President and CEO, Mr. Chu Jenn Weng was awarded the Asia Pacific Entrepreneurship Award (APEA). Mr. Chu was awarded under the 'Outstanding Entrepreneur Award' category.

AUGUST

- **ViTrox listed in the 2011 Forbes Asia's 200 Best Under a Billion List**

ViTrox was named Forbes Asia's 200 Best Under a Billion company in 2011. The Forbes Asia's 200 Best Under a Billion List consists of 200 top performing companies in Asia that shows strong earning growth, sales growth and return of equity in the past 12 months and over 3 years.

SEPTEMBER

- **The Commencement of New ViTrox Lab in Multimedia University Cyberjaya**

ViTrox has set up our new ViTrox Lab in Multimedia University. It has a built-up area of 3200sqft and serves as our new lab strategically located at the heart of Cyberjaya which forms a key part of the Multimedia Super Corridor in Malaysia.

- **ViTrox's Participation at Semicon Taiwan 2011**

ViTrox has participated in the Semicon Taiwan show on 7th-9th September 2011 and has taken this opportunity to launch it's new TH-1000 Tray Vision Handler. The TH-1000 is one of ViTrox's most recent product innovations, designed based on the industry's specific requirements and stringent needs for tray to tray IC devices final inspections.

OCTOBER

- **ViTrox has successfully moved into our new building**



From left to right:

Chu Jenn Weng
(Managing Director/
President/CEO),
Siaw Kok Tong
(Executive Director/
Senior Vice President),
Yeoh Shih Hoong
(Executive Director/
Senior Vice President),
Lim Wei Yee
(Senior Vice President),
Wee Kah Khim
(Vice President).

Highlights of 2011

- **ViTrox won the Golden Bull Award 2011**

ViTrox won the Golden Bull Award 2011 and an ICT Transformation Award held at Genting International Convention Centre on 28 Oct 2011. Acknowledged as the most prestigious and representative annual business award, the Golden Bull Award honors the best of SMEs in Malaysia by giving them due recognition for their hard-earned success and outstanding achievements. Organised by Nanyang Siang Pau, the award aims to provide an effective platform to benchmark successful SMEs and to inspire more SMEs to strive for excellence and accomplishment.

NOVEMBER

- **ViTrox won Best of Industrial Applications for MSC Malaysia APICTA Award 2011**

ViTrox won the Best of Industrial Applications for MSC Malaysia APICTA Awards 2011 for the product: V2000 Automated Optical Inspection System (AOI). Dubbed as the 'Oscars of ICT', the MSC APICTA 2011 Award Ceremony was held in KL Hilton on 25 Oct 2011. ViTrox represented Malaysia in the International stage held at Pattaya on 9th November 2011 and won the Merit Award under the 'Best of Industrial Applications' category.

- **ViTrox won Best Product - Asia from the Global Technology Award 2011**

ViTrox is pleased to announce that our flagship product V810 Advanced 3D X-Ray Inspection System (AXI) won under the category of Best Product - Asia from the Global Technology Award organized by the Global SMT & Packaging Magazine.

- **ViTrox's Participation at Productronica 2011 @ Munich, Germany**

On 15th-18th November 2011, ViTrox has participated in the Productronica show at Munich, Germany. Productronica is acknowledged as an International Trade Fair for innovative electronics products. ViTrox has taken this opportunity to demonstrate its V810 Advanced 3D X-Ray Inspection System (AXI) and V510 Advanced Optical Inspection System (AOI).

DECEMBER

- **ViTrox won the Ernst & Young Malaysian Technology Entrepreneur of the Year Award 2011**

ViTrox's President and CEO, Mr. Chu Jenn Weng was honoured as the 2011 Ernst & Young Malaysian Technology Entrepreneur of the Year for his outstanding achievements in the area of entrepreneur spirit, company financial performance, strategic direction and innovation.





WE ARE PROUD TO BE SELECTED AS VITROX'S OFFICIAL INTERIOR DESIGNER & ARCHITECT

SANTA FE INTERIOR ARCHITECTURE SDN. BHD

Santa Fe Interior Architecture SDN BHD is an international award winning interior design firm specialized in conceptual design and provides complete interior design consultancy and construction services for the local and international region.

Holding strong design passion in delivering the excellent, we try to be everywhere we can share our inspiration.

For past few years, we are honoured to have won International Design Award in USA out of 52 countries and 6 others International design awards and earned 27 Malaysian interior design awards namely IPDM, MSID, MIDA, IIDA and IDA for our various completed projects for corporate offices, institutions, hotels, commercial and residential projects. We serve our clientele from various disciplines and industries; from local to overseas; from consultation to construction; from construction value of RM100,000 to RM50 million projects. We take pride in our ability to deliver quality interior design and construction to our clients and provide total solution service and that is unmatched, regardless of the project sizes.

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<http://santafeia.webs.com/>

CY CHAN ARCHITECT

CYCA was formed to embrace a collaborative structure of valid complexity and diversity with meaningful aesthetic. CYCA was having a rigorous and efficient practice with conscientious commitment from design sensitivity to a sensible design solution with quality in construction detailing which are bold and appropriate to the buildings, environments and society.

Our practice has a diverse portfolio of works encompassing high-end condominiums, commercial developments, housing developments, industrial developments and master planning.

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Special thanks to ViTrox for years of rewarding partnership!



Vital Vision Technology Pte Ltd

We are the vision components specialist supplying a wide range of quality vision components. Our products include Area Scan Cameras (GigE, Firewire, CameraLink Camera), Line Scan Cameras (CameraLink, GigE, CoaXPress Cameras), Night Vision Cameras (low light), 3D Sensor, Frame Grabbers, Telecentric and Low Distortion Macro Lens, Optical Filters, illumination and Image Processing Software Libraries.

Vital Vision believes in team work and building long lasting relationship with partners, striving to achieve the best possible result for each mission.



NEED IMAGING SOLUTIONS?

- 26,500 Optical Components ready to ship TODAY.
- Over 705 Imaging Products available in Volume.
- Custom Design and Manufacturing capabilities.
- International Network of Vision Integration Partners.

NEED A VOLUME OPTICS QUOTE?

Contact our Sales Department today or to receive your FREE catalog!



Online Training



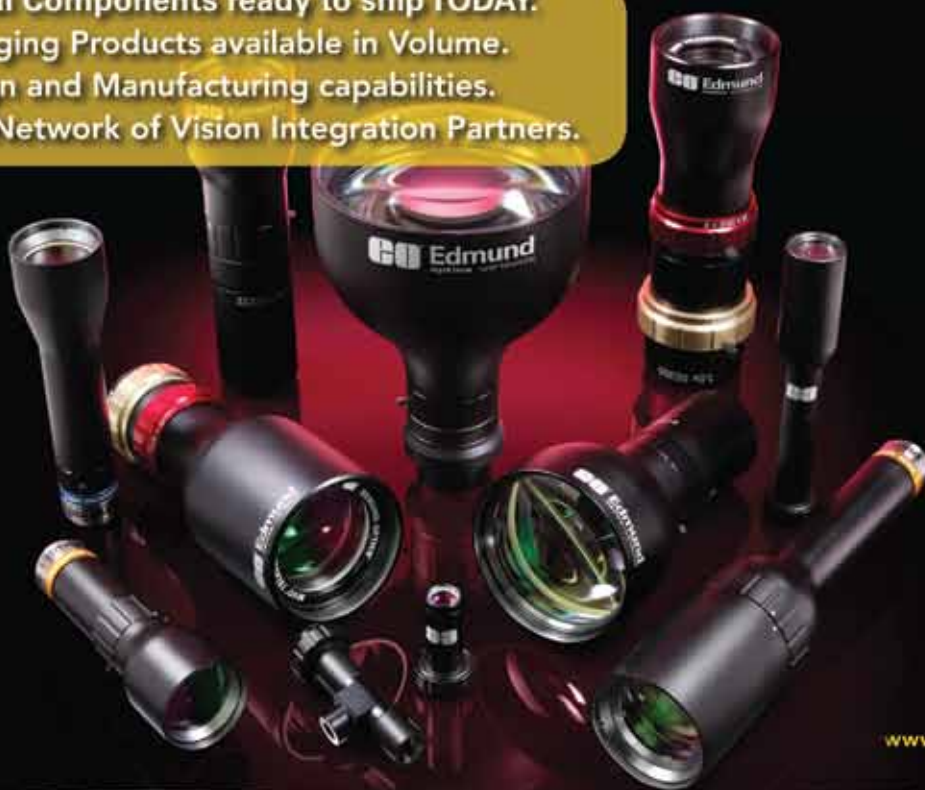
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65 6272 1763

www.edmundoptics.com.sg



WE DESIGN. WE MANUFACTURE. WE DELIVER.

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PROUD PARTNERS OF VITROX

FL Northern Sdn Bhd

Special thanks to ViTrox for years of rewarding partnership!

FL Northern Sdn Bhd has engaged in thermal management since 2005. We offer a wide range of business activities and services in the **metal fabrication, plastic fabrication and machine parts.**

To be one of the leading supplier for semiconductor and disc drives industries with our **excellence quality and delivery.**

To be able to provide resources and prompt and best services all the time to our valuable customers in terms of their cost reduction and increasing the productivity.

To be a **total customers satisfaction company.**

Contact Us :
FL NORTHERN SDN BHD
No. 30, Lorong Asas Jaya 6, Kawasan Industri Ringan Asas Jaya, 14000 Bukit Mertajam, Pulau Pinang

Tel / Fax : 04-5888 471
Email : flcnc@streamyx.com



CS Advance Engineering Sdn Bhd

Proud to be Partnered with ViTrox



CS Advance Engineering started its operations in 2003 with an objective to be one of the top fabrication houses in Northern Region.

Our core business activities are **metal fabrication, plastic fabrication and machine parts.**

With right vision and good planning, we have grown from year to year thanks to the tremendous support given by our customers.

We had begun our mid term planning by moving to a bigger production facility. In line with it, we are always improving our production process by upgrading production facilities and lower costs.

We had acquired a much improved **AWEA AV 1000 CNC Machining Center** to boost our production.



AWARD WINNING

INTERIOR DESIGN COMPANY

*"We are proud to be selected as
ViTrox's Official Interior Contractor"*

Midor Interior Designer and Furnishing Sdn Bhd

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Contact Us :

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Tel: +603 9287 7788 (Hunting Line)

Fax: +603 9287 2500

Email : info@midorinterior.com

www.midorinterior.com

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Plant & Mill supplies a wide range of industrial products ranging from components, sub-systems to fully automated systems. Below are our products :

CONTACT US :

Plant & Mill Motion Control Sdn Bhd

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11900 Bayan Lepas, Penang, Malaysia

Main Line : (604) 645 1861, 644 8369

Main Fax : (604) 644 8543

Email : penang.sales@pmsupplies.com



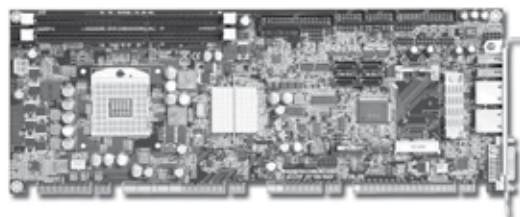
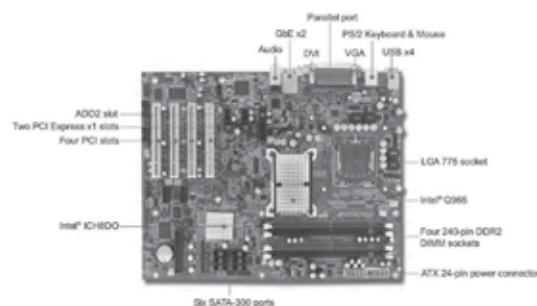
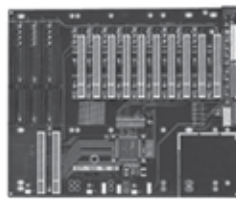
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19-1, Jalan PJU 1/3G, Sunway Mas Commercial Center,
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Tel: 603-78037845 Fax: 603-78037848

Penang office:

No. 2-7-4, Taman Sri Acres, Lebuhraya Sg. Ara, 11900 Bayan Lepas,
Penang, Malaysia
Tel: 016-2285273 info@indelfe.com.my

www.indelfe.com.my

SMC SMC PNEUMATICS (SEA) SDN BHD

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SMC Malaysia was established in 1978. Since then, it grows from strength to strength. Today, the company is proud to have a sales network across Malaysia with 4 branches. Our headquarters, occupying a land area of 6,968 sq. meter is located at Subang Hi-Tech Industrial Park, Klang Valley.

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Tel: 603-5635 0590

Fax: 603-5635 0601

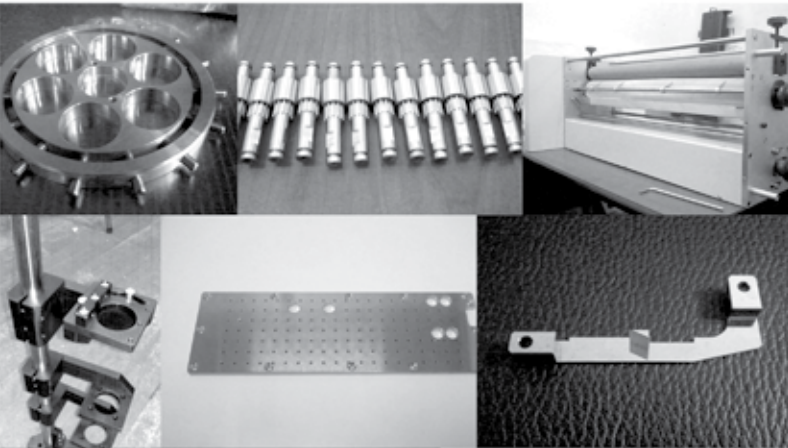
E-mail: sales@smcm.com.my

Website: www.smcm.com.my



HOCK TECH ENGINEERING WORKS

Proud to be Partnered with ViTrox



- Precision Engineering
- CNC Machining
- Jigs & Fixtures
- Original Equipment Manufacturing (OEM)
- Services

Contact Us :

HOCK TECH ENGINEERING WORKS

65, Presgrave Street, 10300 Penang
Tel : 604 2628889
Fax : 604 2615397
Email : hock_tech@yahoo.com

INDAH TOOL AUTOMATION SDN. BHD.

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ONE STOP CENTER precision engineering and machining for mold & die parts, precision machine parts, precision carbide tooling, SMT pallets and wave pallets, jig and fixtures, automated equipment, metal works and CNC machining.

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- **Disc Drive Industries.**
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- **Semiconductor Industries.**
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 - Pull Test Machine.
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RF ENCLOSURE



BLUETOOTH TEST FIXTURE



BONDING FIXTURE



SWAGE SHUTTLE

CONTACT US :

INDAH TOOL AUTOMATION SDN. BHD

No.15, Lintang Bayan Lepas 5, Taman Perindustrian Fasa 4, 11900 Bayan Lepas, Penang, Malaysia.
MOBILE No : +6016 - 492 3662 / +6012-481 3662 TEL NO. : 604-646 2193 / 644 4193 FAX NO. : 604 -644 4194

P-PLUS

P-PLUS was established in 1994 as an EMS, and currently is expanding to manufacturing and marketing of LED lighting products in the industrial and commercial areas.

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P-PLUS integrates quality ISO certified systems, innovative assembly and packaging technologies to deliver market leading electronic products. We deliver the best quality services from product PCB assembly through enclosures to testing and packaging, by utilizing the most advanced technologies in the industry.

LED Lighting

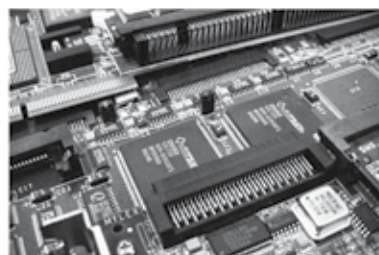
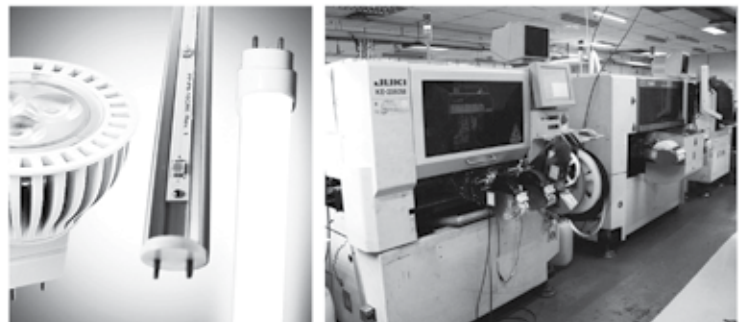
We design, manufacture and market a complete range of LED lighting products. P-PLUS offers an innovative and attractive plan to assist customer to Save Energy and Save Money.

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www.pplusmanufacturing.com

www.ppluslighting.com

Special thanks to ViTrox for years of rewarding partnership



Factory Address:

1807, Jalan Industri 2, Bukit Panchor Industrial Park,
14300 Nibong Tebal, Penang, Malaysia
Tel: +604-5938971 Fax: +604-5938975

Sales and Marketing Office Address:

1D, Jalan Tun Dr Awang, 11900 Bayan Lepas, Penang, Malaysia
Tel: +6016-4178737 Fax: +604-6432178



CORPORATE GOVERNANCE STATEMENT

VITROX CORPORATION BERHAD (649966-K)

The Board of Directors of ViTrox Corporation Berhad (“the Company”) is committed to ensure high standards of corporate governance are in place and practised throughout the Group. Since obtaining listing approval, the Company has progressively implemented the principles and best practices as recommended by the Malaysian Code on Corporate Governance (“the Code”).

The size of the Board of Directors of the Company (“the Board”) is small but effective with a good presence of Independent, Non-Executive Directors who participate actively in all Board discussions.

The Company has adopted most of the best practices as recommended by the Code with the following exceptions:

- 1) The Company has not set up a nominating committee. The function of the nominating committee, namely to review, identify and recommend new nominees to the Board and nominate Directors to Board Committees is assumed by the Board as a whole.
- 2) The Company has not set up a remuneration committee. The remuneration packages for Executive Directors are determined by the Board as a whole and the respective Executive Directors play no part in determining their own remuneration.
- 3) The Board has not appointed a senior Independent, Non-Executive Director to whom shareholders may address their grievances and concerns. The Board will collectively be responsible to address all grievances and concerns brought up by the shareholders.

The Board will review the necessity to implement the above-mentioned best practices from time to time.

1. Board of Directors

1.1 Composition and Board Balance

The Board comprises 3 Executive Directors, 1 Non-Independent, Non-Executive Director and 3 Independent, Non-Executive Directors. The composition of the Board reflects fairly the investment of all shareholders in the Company and a good independent element on the Board. There is also a clearly accepted division of responsibilities at the head of the Company where the roles of the Chairman and Managing Director are separated which will ensure a balance of power and authority such that no one individual has unfettered powers of decision. The Board is confident that its current size and composition is sufficient and effective in discharging the Board’s responsibilities and in meeting the Company’s current needs and requirements.

The presence of the Independent, Non-Executive Directors who respectively has a wide range of experience is vital to ensure that there is a broad, unbiased and independent view, advice and judgment on various issues dealt with at the Board. The current complement of Non-Executive Directors provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgment on matters of strategy, operations, resources and business conduct. The Non-Executive Directors also bring along the breadth and depth of experience to ensure that the strategies proposed by management are independently and objectively deliberated and examined, taking into account the interests of all stakeholders.

The composition of the Board complies with the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“LR”) which requires that independent non-executive directors make up at least 2 members or 1/3 of the membership of the Board, whichever is higher.

CORPORATE GOVERNANCE STATEMENT

VITROX CORPORATION BERHAD (649966-K)

1. Board of Directors (cont'd)

1.2 Board responsibilities

The Board assumes the following roles in discharging its stewardship responsibilities:

1. To review and adopt a strategic plan for the Group.
2. To oversee the business conduct of the Group to ensure that the business is being properly managed.
3. To identify principal risks affecting the Group and ensure that appropriate systems to manage these risks are in operation.
4. To ensure succession planning for senior management is in place.
5. To develop and implement an effective communications channel to investors and shareholders.
6. To review the adequacy and integrity of the Group's internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.3 Board Meetings

The Board has regularly held meetings and the attendance of the relevant directors for the Financial Year (FY) 2011 was as follows:

Director	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Kiew Kwong Sen	4	4
Chu Jenn Weng	4	3
Siaw Kok Tong	4	4
Yeoh Shih Hoong	4	4
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	4	3
Chuah Poay Ngee	4	3
Chang Mun Kee	4	4

1.4 Supply of Information

Prior to the Board meetings, all Directors are provided with an agenda and a set of Board papers. This is necessary to allow the Directors to have sufficient time to obtain further explanations, where it is deemed necessary. The Chairman or other directors assigned by him is responsible to ensure that all the directors have full and timely access to Board papers containing information relevant to the business of the meetings.

The Board papers include among others the following:-

- a. Financial reports and operations review;
- b. The latest business development;
- c. Recommendations by Board Committees, if any;
- d. A summary of circular resolution passed by the Company and/or its subsidiaries; and
- e. Minutes of previous meeting.

The proceedings at all Board meetings are duly recorded. The minutes of these proceedings are kept at the registered office of the Company.

All Directors have access to the services and advice of the Company Secretary who advises the Board on their statutory obligations as well as obligations arising from the LR or other regulatory requirements.

In furtherance of their duties, the Directors, collectively and individually, have access to all information within the Company. This includes direct access to the senior management.



CORPORATE GOVERNANCE STATEMENT

VITROX CORPORATION BERHAD (649966-K)

1. Board of Directors (cont'd)

1.5 Access to Information and Advice

The Board is supplied with financial and operational information, both in qualitative and quantitative forms, in a timely manner to assist the Board members to discharge their responsibilities. Where a potential conflict of interest may arise, the Director concerned will be required to declare his interest and abstains from all deliberations leading to decision making.

All Directors will have full access to the information of the Company and are entitled to obtain full disclosure by the management and advice or services from the Company Secretary or independent professionals on matters that will be put forward to the Board for decision to ensure that they are being discussed and examined in an impartial manner that takes into account the long term interests of shareholders, employees, suppliers, customers and other stakeholders with which the Group conduct its business.

1.6 Re-election of the Directors

In accordance with the Company's Articles of Association, one-third or a number nearest to one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire each year are the Directors who have been longest in office since their appointment or re-election.

The Articles of Association also provide that all Directors shall retire from their office and be eligible for re-election at least once in every three (3) years. A retiring Director is eligible for re-election. The election of each Director is voted on separately.

The Articles of Association further provide that a managing director can be appointed for a fixed term which shall not exceed three (3) years.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

The profiles of all directors, meeting attendance and the shareholdings in the Company have been furnished in this Annual Report.

1.7 Director's Training

All Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia.

Other than Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani who was not able to attend any training due to his tight traveling schedule, the rest of the Directors of the Company attended various seminars and training programmes during FY2011 as follows:

1. Introduction to Lean Organization
2. Value Stream Mapping
3. Leadership Retreat Program
4. Management Performance Evaluation Workshop
5. Management Financial Reporting Seminar
6. China Investment Conference
7. Intellectual Property & Contract Law with a Focus on the Formation of Contracts
8. Listing Requirements of Bursa Malaysia Securities Berhad
9. Malaysia-China-Asia Pacific Women's Economic Summit
10. The Innovator DNA
11. The Ambidextrous CEO

In the future, the Board will continue to identify training needs amongst the Directors and enroll the directors for training programs, as and when required.

CORPORATE GOVERNANCE STATEMENT

VITROX CORPORATION BERHAD (649966-K)

2. Board Committees

The Board, in discharging its fiduciary duties, is assisted by the following Board Committees which have been set up to perform specific tasks. The terms of reference of each committee have been approved by the Board and comply with the best practices recommended by the Code:-

Board Committee	Date established
Executive Committee	7 July 2005
Audit Committee	8 July 2005

All Board Committees are assisted by the Company Secretary.

2.1 Audit Committee

The terms of reference and the function of the Audit Committee are discussed on Page 34 to 36 of the Annual Report 2011.

2.2 Executive Committee

The Executive Committee ("Exco") comprises the Executive Directors as follows:

Chairman	: Chu Jenn Weng
Member	: Siaw Kok Tong
	Yeoh Shih Hoong

The Exco's functions are to assist the Managing Director to manage the Group's day-to-day operations. The Exco was set up to formulate operational plans and oversee the execution of these plans. The Exco meets regularly to discuss operational issues.



CORPORATE GOVERNANCE STATEMENT

VITROX CORPORATION BERHAD (649966-K)

3. Directors' Remuneration

The Company has not established a Remuneration Committee and the remuneration packages for Executive Directors are determined by the Board as a whole and the respective Executive Directors play no part in determining their own remuneration. It is the Company's policy to remunerate Directors adequately to attract and retain the Directors of the necessary calibre to manage its business. The Articles of Association of the Company provides that the remuneration of Directors shall not include a commission or percentage of turnover.

The determination of the remuneration of each Independent, Non-Executive Director is decided by the Board as a whole. The Board reimburses any reasonable expense incurred by these Directors in the course of their duties as Directors.

Details of the Directors' remunerations for FY2011 are as follows :

Category	Salaries, Bonuses & Employee Provident Fund			Total RM
	Fees RM	RM	Allowances RM	
Executive	-	586,224	108,000	694,224
Non-Executive	144,000	45,600	6,400	196,000
Total				890,224

The remuneration bands of the Directors are as follows:

Range	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 - RM100,000	-	1
RM150,001 - RM200,000	1	-
RM250,001 - RM300,000	2	-

4. Accountability and Audit

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Company. The Board has engaged an external professional firm to carry out the internal audit function for the Group. The functions of the internal auditors are to ensure that adequate system of internal controls exist to assist the management to manage operational, regulatory and financial risks.

The Company, through the Audit Committee, maintains an appropriate and transparent relationship with the external auditors. It is intended that Independent members of the Audit Committee will meet the external auditors at least twice a year to discuss the conduct and concerns arising from their audit without the presence of the Executive Director and management.

The Board, with the recommendations by the Audit Committee, will ensure that all quarterly announcements and annual reports present a balanced and understandable assessment of the Group's financial position and prospect.

The Board is also required by the Companies Act, 1965 to prepare financial statements that give a true and fair view of the state of affairs, including the cash flows and results, of the Group and of the Company for the financial year. A statement by the Board of its responsibilities for preparing the financial statements is set out on page 38 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

VITROX CORPORATION BERHAD (649966-K)

5. Relationship with Shareholders and Investors

In line with the recommendations by the LR and the Code, material information are disseminated to shareholders, investors and public at large on a timely basis. These information, which could be accessed through Bursa Malaysia website at www.bursamalaysia.com, include:

1. Quarterly announcements
2. Annual reports
3. Circular to shareholders
4. Other important announcements

The Group also maintains a website at www.vitrox.com which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

In addition to the above, the Company's Annual General Meeting remains the principal forum for dialogue with shareholders and adequate time will be allocated to address issues concerning the Group during the Annual General Meeting.

This statement was made in accordance with a board of directors resolution dated 24 May 2012.





AUDIT COMMITTEE REPORT

VITROX CORPORATION BERHAD (649966-K)

AUDIT COMMITTEE

The Audit Committee ("Committee") was established by the Board of Directors of ViTrox Corporation Berhad ("Company") on 8 July 2005 as a Committee of the Board.

COMPOSITION

The present members of the Committee comprise:

Dato' Seri Kiew Kwong Sen
Chairman
Independent, Non-Executive Director

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani
Member
Non-Independent, Non-Executive Director

Chuah Poay Ngee
Member
Independent, Non-Executive Director

Chang Mun Kee
Member
Independent, Non-Executive Director

The Committee is governed by the following terms of reference:

1. Membership

The Committee shall be appointed by the Board from amongst its members and consists of not less than three members. All the Committee member must be Non-Executive Directors, with a majority of whom must be independent. The members of the Committee shall elect the Chairman from among their number, who shall be an Independent, Non-Executive Director. No Chief Executive Officer and alternate Director shall be appointed as a member of the Committee.

If the number of members is reduced below three, due to whatsoever reasons, the Board shall within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

2. Meetings

Meetings shall be held not less than four times a year.

A quorum of two independent members shall constitute a valid meeting.

The Head of Finance and the Head of Internal Audit, if any, shall be invited to attend meetings, as the Committee deems necessary. At least twice a year, the Committee shall meet with the External Auditors without the presence of the Executive Directors.

The Company Secretary shall be the secretary of the Committee.

The External Auditors may request a meeting if they consider that one is necessary.

3. Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have the resources required to perform its duties. The Committee has full and unrestricted access to all information and documents relevant to its activities as well as to the internal and external auditors and employees of the Group.

4. Duties and Responsibilities

The duties and responsibilities of the Committee shall include:

- a) to recommend the appointment of the External Auditors, their audit fee and any questions on their resignation or dismissal, to the Board;
- b) to discuss the nature and scope of the external audit with the External Auditors before the audit commences;
- c) to review the financial statements of the Company and the Group before submission to the Board, focusing particularly on:
 - public announcements of results and dividend payment;
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the external audit;
 - the going-concern assumptions;
 - compliance with accounting standards; and
 - compliance with stock exchange and legal requirements.
- d) to discuss problems and reservations arising from the interim and final audits and any matters the external/internal auditors may wish to discuss (excluding the attendance of other directors and employees of ViTrox);
- e) to review the internal audit programme, consider the major findings of internal audit investigations and management's response and ensure co-ordination between the Internal and External Auditors;
- f) to review the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its works;
- g) to review and evaluate the adequacy and effectiveness of the Group's accounting policies, procedures and internal controls;
- h) to review the appraisal or assessment of the performance of the staff of the internal audit function; to approve any appointment or termination of senior staff of the internal audit function;
- i) to keep under review the effectiveness of internal control system and in particular, review External Auditors' management letter and management's response;
- j) to review any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transaction between the Company and any related parties outside the Group; and
- k) to carry out such other functions and consider any other topics, as may be agreed upon by the Board.



AUDIT COMMITTEE REPORT

VITROX CORPORATION BERHAD (649966-K)

5. Reporting Procedures

The Committee is authorized to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

6. Attendance at Meetings

The information on the attendance of each member at the Committee meetings held during the Financial Year 2011 is as follows:-

Member	No. of Meetings Held	Attendance
Dato' Seri Kiew Kwong Sen	4	4
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	4	3
Chuah Poay Ngee	4	3
Chang Mun Kee	4	4

7. Activities of the Audit Committee

The main activities carried out by the Committee during the Financial Year 2011 in discharge of its duties and responsibilities were as follows:-

- Considered and approved the internal audit plan for the Company and Group for the financial year ended 31 December 2011;
- Reviewed the internal audit reports for the Company and Group;
- Reviewed the external audit plan for the Company and Group with the External Auditors;
- Reviewed the external audit reports for the Company and Group with the External Auditors;
- Reviewed the quarterly results of the Group and recommended the same to the Board for approval.
- Reviewed the draft audited Financial Statements of the Company and Group for the financial year ended 31 December 2011 and recommended the same to the Board for approval.

8. Internal Audit Function

The Board has engaged an external professional firm to carry out the internal audit function of the Group. The Internal Auditors report directly to the Committee. The primary roles of the Internal Auditors are to assist the Committee on an ongoing basis to :

- review the risk management framework
- evaluate the state of compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance and other statutory requirements.
- provide independent, systematic and objective evaluation on the state of internal control within the Group.
- review recurrent related party transaction.
- perform such other functions as requested by the Committee.

During the Financial Year 2011, the Internal Auditors have assisted the Committee to undertake the following:

- plan the conduct of internal audit for Financial Year 2011
- review the risk management and the state of internal control of certain operating cycles within the Group
- presented the internal audit report to the Audit Committee

The cost incurred for the internal audit function in the financial year 2011 was made up of a fee paid to the professional internal audit firm of RM8,160.

STATEMENT ON INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements
VITROX CORPORATION BERHAD (649966-K)

The Board of Directors of ViTrox Corporation Berhad (“the Company”) has made the following statement on the state of internal control of the Group which has been prepared in accordance with the “Statement on Internal Control – Guidance for Directors of Public Listed Companies” issued by the Institute of Internal Auditors Malaysia.

Internal Control Objectives

The Board of Directors recognizes the importance of maintaining a sound system of internal control to achieve the following objectives:

1. Safeguard the shareholders’ investment and assets of the Group
2. Identify and manage risks affecting the business of the Group
3. Ensure compliance with regulatory requirements
4. Ensure the effectiveness and efficiency of operations to achieve business objectives of the Group
5. Ensure the integrity and reliability of financial information

In consultation with the Executive Directors of the Company who are also managing the active subsidiaries, the Board is satisfied that throughout the year, there is an ongoing process for identifying, evaluating and managing the significant risks affecting the Group through the system of internal control.

Key Elements of Internal Control System

The important elements of the system of internal control of the Group are as follows:

1. Organizational structure of each business unit clearly defines operational and financial responsibilities
2. Key responsibilities are clearly defined and properly segregated
3. Authority level is properly defined
4. Key management personnel including Executive Directors meet regularly to address key business risks and operational issues
5. Operational procedures are governed by standard operating manuals which are reviewed and updated regularly
6. Effective financial reporting system is in place to ensure timely generation of financial information for management’s review

The Board of Directors is ultimately responsible to ensure that the Group maintains a sound system of internal control. However, the Board wishes to draw attention that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or losses.

Internal Audit Function

The Board has outsourced the internal audit function to Finfield Corporate Services Sdn Bhd, an independent professional firm of consultants. The cost incurred for the internal audit function in the financial year 2011 was made up of a fee paid to the professional internal audit firm of RM8,160.

Regular internal audits are carried out on an ongoing basis to assess the adequacy and integrity of the internal control system of the Group based on the internal audit plan reviewed and approved by the Audit Committee. Based on the audits, the internal auditors will advise management on areas of improvement and subsequently, initiate follow-up actions to determine the extent of implementation of their recommendations.

The internal audit plan was circulated to the members of the Audit Committee prior to the execution of the assignment. Findings arising from the internal audit exercise were reported and discussed at the Audit Committee meeting.

During the year under review, the internal auditors have not reported any significant weaknesses in the system of internal controls of the Group.

This statement was made in accordance with a board of directors resolution dated 24 May 2012.





STATEMENT OF DIRECTORS' RESPONSIBILITIES

Pursuant to Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements
VITROX CORPORATION BERHAD (649966-K)

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flows and results, of the Group and of the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:

- That the Group and the Company have used appropriate accounting policies, and these are consistently applied;
- That reasonable and prudent judgments and estimates were made;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and subsidiary companies maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

This statement was made in accordance with a board of directors resolution dated 24 May 2012.

ADDITIONAL COMPLIANCE INFORMATION

VITROX CORPORATION BERHAD (649966-K)

1. Utilization of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

2. Share Buy-backs

The details of the shares purchased from the open market using the internally generated funds and held as Treasury Shares during the financial year are as follows:

Transaction date	Number of Shares (Units)	Unit Price			Consideration paid* RM
		Lowest RM	Highest RM	Average RM	
Jan 2011	197,900	1.25	1.28	1.27	250,694
Dec 2011	230,000	0.72	0.79	0.77	176,773
	427,900	0.72	1.28	1.00	427,467

* Including brokerage, clearing house fee and stamp duty.

Out of 427,900 shares so purchased during the financial year only 230,000 shares were retained as treasury shares. The Company has sold out a total of 2,912,600 treasury shares for the financial year ended 31 December 2011.

There has been no cancellation of treasury shares by the Company during the financial year ended 31 December 2011.

3. Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issues by the Company during the financial year.

4. American Depository Receipt ("ADR") or the Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any of such programmes.

5. Imposition of Sanctions and/or Penalties

There were no material sanctions and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the relevant regulatory authorities during the financial year.

6. Non-Audit Fees

Non-audit fees amounting to RM 10,400 were incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's external auditor and a company affiliated to the external auditors.

7. Profit Forecast and Unaudited Results Deviation

There was no profit forecast issued by the Group during the financial year.

The audited consolidated results during the financial year of the Group did not deviate by more than 10% of the unaudited consolidated results of the Group as announced via the BURSALINK on www.bursamalaysia.com on 28 February 2012.

8. Profit Guarantee

There was no profit guarantee issued by the Group during the financial year.

9. Recurrent Related Party Transactions of a Revenue or Trading Nature

The Company does not have any recurrent related party transactions of a revenue or trading nature during the financial year.





ADDITIONAL COMPLIANCE INFORMATION

VITROX CORPORATION BERHAD (649966-K)

10. Employee Share Scheme

There was no Employee Share Scheme implemented by the Company during the financial year.

11. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 31 December 2011 or entered into since the end of the previous financial year.

12. Corporate Social Responsibility ("CSR")

The Group subscribes to the belief that pursuit of business objectives needs to be balanced with social and environmental responsibilities for any business to remain sustainable. As such, the Group uses its best endeavour on ongoing basis to integrate CSR practices into its day to day business operations. These include devising staff welfare schemes to enhance the quality of life of its employees, demonstrating care for the community through monetary donations to schools and other charitable causes, encouraging its employees to donate blood, and adopting eco-friendly practices such as minimizing the use of hazardous compound in its manufacturing process to protect the environment.

FINANCIAL STATEMENTS

VITROX CORPORATION BERHAD (649966-K)

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DIRECTORS' REPORT

VITROX CORPORATION BERHAD (649966-K)

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and development of 3D and line scan vision inspection system. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit for the financial year	<u>22,226,457</u>	<u>5,121,093</u>

DIVIDENDS

Since the end of previous financial year, the Company paid the following dividends:-

	RM
In respect of the financial year ended 31 December 2010:	
- Interim dividend of 3 sen per share (tax exempt) paid in January 2011	4,568,559
- Final dividend of 0.5 sen per share (tax exempt) paid in July 2011	775,000
- Special dividend of 2.5 sen per share (tax exempt) paid in July 2011	3,875,000
In respect of the financial year ended 31 December 2011:	
- Interim dividend of 1 sen per share (tax exempt) paid in January 2012	<u>2,322,700</u>
	<u>11,541,259</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year apart from those disclosed in the financial statements.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company reissued 2,912,600 treasury shares by re-sale in the open market for a total cash consideration of RM5,934,930. Subsequently, the issued and fully paid-up share capital of the Company was further increased from RM15,500,000 to RM23,250,000 by way of a bonus issue of 77,500,000 new ordinary shares of RM0.10 each on the basis of 1 new ordinary share for every 2 existing ordinary shares in issue by capitalising the share premium account and retained profits of the Company.

There was no issue of debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted by the Company during the financial year.

PURCHASE OF OWN SHARES

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 21 November 2008, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

Month	Number of Shares	Unit Cost			Total Cost RM
		Lowest RM	Highest RM	Average RM	
January 2011	197,900	1.25	1.28	1.27	250,694
December 2011	230,000	0.72	0.79	0.77	176,773
	427,900	0.72	1.28	1.00	427,467

The mandate given by the shareholders at the Annual General Meeting held on 24 June 2011 will expire at the forthcoming Annual General Meeting at which an ordinary resolution will be tabled for shareholders to grant a fresh mandate for another year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would require the writing off of bad debts or render the amount of the allowance made for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets which would be unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.





DIRECTORS' REPORT

VITROX CORPORATION BERHAD (649966-K)

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Dato' Seri Kiew Kwong Sen
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani
Chu Jenn Weng
Siaw Kok Tong
Yeoh Shih Hoong
Chuah Poay Ngee
Chang Mun Kee

DIRECTORS OF THE COMPANY (CONT'D)

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM0.10 Each				Balance at 31.12.2011
	Balance at 1.1.2011	Bought	(Sold)	Bonus Issue	
Dato' Seri Kiew Kwong Sen - Direct	2,500,000	0	0	1,250,000	3,750,000
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani - Direct	500,000	0	0	250,000	750,000
Chu Jenn Weng - Direct	48,975,103	40,000	(1,194,600)	23,890,265	71,710,768
Siaw Kok Tong - Direct	35,084,843	0	(868,700)	17,108,071	51,324,214
Yeoh Shih Hoong - Direct	18,599,090	40,000	(436,700)	9,081,195	27,283,585
Chuah Poay Ngee - Direct	10,000	0	0	5,000	15,000
Chang Mun Kee - Direct	100	0	0	50	150
- Indirect	4,244,766	0	0	2,122,383	6,367,149

By virtue of their interests in shares in the Company, Chu Jenn Weng and Siaw Kok Tong are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.





DIRECTORS' REPORT

VITROX CORPORATION BERHAD (649966-K)

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 17 APRIL 2012**

Chu Jenn Weng

Siaw Kok Tong

STATEMENT BY DIRECTORS

VITROX CORPORATION BERHAD (649966-K)

We, Chu Jenn Weng and Siaw Kok Tong, being two of the directors of ViTrox Corporation Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 50 to 92 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 93 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 17 APRIL 2012**

Chu Jenn Weng

Siaw Kok Tong

STATUTORY DECLARATION

I, Chu Jenn Weng, being the director primarily responsible for the financial management of ViTrox Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 50 to 92 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Chu Jenn Weng at Georgetown in the
State of Penang on this 17 APRIL 2012

Chu Jenn Weng

Before me

Nachatar Singh A/L Bhag Singh, PJK
Commissioner for Oaths





INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VITROX CORPORATION BERHAD

VITROX CORPORATION BERHAD (649966-K)

Report on the Financial Statements

We have audited the financial statements of ViTrox Corporation Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 92.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VITROX CORPORATION BERHAD (cont'd)

VITROX CORPORATION BERHAD (649966-K)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 7 to the financial statements.
- (iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 93 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No: AF 1018

Chartered Accountants

Date: 17 April 2012

Penang

Eddy Chan Wai Hun

Approval No: 2182/10/13 (J)

Chartered Accountant



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

	Note	2011 RM	2010 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	27,917,565	13,411,867
Investment property	5	600,000	600,000
Development expenditure	6	3,653,358	3,941,093
Investments in club memberships - at cost		91,250	91,250
		32,262,173	18,044,210
CURRENT ASSETS			
Assets held for sale	8	887,388	0
Inventories	9	22,990,783	14,053,179
Trade and other receivables	10	21,599,531	18,133,724
Prepayments		1,212,959	311,009
Current tax assets		63,016	21,406
Cash and cash equivalents	11	42,739,240	43,403,278
		89,492,917	75,922,596
CURRENT LIABILITIES			
Trade and other payables	12	10,925,613	11,275,422
Term loan - secured	13	423,609	0
Financial liabilities at fair value through profit or loss	14	322,983	0
Advance payments from customers		925,100	696,304
Dividend payable		2,322,700	4,568,559
Current tax liabilities		0	169,072
		14,920,005	16,709,357
NET CURRENT ASSETS		74,572,912	59,213,239
NON-CURRENT LIABILITIES			
Term Loan - secured	13	8,195,860	0
Deferred tax liabilities	15	850,000	450,000
Deferred income on government grants	16	822,869	523,153
		9,868,729	973,153
NET ASSETS		96,966,356	76,284,296
EQUITY			
Share capital	17	23,250,000	15,500,000
Treasury shares	17	(176,773)	(1,021,498)
Share premium		4,662,738	1,222,055
Currency translation reserve		8,477	(4,022)
Retained profits		69,221,914	60,587,761
TOTAL EQUITY		96,966,356	76,284,296

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

	Note	2011 RM	2010 RM
Revenue	18	79,202,576	87,608,713
Other income		4,639,070	1,793,678
Amortisation of development expenditure		(790,509)	(1,013,399)
Changes in work-in-progress and finished goods		2,185,674	4,563,056
Depreciation of property, plant and equipment		(1,134,558)	(836,997)
Directors' remuneration	19	(890,224)	(972,393)
Employee benefits expense	20	(12,552,981)	(14,168,252)
Raw materials consumed		(34,343,348)	(33,385,719)
Finance costs		(58,152)	0
Other expenses		(13,252,549)	(11,041,998)
Profit before tax	21	23,004,999	32,546,689
Tax expense	22	(778,542)	(733,750)
Profit for the financial year		22,226,457	31,812,939
Other comprehensive income:-			
Currency translation differences for foreign operation		12,499	(1,837)
Other comprehensive income for the financial year		12,499	(1,837)
Total comprehensive income for the financial year		22,238,956	31,811,102
Earnings per share:-	23		
- Basic (sen)		9.61	13.92
- Diluted (sen)		9.61	13.92

The annexed notes form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

	Share capital RM	Treasury shares RM	Non-distributable		Distributable	
			Share premium RM	Currency translation reserve RM	Retained profits RM	Total equity RM
Balance at 1 January 2010	15,500,000	(852,705)	1,222,055	(2,185)	33,343,381	49,210,546
Profit for the financial year	0	0	0	0	31,812,939	31,812,939
Currency translation differences for foreign operation (representing other comprehensive income) for the financial year	0	0	0	(1,837)	0	(1,837)
Total comprehensive income for the financial year	0	0	0	(1,837)	31,812,939	31,811,102
Purchase of own shares	0	(168,793)	0	0	0	(168,793)
Dividends (Note 24)	0	0	0	0	(4,568,559)	(4,568,559)
Total transactions with owners	0	(168,793)	0	0	(4,568,559)	(4,737,352)
Balance at 31 December 2010	15,500,000	(1,021,498)	1,222,055	(4,022)	60,587,761	76,284,296
Profit for the financial year	0	0	0	0	22,226,457	22,226,457
Currency translation differences for foreign operation (representing other comprehensive income) for the financial year	0	0	0	12,499	0	12,499
Total comprehensive income for the financial year	0	0	0	12,499	22,226,457	22,238,956
Issue of shares	7,750,000	0	(1,130,396)	0	(6,619,604)	0
Share issue transaction costs	0	0	(91,659)	0	0	(91,659)
Purchase of own shares	0	(427,467)	0	0	0	(427,467)
Reissue of treasury shares	0	1,272,192	4,662,738	0	0	5,934,930
Dividends (Note 24)	0	0	0	0	(6,972,700)	(6,972,700)
Total transactions with owners	7,750,000	844,725	3,440,683	0	(13,592,304)	(1,556,896)
Balance at 31 December 2011	23,250,000	(176,773)	4,662,738	8,477	69,221,914	96,966,356

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

	Note	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		23,004,999	32,546,689
Adjustments for:-			
Allowance for slow moving inventories		2,418,197	1,088,837
Amortisation and depreciation		1,925,067	1,850,396
Amortisation of deferred income		(331,783)	(18,195)
Development expenditure written off		0	5,948
(Gain)/ Loss on disposal of property, plant and equipment		(10,500)	120
Impairment loss on loans and receivables		792,598	31,500
Interest income		(766,434)	(582,370)
Interest expense		58,152	0
Property, plant and equipment written off		0	2,500
Reversal of impairment loss on loans and receivables		(31,500)	(967)
Reversal of allowance for slow moving inventories		(2,513,989)	0
Unrealised loss on financial instruments at fair value through profit or loss		322,983	0
Unrealised (gain)/ loss on foreign exchange		(250,056)	776,441
Operating profit before working capital changes		24,617,734	35,700,899
Changes in:-			
Inventories		(8,841,812)	(10,642,035)
Receivables and prepayments		(4,572,643)	(13,241,272)
Payables and advance payments		(122,263)	9,024,812
Cash generated from operations		11,081,016	20,842,404
Tax paid		(632,544)	(365,588)
Tax refunded		43,320	411,989
Net cash from operating activities		10,491,792	20,888,805
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of development expenditure		(502,774)	(1,995,996)
Grants received		599,987	355,344
Interest received		766,163	610,103
Proceeds from disposal of property, plant and equipment		10,500	3,555
Purchase of property, plant and equipment		(16,526,862)	(3,575,707)
Net cash used in investing activities		(15,652,986)	(4,602,701)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(9,218,559)	0
Purchase of own shares		(427,467)	(168,793)
Interest paid		(37,877)	0
Reissue of treasury shares		5,934,930	0
Share issue transaction costs		(91,659)	0
Term loan raised		8,312,368	0
Net cash from/(used in) financing activities		4,471,736	(168,793)
Currency translation differences		25,420	(396,769)
Net (decrease) / increase in cash and cash equivalents		(664,038)	15,720,542
Cash and cash equivalents brought forward		43,403,278	27,682,736
Cash and cash equivalents carried forward	11	42,739,240	43,403,278

The annexed notes form an integral part of these financial statements.



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

	Note	2011 RM	2010 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	849,269	166,291
Investments in subsidiaries	7	8,042,013	8,042,013
		8,891,282	8,208,304
CURRENT ASSETS			
Trade and other receivables	10	13,882,739	15,533,216
Prepayments		27,395	27,609
Current tax assets		1,468	0
Cash and cash equivalents	11	10,854,364	8,655,353
		24,765,966	24,216,178
CURRENT LIABILITIES			
Trade and other payables	12	1,547,708	1,936,995
Dividend payable		2,322,700	4,568,559
Current tax liabilities		0	807
		3,870,408	6,506,361
NET CURRENT ASSETS		20,895,558	17,709,817
NON-CURRENT LIABILITIES			
Deferred income on government grants	16	387,062	82,540
NET ASSETS		29,399,778	25,835,581
EQUITY			
Share capital	17	23,250,000	15,500,000
Treasury shares	17	(176,773)	(1,021,498)
Share premium		4,662,738	1,222,055
Retained profits		1,663,813	10,135,024
TOTAL EQUITY		29,399,778	25,835,581

The annexed notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

	Note	2011 RM	2010 RM
Revenue	18	10,820,000	16,870,000
Other income		2,381,956	1,044,205
Depreciation of property, plant and equipment		(257,996)	(16,466)
Directors' remuneration	19	(447,812)	(451,579)
Employee benefits expense	20	(5,015,105)	(4,118,496)
Impairment loss on investment in a subsidiary		0	(499,999)
Other expenses		(2,334,950)	(1,028,848)
Profit before tax	21	5,146,093	11,798,817
Tax expense	22	(25,000)	(22,292)
Profit for the financial year		5,121,093	11,776,525
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		5,121,093	11,776,525

The annexed notes form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

	Share capital RM	Treasury shares RM	Non- distributable Share premium RM	Distributable Retained profits RM	Total equity RM
Balance at 1 January 2010	15,500,000	(852,705)	1,222,055	2,927,058	18,796,408
Profit (representing total comprehensive income) for the financial year	0	0	0	11,776,525	11,776,525
Purchase of own shares	0	(168,793)	0	0	(168,793)
Dividends (Note 24)	0	0	0	(4,568,559)	(4,568,559)
Total transactions with owners	0	(168,793)	0	(4,568,559)	(4,737,352)
Balance at 31 December 2010	15,500,000	(1,021,498)	1,222,055	10,135,024	25,835,581
Profit (representing total comprehensive income) for the financial year	0	0	0	5,121,093	5,121,093
Issue of shares	7,750,000	0	(1,130,396)	(6,619,604)	0
Share issue transaction costs	0	0	(91,659)	0	(91,659)
Purchase of own shares	0	(427,467)	0	0	(427,467)
Reissue of treasury shares	0	1,272,192	4,662,738	0	5,934,930
Dividends (Note 24)	0	0	0	(6,972,700)	(6,972,700)
Total transactions with owners	7,750,000	844,725	3,440,683	(13,592,304)	(1,556,896)
Balance at 31 December 2011	23,250,000	(176,773)	4,662,738	1,663,813	29,399,778

The annexed notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

	Note	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,146,093	11,798,817
Adjustments for:-			
Amortisation of deferred income		(124,832)	(8,220)
Depreciation		257,996	16,466
Dividend income		(10,450,000)	(14,650,000)
Impairment loss on investment in a subsidiary		0	499,999
Interest income		(181,105)	(117,283)
Unrealised gain on foreign exchange		(387)	0
Operating loss before working capital changes		(5,352,235)	(2,460,221)
Changes in:-			
Receivables and prepayments		1,663,380	(9,836,307)
Payables		(389,083)	1,219,644
Cash absorbed by operations		4,077,938	(11,076,884)
Tax paid		(27,275)	(12,217)
Net cash used in operating activities		(4,105,213)	(11,089,101)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		10,450,000	14,650,000
Grants received		419,044	90,760
Interest received		178,909	127,416
Purchase of property, plant and equipment		(940,974)	(182,757)
Net cash from investing activities		10,106,979	14,685,419
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(9,218,559)	0
Reissue of treasury shares		5,934,930	0
Purchase of own shares		(427,467)	(168,793)
Share issue transaction costs		(91,659)	0
Net cash used in financing activities		(3,802,755)	(168,793)
Net increase in cash and cash equivalents		2,199,011	3,427,525
Cash and cash equivalents brought forward		8,655,353	5,227,828
Cash and cash equivalents carried forward	11	10,854,364	8,655,353

The annexed notes form an integral part of these financial statements.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are those of investment holding and development of 3D and line scan vision inspection system. The principal activities of its subsidiaries are disclosed in Note 7.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and its principal place of business is located at Plot 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park Phase IV, 11900 Bayan Lepas, Penang.

The consolidated financial statements set out on pages 50 to 53 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 54 to 57 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 April 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Financial Reporting Standards ("FRSs") and the Companies Act 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation of Financial Statements (cont'd)

The following amended/revised/new FRSs became effective for the financial year under review:-

FRS	Effective for annual periods beginning on or after
Amendment to FRS 1 <i>Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters</i>	1 January 2011
Amendments to FRS 1 <i>Additional Exemptions for First-time Adopters</i>	1 January 2011
Amendments to FRS 2 <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 2 <i>Group Cash-settled Share-based Payment Transactions</i>	1 January 2011
Amendments to FRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 7 <i>Improving Disclosures about Financial Instruments</i>	1 January 2011
Amendments to FRS 132 <i>Financial Instruments: Presentation</i>	1 March 2010
Amendments to FRS 138 <i>Intangible Assets</i>	1 July 2010
Amendments to IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 July 2010
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2010)</i> "	1 January 2011
FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> (revised in 2010)	1 July 2010
FRS 3 <i>Business Combinations</i> (revised in 2010)	1 July 2010
FRS 127 <i>Consolidated and Separate Financial Statements</i> (revised in 2010)	1 July 2010
IC Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>	1 January 2011
IC Interpretation 12 <i>Service Concession Arrangements</i>	1 July 2010
IC Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i>	1 July 2010
IC Interpretation 18 <i>Transfers of Assets from Customers</i>	1 January 2011

The adoption of the above amended/revised/new FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as follows:-

FRS 3 *Business Combinations* (revised in 2010) and FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)

FRS 3 (revised in 2010) and FRS 127 (revised in 2010), which supersede FRS 3 *Business Combinations* (issued in 2005) and FRS 127 *Consolidated and Separate Financial Statements* (revised in 2005) respectively, introduce significant changes to the accounting principles for business combinations and consolidated financial statements, both at the acquisition date and post acquisition. Some of the key principles established are disclosed in Note 2.3.

In accordance with the transitional provisions of FRS 3 (revised in 2010), the Group and the Company have applied the standard prospectively to business combinations for which the acquisition date is on or after the effective date. In accordance with the transitional provisions of FRS 127 (revised in 2010), the significant amendments thereto have also been applied prospectively. Accordingly, business combinations entered into prior to 1 January 2011 have not been restated to comply with the standards.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Future Accounting Standards

In November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") framework. The issuance was made in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS framework is a fully IFRS-compliant framework and equivalent to IFRSs. It comprises standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012 and also amended/revised/new standards recently issued by the IASB that will be effective after 1 January 2012.

The Group and the Company will first adopt the MFRS framework for the financial year ending 31 December 2012. Management foresees that the transition to the MFRS framework will not have any significant impacts on the financial statements except as follows:-

MFRS 9 *Financial Instruments*

MFRS 9 (effective for annual periods beginning on or after 1 January 2015) replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes to the existing measurement bases of financial assets of the Group and the Company.

MFRS 10 *Consolidated Financial Statements*

MFRS 10 (effective for annual periods beginning on or after 1 January 2013) replaces the consolidation guidance in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. Management foresees that the adoption of these new control criteria will not result in any significant changes to the existing composition of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Future Accounting Standards (cont'd)

MFRS 112 Income Taxes

MFRS 112 provides a practical approach for measuring deferred tax by introducing a rebuttable presumption that the carrying amount of investment property stated at fair value will be recovered entirely through sale. Accordingly, the measurement of deferred tax shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. Management estimates that the adoption of this standard will have the following financial impacts:-

	The Group	
	Increase/ (Decrease) in Balance at 1.1.2011 RM	Increase/ (Decrease) in Balance at 31.12.2011 RM
Deferred tax liabilities	(50,000)	(50,000)
Retained profits	50,000	50,000

2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair value. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of Consolidation (cont'd)

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.10. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.10.

Capital work-in-progress is not depreciated. Leasehold land is depreciated on a straight-line basis over the lease terms of 50 to 60 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2%
Furniture, fittings and equipment	18% - 25%
Motor vehicle	25%
Renovation and electrical installation	25%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Investment Property

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

2.6 Research and Development Expenditure

Research expenditure is recognised in profit or loss when incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is recognised in profit or loss when incurred.

Capitalised development expenditure, considered to have finite useful lives, is stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.10. Amortisation is calculated on a straight-line basis over the estimated commercial lives of the underlying products of not more than 5 years. The amortisation period and method are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.7 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.10.

2.8 Investments in Club Memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.10.

2.9 Non-current Assets (or Disposal Groups) Held for Sale

A non-current asset (or disposal groups) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the initial classification as held for sale, the carrying amounts of the asset (or all the assets and liabilities of the disposal group) are measured in accordance with applicable FRSs. Upon classification as held for sale, the asset (or disposal group), other than deferred tax assets, financial assets within the scope of FRS 139 *Financial Instruments: Recognition and Measurement* and investment property stated at fair value, is measured at the lower of its carrying amount and fair value less costs to sell. Any initial or subsequent write-down to, or any subsequent increase in, fair value less costs to sell is recognised in profit or loss.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and investment property stated at fair value and non-current assets (or disposal groups) classified as held for sale, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment on goodwill is not reversed.

2.11 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.12 Financial Assets

Financial assets of the Group and the Company consist of receivables, derivatives and cash and cash equivalents.

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

(i) Financial assets at fair value through profit or loss

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Held-to-maturity investments

The Group and the Company do not have any financial assets classified under this category.

(iii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

(iv) Available-for-sale financial assets

The Group and the Company do not have any financial assets classified under this category.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial Assets (cont'd)

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

Determination of Fair Values

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of forward exchange contracts are quoted by the financial institutions (i.e. Level 1). If such quotation is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (i.e. Level 2).

2.13 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including financial guarantee contracts).

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial Liabilities (cont'd)

Recognition and Measurement (cont'd)

(i) Financial liabilities at fair value through profit or loss

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Financial guarantee contracts

After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

Determination of Fair Values

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

The fair values of long-term loans and borrowings are estimated by discounting the expected future cash flows using the current market interest rates for similar liabilities.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of forward exchange contracts are quoted by the financial institutions (i.e. Level 1). If such quotation is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (i.e. Level 2).

The fair values of financial guarantee contracts are estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors (i.e. Level 3).

2.14 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Foreign Currency Transactions and Translation (cont'd)

In translating the financial position and results of a foreign operation whose functional currency is not the required presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

2.15 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount of the treasury shares is adjusted to share premium.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.16 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

2.17 Government Grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are presented under "other income" in the statement of comprehensive income.

2.18 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in development expenditure, where appropriate, in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiary makes contributions to its country's statutory pension scheme. Contributions to defined contribution plans are recognised in profit or loss or included in development expenditure, where appropriate, in the period in which the associated services are rendered by the employee.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised 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 deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.21 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, term deposits (including those pledged as security), bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management makes the following judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements:-

(i) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to ownership of the land through a finance lease.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

Sources of Estimation Uncertainty (cont'd)

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives to be within 4 to 50 years. Changes in the expected level of usage and technological development will impact on the economic useful lives and residual values of the assets and therefore, future depreciation charges may be revised. The carrying amounts of property, plant and equipment are disclosed in Note 4.

(ii) Capitalisation and amortisation of development expenditure

The Group follows the guidance of FRS 138 *Intangible Assets* in determining the amount and nature of development expenditure to be capitalised as intangible asset and its subsequent amortisation. The assessment of the capitalisation criteria as disclosed in Note 2.6 requires ongoing estimates on the future outcome of the development project. Any changes in expectations from previous estimates will impact on the initial and subsequent capitalisation of the intangible asset as well as its future amortisation charges. The carrying amounts of development expenditure are disclosed in Note 6.

(iii) Impairment of non-financial assets

When the recoverable amount of a non-financial asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows. The carrying amounts of non-financial assets subject to impairment assessment are disclosed in Notes 4 and 6.

(iv) Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 9.

(v) Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 10.

(vi) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognise tax assets/liabilities based on their understanding of the prevailing tax laws and estimates of whether such assets/liabilities will be realised/settled in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact on the tax recognition in the period in which the outcome is determined. The carrying amounts of tax assets/liabilities as at 31 December 2011 are as follows:-

	The Group RM	The Company RM
Current tax assets	63,016	1,468
Deferred tax liabilities	850,000	0



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Short-term leasehold land RM	Long-term leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicle RM	Renovation and electrical installation RM	Capital work-in- progress RM	Total RM
<u>Cost</u>								
Balance at 1 January 2010	255,102	2,691,103	7,221,386	4,404,026	8,396	76,615	0	14,656,628
Additions	0	0	0	615,410	0	85,700	2,874,597	3,575,707
Disposals/Write-offs	0	0	0	(7,740)	0	0	0	(7,740)
Currency translation differences	0	0	0	(1,567)	0	0	0	(1,567)
Balance at 31 December 2010	255,102	2,691,103	7,221,386	5,010,129	8,396	162,315	2,874,597	18,223,028
Additions	0	0	0	1,791,562	99,578	100,006	14,535,716	16,526,862
Disposals/Write-offs	0	0	0	(20,700)	(8,396)	0	0	(29,096)
Reclassification	0	0	17,410,313	0	0	0	(17,410,313)	0
Transfer to assets held for sale	(255,102)	0	(888,116)	0	0	0	0	(1,143,218)
Currency translation differences	0	0	0	2,068	0	0	0	2,068
Balance at 31 December 2011	0	2,691,103	23,743,583	6,783,059	99,578	262,321	0	33,579,644

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group

	Short-term leasehold land RM	Long-term leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicle RM	Renovation and electrical installation RM	Capital work-in- progress RM	Total RM
<u>Accumulated Depreciation</u>								
Balance at 1 January 2010	39,681	175,670	580,436	3,122,273	8,396	50,098	0	3,976,554
Depreciation	4,253	44,851	146,394	616,571	0	24,928	0	836,997
Disposals/Write-offs	0	0	0	(1,565)	0	0	0	(1,565)
Currency translation differences	0	0	0	(825)	0	0	0	(825)
Balance at 31 December 2010	43,934	220,521	726,830	3,736,454	8,396	75,026	0	4,811,161
Depreciation	3,189	44,852	229,004	809,141	12,447	35,925	0	1,134,558
Disposals/Write-offs	0	0	0	(20,700)	(8,396)	0	0	(29,096)
Transfer to assets held for sale	(47,123)	0	(208,707)	0	0	0	0	(255,830)
Currency translation differences	0	0	0	1,286	0	0	0	1,286
Balance at 31 December 2011	0	265,373	747,127	4,526,181	12,447	110,951	0	5,662,079
<u>Carrying Amount</u>								
Balance at 1 January 2010	215,421	2,515,433	6,640,950	1,281,753	0	26,517	0	10,680,074
Balance at 31 December 2010	211,168	2,470,582	6,494,556	1,273,675	0	87,289	2,874,597	13,411,867
Balance at 31 December 2011	0	2,425,730	22,996,456	2,256,878	87,131	151,370	0	27,917,565



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

	The Group	
	2011	2010
	RM	RM
Long-term leasehold land	2,425,730	2,470,582
Buildings	22,996,456	5,801,825
	25,422,186	8,272,407

The Company

	Furniture, fittings and equipment RM	Renovation RM	Total RM
<u>Cost</u>			
Balance at 1 January 2010	0	0	0
Additions	97,057	85,700	182,757
Balance at 31 December 2010	97,057	85,700	182,757
Additions	940,974	0	940,974
Balance at 31 December 2011	1,038,031	85,700	1,123,731
<u>Accumulated Depreciation</u>			
Balance at 1 January 2010	0	0	0
Depreciation	9,470	6,996	16,466
Balance at 31 December 2010	9,470	6,996	16,466
Depreciation	236,571	21,425	257,996
Balance at 31 December 2011	246,041	28,421	274,462
<u>Carrying Amount</u>			
Balance at 1 January 2010	0	0	0
Balance at 31 December 2010	87,587	78,704	166,291
Balance at 31 December 2011	791,990	57,279	849,269

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

5. INVESTMENT PROPERTY

The Group

<u>Fair Value</u>	Shoplots RM
Balance at 1 January 2010	600,000
Movement during the year	0
Balance at 31 December 2010	600,000
Movement during the year	0
Balance at 31 December 2011	<u>600,000</u>

The fair values of investment property were determined based on the market values given by independent professional valuers using the comparison method.

The strata title of the investment property has yet to be issued to a subsidiary by the relevant authorities.

6. DEVELOPMENT EXPENDITURE

The Group

	RM
<u>Cost</u>	
Balance at 1 January 2010	3,803,473
Additions - internal development	1,995,996
Write-offs	<u>(1,756,995)</u>
Balance at 31 December 2010	4,042,474
Additions - internal development	<u>502,774</u>
Balance at 31 December 2011	<u>4,545,248</u>
<u>Accumulated Amortisation</u>	
Balance at 1 January 2010	839,029
Amortisation	1,013,399
Write-offs	<u>(1,751,047)</u>
Balance at 31 December 2010	101,381
Amortisation	<u>790,509</u>
Balance at 31 December 2011	<u>891,890</u>
<u>Carrying Amount</u>	
Balance at 1 January 2010	<u>2,964,444</u>
Balance at 31 December 2010	<u>3,941,093</u>
Balance at 31 December 2011	<u>3,653,358</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

6. DEVELOPMENT EXPENDITURE (CONT'D)

Included in additions of development expenditure during the year is employee benefits expense as follows:-

	2011 RM	2010 RM
Short-term employee benefits	0	339,620
Defined contribution plans	0	40,877
	0	380,497

7. INVESTMENTS IN SUBSIDIARIES

The Company

	2011 RM	2010 RM
Unquoted shares, at cost	8,542,012	8,542,012
Impairment loss	(499,999)	(499,999)
	8,042,013	8,042,013

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2011	2010	
ViTrox Technologies Sdn. Bhd.	Malaysia	100%	100%	Development and production of automated vision inspection system and digital automated vision inspection equipment and modules
ViE Technologies Sdn. Bhd.	Malaysia	100%	100%	Design, development and manufacture of printed circuit board assemblies for microprocessor applications
ViTrox International Sdn. Bhd.	Malaysia	100%	100%	Investment holding for setting up foreign subsidiaries and catering for future foreign investments
ViTrox Technologies (Suzhou) Co., Ltd.*	China	**100%	**100%	As sales and support office

* Not audited by Crowe Horwath

** Interest held through ViTrox International Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

8. ASSETS HELD FOR SALE

The Group

	2011	2010
	RM	RM
Leasehold land and buildings:-		
Balance at 1 January	0	0
Transfer from leasehold land and buildings	887,388	0
Balance at 31 December	887,388	0

In November 2011, the Group, through ViTrox Technologies Sdn. Bhd., entered into a sale and purchase agreement to sell the leasehold land and buildings. The sale has yet to be completed at the end of the reporting period.

9. INVENTORIES

The Group

	2011	2010
	RM	RM
Raw materials	14,611,386	7,859,456
Work-in-progress	424,167	368,908
Finished goods	7,955,230	5,824,815
	22,990,783	14,053,179



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade receivables:-				
- Subsidiary	0	0	0	2,281,633
- Unrelated parties	20,446,126	17,271,097	0	740,000
- Allowance for impairment	(691,631)	(31,500)	0	0
	19,754,495	17,239,597	0	3,021,633
Grants receivable	1,516,246	439,003	923,610	197,448
Other receivables:-				
- Subsidiaries	0	0	12,949,364	12,311,225
- Unrelated parties	429,757	455,124	9,765	2,910
- Allowance for impairment	(100,967)	0	0	0
	328,790	455,124	12,959,129	12,314,135
	21,599,531	18,133,724	13,882,739	15,533,216

The currency profile of trade and other receivables is as follows:-

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	4,720,952	4,776,545	13,879,880	15,533,216
US Dollar	16,857,393	13,332,204	2,859	0
Renminbi	21,186	24,975	0	0
	21,599,531	18,133,724	13,882,739	15,533,216

Trade Receivables

Trade receivables are unsecured and non-interest bearing. The amount owing by subsidiary is repayable on demand. The amounts owing by unrelated parties are generally on 30 to 270 day terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

10. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade Receivables (cont'd)

The movements in allowance for impairment are as follows:-

	The Group	
	2011	2010
	RM	RM
Balance at 1 January	31,500	829,512
Impairment loss recognised	691,631	31,500
Impairment loss reversed	(31,500)	(967)
Impairment loss written off	0	(828,545)
Balance at 31 December	691,631	31,500

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Not past due	11,333,272	11,309,967	0	3,021,633
Past due 1 to 30 days	2,458,344	1,895,586	0	0
Past due 31 to 120 days	3,806,397	1,422,898	0	0
Past due more than 120 days	2,156,482	2,611,146	0	0
	19,754,495	17,239,597	0	3,021,633

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2011, there was 1(2010 : 3) major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM6,609,045 (2010 : RM9,829,395). As at 31 December 2010, the entire trade receivables of the Company were due from a subsidiary and an unrelated major customer. The credit risk concentration profile by geographical areas of trade receivables is as follows:-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

10. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade Receivables (cont'd)

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Malaysia	2,983,241	4,002,111	0	3,021,633
Singapore	6,609,045	5,553,146	0	0
Taiwan	4,146,659	3,643,334	0	0
China	398,709	2,451,316	0	0
Mexico	3,047,162	1,428,950	0	0
United States	2,563,880	0	0	0
Other countries	5,799	160,740	0	0
	19,754,495	17,239,597	0	3,021,633

Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of refundable deposits which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

	The Group	
	2011 RM	2010 RM
Balance at 1 January	0	0
Impairment loss recognised	100,967	0
Balance at 31 December	100,967	0

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

11. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Highly liquid investments	12,327,397	2,354,610	5,511,517	2,105,385
Term deposits with licensed banks (fixed rate)	22,340,198	38,521,673	5,163,823	6,163,047
Cash and bank balances	8,071,645	2,526,995	179,024	386,921
	42,739,240	43,403,278	10,854,364	8,655,353

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

11. CASH AND CASH EQUIVALENTS (CONT'D)

A term deposit of the Group amounting to RM182,177 (2010 : RM83,044) has been pledged as security for credit facilities granted to the group. Accordingly, this term deposit is not freely available for use.

The effective interest rates of term deposits as at 31 December 2011 ranged from 2.7% to 3.6% (2010 : 0.3% to 3.1%) per annum.

The currency profile of cash and cash equivalents is as follows:-

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Ringgit Malaysia	36,042,038	27,770,991	10,854,364	8,655,353
US Dollar	6,590,418	15,524,626	0	0
Renminbi	99,724	26,117	0	0
Euro	7,060	81,544	0	0
	42,739,240	43,403,278	10,854,364	8,655,353

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade payables	3,498,178	4,384,313	17,885	0
Other payables	7,427,435	6,891,109	1,529,823	1,936,995
	10,925,613	11,275,422	1,547,708	1,936,995

The currency profile of trade and other payables is as follows:-

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Ringgit Malaysia	10,225,479	10,384,237	1,540,315	1,936,995
US Dollar	547,531	407,297	0	0
Singapore Dollar	23,629	113,502	0	0
Euro	100,393	366,615	7,393	0
Renminbi	28,581	3,771	0	0
	10,925,613	11,275,422	1,547,708	1,936,995

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 90 day terms.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

12. TRADE AND OTHER PAYABLES (CONT'D)

Other Payables

Other payables are unsecured and non-interest bearing. The amounts mainly consist of sundry payables and accruals for operating expenses which are generally due within 7 to 90 days.

13. TERM LOAN - SECURED

The Group

	2011 RM	2010 RM
Term loan (floating rate)	8,619,469	0
Disclosed as:-		
- Current liabilities	423,609	0
- Non-current liabilities	8,195,860	0
	8,619,469	0

Term loan is secured against certain property, plant and equipment (Note 4).

The effective interest rate of term loan as at 31 December 2011 is 2.8% (2010 : NIL) per annum.

The term loan is denominated in United States Dollar.

Term loan is repayable over 10 years. The repayment analysis is as follows:-

	2011 RM	2010 RM
Gross loan instalments:-		
- Within 1 year	502,574	0
- Later than 1 year and not later than 2 years	1,500,310	0
- Later than 2 years and not later than 5 years	4,287,430	0
- Later than 5 years	3,267,264	0
Total contractual undiscounted cash flows	9,557,578	0
Future finance charges	(938,109)	0
Present value of term loan:-		
- Within 1 year	423,609	0
- Later than 1 year and not later than 2 years	1,270,825	0
- Later than 2 years and not later than 5 years	3,812,476	0
- Later than 5 years	3,112,559	0
	8,619,469	0

The carrying amount of term loan is reasonable approximation of fair value as its effective interest rate also approximates to the current market interest rates for similar liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

14. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2011	2010
	RM	RM
Derivatives classified as held for trading, at fair value (Level 1)	322,983	0

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2011, the Group had contracts due within 1 year to buy approximately RM6,053,000 (2010 : NIL) and sell USD1,993,000 (2010 : NIL) at contractual forward rates.

15. DEFERRED TAX LIABILITIES

The Group

	2011	2010
	RM	RM
Balance at 1 January	450,000	316,000
Deferred tax expense relating to origination and reversal of temporary differences	363,000	134,000
Deferred tax liabilities under provided in prior year	37,000	0
Balance at 31 December	850,000	450,000
In respect of taxable temporary differences of:-		
- Property, plant and equipment	513,000	292,000
- Investment property	50,000	50,000
- Development expenditure	287,000	108,000
	850,000	450,000



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

16. DEFERRED INCOME ON GOVERNMENT GRANTS

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Balance at 1 January	523,153	269,645	82,540	0
Grants related to:-				
- Property, plant and equipment	485,139	90,760	429,354	90,760
- Capitalised development expenditure	146,360	180,943	0	0
	631,499	271,703	429,354	90,760
Amortisation	(331,783)	(18,195)	(124,832)	(8,220)
Balance at 31 December	822,869	523,153	387,062	82,540

The Group and the Company received grants from the local government for certain research and development projects. The grants covered 50% of the project budgets as approved by the local government.

17. SHARE CAPITAL

	2011		2010	
	No. of Ordinary Shares of RM0.10 each	RM	No. of Ordinary Shares of RM0.10 each	RM
Authorised	250,000,000	25,000,000	250,000,000	25,000,000
Issued and fully paid-up:-				
Balance at 1 January	155,000,000	15,500,000	155,000,000	15,500,000
Bonus issue	77,500,000	7,750,000	0	0
Balance at 31 December	232,500,000	23,250,000	155,000,000	15,500,000

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM15,500,000 to RM23,250,000 by way of a bonus issue of 77,500,000 new ordinary shares of RM0.10 each on the basis of 1 new ordinary share for every 2 existing ordinary shares in issue by capitalising the share premium account and retained profits of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

17. SHARE CAPITAL (CONT'D)

Purchase of Own Shares

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 21 November 2008, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders. The details of the shares purchased from the open market using internally generated funds and held as treasury shares are as follows:-

	2011		2010	
	No. of Shares	RM	No. of Shares	RM
Balance at 1 January	2,714,700	1,021,498	2,486,600	852,705
Shares purchased	427,900	427,467	228,100	168,793
Shares reissued	(2,912,600)	(1,272,192)	0	0
Balance at 31 December	230,000	176,773	2,714,700	1,021,498
Average unit cost for the year		1.00		0.74

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

	2011	2010
	No. of Shares	No. of Shares
Balance at 1 January	152,285,300	152,513,400
Shares purchased	(427,900)	(228,100)
Shares reissued	2,912,600	0
Bonus issue	77,500,000	0
Balance at 31 December	232,270,000	152,285,300

18. REVENUE

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Income from sale of goods	79,202,576	87,608,713	370,000	2,220,000
Gross dividends from subsidiaries	0	0	10,450,000	14,650,000
	79,202,576	87,608,713	10,820,000	16,870,000



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

19. DIRECTORS' REMUNERATION

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Fees	144,000	126,000	144,000	126,000
Other short-term employee benefits	596,218	663,389	235,429	248,769
Defined contribution plans	150,006	183,004	68,383	76,810
	890,224	972,393	447,812	451,579

20. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Short-term employee benefits	11,245,868	13,115,307	4,441,561	3,682,629
Defined contribution plans	1,307,113	1,433,442	573,544	435,867
	12,552,981	14,548,749	5,015,105	4,118,496
Employee benefits expense capitalised as development expenditure (Note 6)	0	(380,497)	0	0
Employee benefits expense recognised in profit or loss	12,552,981	14,168,252	5,015,105	4,118,496
Represented by:-				
- Short-term employee benefits	11,245,868	12,775,687	4,441,561	3,682,629
- Defined contribution plans	1,307,113	1,392,565	573,544	435,867
	12,552,981	14,168,252	5,015,105	4,118,496

21. PROFIT BEFORE TAX

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Profit before tax is arrived at after charging:-				
Allowance for slow moving inventories	2,418,197	1,088,837	0	0
Auditors' remuneration	39,500	39,500	12,000	12,000
Development expenditure written off	0	5,948	0	0
Direct operating expenditure for investment property generating rental income	2,462	2,582	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

21. PROFIT BEFORE TAX (CONT'D)

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Fee expense for financial instruments not at fair value through profit or loss	54,360	33,699	1,984	637
Impairment loss on loans and receivables	792,598	31,500	0	0
Interest expense for financial liabilities not at fair value through profit or loss	58,152	0	0	0
Loss on disposal of property, plant and equipment	0	120	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)				
- Realised	181,541	0	0	0
- Unrealised	322,983	0	0	0
Loss on foreign exchange:-				
- Realised	7,420	797,908	991	340
- Unrealised	0	776,441	0	0
Property, plant and equipment written off	0	2,500	0	0
Rental of premises	476,129	536,007	267,868	139,869
Research and development expenditure	10,792,708	10,592,692	5,570,244	4,066,357
and crediting:-				
Amortisation of deferred income	331,783	18,195	124,832	8,220
Gain on foreign exchange:-				
- Realised	749,559	17,922	0	0
- Unrealised	250,056	0	387	0
Gain on disposal of property, plant and equipment	10,500	0	0	0
Grants related to income	2,463,221	1,036,195	2,075,632	918,647
Interest income for financial assets not at fair value through profit or loss	766,434	582,370	181,105	117,283
Rental income:-				
- Investment property	32,853	24,000	0	0
- Others	4,800	79,200	0	0
Reversal of allowance for slow moving inventories	2,513,989	0	0	0
Reversal of impairment loss on loans and receivables	31,500	967	0	0



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

22. TAX EXPENSE

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Tax based on results for the year:-				
Malaysian income tax	366,000	574,428	25,000	15,607
Overseas tax	30,429	0	0	0
Deferred tax	363,000	134,000	0	0
	759,429	708,428	25,000	15,607
Tax (over)/under provided in prior year				
Malaysian income tax	(17,887)	25,322	0	6,685
Deferred tax	37,000	0	0	0
	778,542	733,750	25,000	22,292

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2011	2010	2011	2010
	%	%	%	%
Applicable tax rate	25.00	25.00	25.00	25.00
Non-deductible expenses	3.80	1.33	11.64	3.26
Non-taxable income	(2.55)	(0.92)	(61.85)	(33.12)
Pioneer income exempted	(27.26)	(27.53)	0.00	0.00
Effect of differential tax rates	4.31	4.30	25.70	4.99
Average effective tax rate	3.30	2.18	0.49	0.13

As at 31 December 2011, the Company has sufficient tax credits and tax exempt income to frank/distribute its entire retained profits if paid out as dividends. It may also distribute its entire retained profits as at 31 December 2011 as tax exempt dividends under the single tier tax system.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

22. TAX EXPENSE (CONT'D)

Tax incentives applicable to the Group are summarised below:-

The Company

The Company has been granted Multimedia Super Corridor ("MSC") status by Multimedia Development Corporation Sdn. Bhd. for the development of QFP/SO 3D Vision Inspection System, Leadless Package Vision Inspection System, BGA 3D Vision Inspection System and Line Scan and Laser 3D Vision Inspection System, Printed Circuit Board Assemblies (PCBA), Advanced X-ray Inspection and Advanced PCBA Optical Inspection System ("Pioneer Products"). By virtue of its MSC status, the Company has been granted pioneer status by the Ministry of International Trade and Industry Malaysia. Under this incentive, 100% of the Company's statutory income from the Pioneer Products is exempted from income tax for a period of 10 years commencing from 25 January 2005.

ViTrox Technologies Sdn. Bhd.

The subsidiary has been granted pioneer status by the Ministry of International Trade and Industry Malaysia for the development and production of digital automated vision inspection equipment and modules ("Pioneer Products"). Under this incentive, 100% of the subsidiary's statutory income from the Pioneer Products is exempted from income tax for a period of 10 years commencing from 1 April 2005.

ViE Technologies Sdn. Bhd.

The subsidiary has been granted pioneer status by the Ministry of International Trade and Industry Malaysia for the design, development and manufacture of printed circuit board assemblies for microprocessor applications ("Pioneer Products"). Under this incentive, 100% of the subsidiary's statutory income from the Pioneer Products is exempted from income tax for a period of 5 years commencing from 1 April 2007.

23. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year by the weighted average number of ordinary shares in issue during the year, after adjusting for the effect of bonus issue, shares purchased and share reissued, as follows:-

	2011	2010
Profit for the financial year (RM)	22,226,457	31,812,939
Number of shares in issue as at 1 January	152,285,300	152,513,400
Effect of bonus issue	77,131,146	76,186,096
Effect of shares purchased	(217,435)	(141,209)
Effect of share reissued	2,194,428	0
Weighted average number of shares in issue	231,393,439	228,558,287



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

23. EARNINGS PER SHARE (CONT'D)

	2011	2010
Basic earnings per share (sen)	9.61	13.92

The calculation of earnings per share for the previous financial year has been adjusted retrospectively to reflect the changes in the number of shares as a result of the bonus issue during the current financial year.

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

24. DIVIDENDS

The Group and the Company

	2011 RM	2010 RM
In respect of the financial year ended 31 December 2011:		
- Interim dividend of 1 sen per share (tax exempt) paid in January 2012	2,322,700	0
In respect of the financial year ended 31 December 2010:		
- Final dividend of 0.5 sen per share (tax exempt) paid in July 2011	775,000	
- Special dividend of 2.5 sen per share (tax exempt) paid in July 2011	3,875,000	0
- Interim dividend of 3 sen per share (tax exempt) paid in January 2011	0	4,568,559
	6,972,700	4,568,559

25. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Key management personnel compensation:-				
- Short-term employee benefits	858,202	939,045	379,429	374,769
- Defined contribution plans	167,488	199,468	68,383	76,810
	1,025,690	1,138,513	447,812	451,579
Dividends declared from subsidiaries	0	0	10,450,000	14,650,000
Purchase of property, plant and equipment from a subsidiary	0	0	644,408	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

26. SEGMENT REPORTING

The Group

Operating Segments

Information about operating segments has not been reported separately as the Group's profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the development and production of vision inspection system and printed circuit board assemblies for microprocessor applications.

Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2011	2010	2011	2010
	RM	RM	RM	RM
Malaysia	24,231,373	41,304,604	32,252,352	18,035,748
China	1,524,966	4,356,750	9,821	8,462
Japan	1,150,474	0	0	0
Taiwan	4,451,392	5,417,214	0	0
Singapore	29,044,277	30,127,772	0	0
Thailand	1,507,035	0	0	0
Mexico	3,534,552	3,571,005	0	0
United states	11,618,592	0	0	0
United Kingdom	1,213,051	0	0	0
Other countries	926,864	2,831,368	0	0
	79,202,576	87,608,713	32,262,173	18,044,210

Major Customers

The major customers that contributed 10% or more of the Group's total revenue are as follows:-

	External Revenue	
	2011	2010
	RM	RM
Customer I*	29,043,123	30,020,576
Customer II*	19,084,924	35,490,970

* The identity of the major customer has not been disclosed as permitted by FRS 8 Operating Segments.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

27. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

	2011	2010
	RM	RM
Contracted but not provided for	<u>269,000</u>	<u>11,884,000</u>

28. CONTINGENT LIABILITIES - UNSECURED

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM24,179,000 (2010 : RM26,179,000). The total utilisation of these credit facilities as at 31 December 2011 amounted to approximately RM14,987,000 (2010 : NIL).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.13. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

29. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 28.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currency within the Group is Ringgit Malaysia ("RM") whereas the major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	Increase/ (Decrease) in Profit 2011 RM	Increase/ (Decrease) in Profit 2010 RM
Appreciation of USD against RM by 10%	1,414,838	2,810,190
Depreciation of USD against RM by 10%	(1,414,838)	(2,810,190)

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Increase/ (Decrease) in Profit 2011 RM	Increase/ (Decrease) in Profit 2010 RM
Increase in interest rates by 50 basis points	(42,706)	0
Decrease in interest rates by 50 basis points	42,706	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

VITROX CORPORATION BERHAD (649966-K)

30. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity (including non-controlling interests) and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio as follows:-

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Total loans and borrowings	8,619,469	0	0	0
Total equity	96,966,356	76,284,296	29,399,778	25,835,581
Total capital	105,585,825	76,284,296	29,399,778	25,835,581
Debt-to-equity ratio	9%	0%	0%	0%

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

VITROX CORPORATION BERHAD (649966-K)

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	75,973,921	67,393,124	1,663,426	10,135,024
- Unrealised	(559,944)	(1,186,441)	387	0
	75,413,977	66,206,683	1,663,813	10,135,024
Consolidation adjustments and eliminations	(6,192,063)	(5,618,922)	0	0
Total retained profits as per statement of financial position	69,221,914	60,587,761	1,663,813	10,135,024

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.



LIST OF PROPERTIES

VITROX CORPORATION BERHAD (649966-K)

No	Name of Registered Owner / Postal Address / Title Identification	Approx Age of Building / Tenure / Date of Expiry of Lease	Description / Existing Use	Land Area / Build Up Area Sq Metre	Net Book Value as at 31 December 2011 RM	Year of Valuation / Acquisition
1.	<i>ViTrox Technologies Sdn. Bhd.</i> HSD 10203, Lot No. PT 4952, Mukim 12, Daerah Barat Daya, Pulau Pinang. <u>Bearing Postal Address</u> No. 5, Lintang Bayan Lepas 2, Bayan Lepas Industrial Park, Phase 4, Bayan Lepas, 11900 Penang.	8 years / 60 years lease expiring on January 6, 2058	Semi-detached factory cum office	1,529 / 544	887,388	September 27, 2000 (Date of Acquisition)
2.	<i>ViTrox Technologies Sdn. Bhd.</i> HSD 21704, Lot No. PT 5286, Mukim 12, Daerah Barat Daya, Pulau Pinang. <u>Bearing Postal Address</u> No. 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang.	5 years / 60 years lease expiring on December 26, 2066	ViTrox Innovation Centre	12,152 / 13,510	25,422,186	July 27, 2004 (Date of Acquisition)
3.	<i>ViTrox Technologies Sdn. Bhd.</i> Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang. <u>Bearing Postal Address</u> Level No. 04, Unit No. 20, Kristal Point II, Lebuah Bukit Kecil 6, 11900 Bayan Lepas, Penang.	7 years / 99 years lease upon issuance of strata title	Shoplot for investment purposes	- / 96	300,000	December 31, 2011 (Date of Valuation)
4.	<i>ViTrox Technologies Sdn. Bhd.</i> Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang. <u>Bearing Postal Address</u> Level No. 04, Unit No. 21, Kristal Point II, Lebuah Bukit Kecil 6, 11900 Bayan Lepas, Penang.	7 years / 99 years lease upon issuance of strata title	Shoplot for investment purposes	- / 96	300,000	December 31, 2011 (Date of Valuation)

STATISTICS OF SHAREHOLDINGS

VITROX CORPORATION BERHAD (649966-K)

SHARE CAPITAL AS AT 30 APRIL 2012

Authorised Capital : RM25,000,000.00
 Issued and Paid-up Capital : RM23,158,500.00*
 Class of Shares : Ordinary Shares of RM0.10 each
 Voting Rights : One voting right for one ordinary share

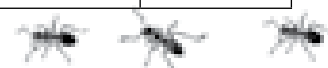
* Excluding 915,000 Ordinary Shares held as Treasury Shares

DISTRIBUTION OF SHAREHOLDERS AS AT 30 APRIL 2012

Size of Holdings	No. of Holders	No. of Shares	%
1 – 99	30	1,800	0.00
100 – 1,000	457	101,182	0.04
1,001 – 10,000	562	2,966,044	1.29
10,001 – 100,000	378	12,346,333	5.33
100,001 – 11,579,249	85	65,889,474	28.45
11,579,250 and above	3	150,280,167	64.89
TOTAL	1,515	231,585,000	100.00

THIRTY LARGEST SECURITIES HOLDERS AS AT 30 APRIL 2012

No.	Name	Shareholdings	%
1	Chu Jenn Weng	71,710,768	30.97
2	Siaw Kok Tong	51,285,814	22.15
3	Yeoh Shih Hoong	27,283,585	11.78
4	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: Exempt an for HSBC (Malaysia) Trustee Berhad (LRCT-5741)	6,367,149	2.75
5	Teng Soo Fong	6,008,199	2.59
6	Sim Ah Yoong	4,971,649	2.15
7	Kiew Kwong Sen	3,750,000	1.62
8	Tan Hong Soon	3,750,000	1.62
9	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Exempt an for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	3,120,000	1.35
10	Tan Booi Charn	2,175,000	0.94
11	Chua Siew Kim	2,035,749	0.88
12	Wong Ting Lik	2,020,394	0.87
13	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Cheong Siew Chyuan (470322)	2,000,000	0.86
14	Koay Soo Ming	1,539,793	0.66
15	Ang Nya @ Ang Ah Nya	1,500,000	0.65
16	Chong Kok Cheng	1,500,000	0.65
17	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Employees Provident Fund Board (PHEIM)	1,410,100	0.61
18	Chua Siew Kim	1,319,000	0.57
19	Lim Yee @ Lim Wei Yee	1,181,600	0.51
20	Amanahraya Trustees Berhad Qualifier: Public Smallcap Fund	1,114,400	0.48



STATISTICS OF SHAREHOLDINGS

VITROX CORPORATION BERHAD (649966-K)

THIRTY LARGEST SECURITIES HOLDERS AS AT 30 APRIL 2012 (CONT'D)

No.	Name	Shareholdings	%
21	Su Peik Hoon	1,105,116	0.48
22	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Booi Charn (471694)	1,000,000	0.43
23	Goh Thong Beng	900,000	0.39
24	Kenanga Nomineess (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Mak Tian Meng	780,000	0.34
25	Ahmad Fadzil Bin Mohamad Hani	750,000	0.32
26	Goh Siew Eng	750,000	0.32
27	Su Pek Fuen	669,999	0.29
28	Pang Kin Wai	651,100	0.28
29	CIMB Group Nominees (Asing) Sdn. Bhd. Qualifier: BHLB Trustee Berhad for Global Strategic Growth Fund (KSC 2)	600,000	0.26
30	Che Kausa Binti Mamat @ Mohd Nor	546,499	0.24
	TOTAL	203,795,914	88.01

SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2012

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	71,710,768	30.97	-	-
Siaw Kok Tong	51,324,214	22.16	-	-
Yeoh Shih Hoong	27,283,585	11.78	-	-

DIRECTORS' SHAREHOLDING AS AT 30 APRIL 2012

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	71,710,768	30.97	-	-
Siaw Kok Tong	51,324,214	22.16	-	-
Yeoh Shih Hoong	27,283,585	11.78	-	-
Dato' Seri Kiew Kwong Sen	3,750,000	1.62	-	-
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	750,000	0.32	-	-
Chuah Poay Ngee	15,000	0.01	-	-
Chang Mun Kee	150	-	6,367,149*	2.75

* Registered in the name of HSBC (Malaysia) Trustee Berhad for Little Rain Children Trust. HSBC (Malaysia) Trustee Berhad - Little Rain Children Trust is the trustee of a discretionary trust, for charity and estate planning purpose, where the beneficiaries of which are members of Mr Chang Mun Kee's family and himself.

SHARE BUY-BACK STATEMENT

VITROX CORPORATION BERHAD (649966-K)

1. Disclaimer Statement

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement prior its issuance, and hence, take no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the content of the Statement.

2. Rationale For the Share Buy-Back By ViTrox Corporation Berhad ("ViTrox" or "the Company") Of its Own Ordinary Shares of RM0.10 Each ("Shares") of up to 10% of its Existing Issued and Paid-Up Share Capital at any given point in time ("Proposed Share Buy-Back")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

- a. To allow the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of the Shares and hence, enhance investors' confidence;
- b. To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity; and
- c. The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s).

3. Retained Profits and Share Premium

Based on the audited financial statements of ViTrox as at 31 December 2011, the retained profits and share premium of the Company stood at RM1,663,813 and RM4,662,738 respectively.

4. Funding for the Proposed Share Buy-Back

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back as the Company has net cash and cash equivalent balance of approximately of RM10.85 million based on the audited financial statements of ViTrox as at 31 December 2011. The fund utilised by the Company for the Proposed Share Buy-Back will reduce the resources available to ViTrox for its operations by a corresponding amount for shares bought back.

5. Interests of Directors' and Substantial Shareholders' and Persons Connected to them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Substantial Shareholders of ViTrox nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of treasury shares.



SHARE BUY-BACK STATEMENT

VITROX CORPORATION BERHAD (649966-K)

5. Interests of Directors' and Substantial Shareholders' and Persons Connected to them (cont'd)

Based on the Register of Directors and Register of Substantial Shareholders of ViTrox as at 30 April 2012 and assuming that ViTrox implements the Proposed Shares Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to them of ViTrox are as follows:-

	As at 30 April 2012 ^(a)				After Proposed Share Buy-Back ^(b)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Directors and Substantial Shareholders</u>								
Chu Jenn Weng ¹	71,710,768	30.97	-	-	71,710,768	34.27	-	-
Siaw Kok Tong	51,324,214	22.16	-	-	51,324,214	24.53	-	-
Yeoh Shih Hoong	27,283,585	11.78	-	-	27,283,585	13.04	-	-
<u>Directors</u>								
Dato' Seri Kiew Kwong Sen	3,750,000	1.62	-	-	3,750,000	1.79	-	-
Prof Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	750,000	0.32	-	-	750,000	0.36	-	-
Chuah Poay Ngee	15,000	0.01	-	-	15,000	0.01	-	-
Chang Mun Kee ²	150	negligible	6,367,149	2.75	150	negligible	6,367,149	3.04
<u>Person Connected to Director/Substantial Shareholder</u>								
Su Pek Fuen ¹	669,999	0.29	-	-	669,999	0.32	-	-
HSBC (Malaysia) Trustee Berhad for Little Rain Children Trust ²	6,367,149	2.75	-	-	6,367,149	3.04	-	-

Notes:-

(a) Based on the existing issued and paid-up share capital of 231,585,000 Ordinary Shares excluding 915,000 Ordinary Shares held as treasury shares from the total issued and paid-up capital of 232,500,000 Ordinary Shares of RM0.10 each.

(b) Based on the issued and paid-up share capital of 209,250,000 Ordinary Shares after the Proposed Share Buy-Back is carried out in full and all the shares purchased are held as treasury shares.

1 Being spouse to the Director/Substantial Shareholder.

2 HSBC (Malaysia) Trustee Berhad for Little Rain Children Trust is the trustee of a discretionary trust, for charity and estate planning purpose, where the beneficiaries of which are members of Mr. Chang Mun Kee's family and himself.

6. Potential Advantages and Disadvantages of the Proposed Share Buy-Back

6.1 Potential Advantages of the Proposed Share Buy-Back

The Potential Advantages of the Proposed Share Buy-Back are set out in Section 2 of this Statement.

SHARE BUY-BACK STATEMENT

VITROX CORPORATION BERHAD (649966-K)

6. Potential Advantages and Disadvantages of the Proposed Share Buy-Back (cont'd)

6.2 Potential Disadvantages of the Proposed Share Buy-Back

- a. The Proposed Share Buy-Back, if implemented, will reduce the financial resources of the Group and may result in the Group foregoing interest income and/or better investment opportunities that may emerge in the future; and
- b. As the Proposed Share Buy-Back can only be made out of retained profits and share premium accounts of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Proposed Share Buy-Back is not expected to have any potential material disadvantage to the shareholders of the Company as well as the Group as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on the shareholders of the Company.

7. Material Financial Effects of The Proposed Share Buy-Back

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets (NTA), working capital, earnings, dividends and the substantial shareholders' shareholdings in ViTrox are set out below:-

a. Share Capital

As at 30 April 2012, the issued and paid-up capital of ViTrox was RM23,250,000 comprising 232,500,000 Shares including 915,000 shares held as treasury shares. In the event that the 23,250,000 Shares representing 10% of the issued and paid-up share capital of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

	No. of Shares
Issued and fully paid-up share capital as at 30 April 2012	232,500,000
Assumed the Shares purchased and cancelled	(23,250,000)*
Resultant issued and paid-up capital	<u>209,250,000</u>

* Inclusive of the 915,000 Shares already purchased and retained as Treasury Shares as at 30 April 2012.

If the Purchased Shares are retained as treasury shares, the Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company. However, the rights attached to them in relation to voting, dividends and participation in any other distribution or otherwise will be suspended and the treasury shares shall not be taken into account in calculating the number or percentage of Shares or of a class of shares for any purposes including, without limiting the generality of Section 67A(3C) of the Companies Act, 1965, the provisions of any law or requirements of the Articles or the listing rules of a stock exchange on substantial shareholding, take-overs, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on the resolution at a meeting.

b. Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group will depend on, inter alia, the purchase prices of the Shares, the number of Shares purchased, the effective funding cost to ViTrox to finance the purchase of Shares or any loss in interest income to the Group and the proposed treatment of the Purchased Shares.

If the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Share Buy-Back will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.



SHARE BUY-BACK STATEMENT

VITROX CORPORATION BERHAD (649966-K)

7. Material Financial Effects of The Proposed Share Buy-Back (cont'd)

c. NTA

The effect of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase prices of the Shares, the number of Shares purchased and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share of the Group if the purchase price exceeds the consolidated NTA per Share at the time of the purchase, and vice versa.

In the event the treasury shares are resold on Bursa Securities, the consolidated NTA per Share will increase if the Company realizes a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the consolidated NTA per Share will decrease by the cost of the treasury shares.

d. Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital and cash flow of the Group, the quantum of which will depend on the purchase prices of the Shares, the number of Shares purchased and any associated costs incurred in making the purchase.

e. Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

f. Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of ViTrox (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2012 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by ViTrox in the future would depend on, inter-alia, the profitability and cashflow position of the Group.

8. Implication of the Proposed Share Buy-Back Relating to the Malaysian Code on Take-overs and Mergers, 2010 ("Code")

Pursuant to Paragraph 10.1 of Practice Note 9 of the Code, a mandatory offer obligation arises when:-

- (a) a person* obtains controls in a company as a result of a buy back scheme by the company;
- (b) a person* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company), as a result of a buy back scheme by the company, increases his holding of the voting shares or voting rights of the company by more than 2% in any six-month period;
- (c) a person* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company) acquires more than 2% of the voting shares or voting rights of the company when he knows or reasonably ought to know that the company would carry out a buy back scheme.

"a person" includes persons acting in concert.

Pursuant to the Code, the affected Substantial Shareholder and/or the Group of Persons Acting in Concert may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Paragraph 24.1 of Practice Note 9 of the Code.

The Board is aware of the requirements of the Code and will be mindful of the requirements when making any purchase of ViTrox Shares pursuant to the Proposed Share Buy-Back.

SHARE BUY-BACK STATEMENT

VITROX CORPORATION BERHAD (649966-K)

9. Purchases made by the Company of its own shares in financial year ended 31 December 2011

The information on purchases made by the Company of its own shares during the financial year ended 31 December 2011 is as set out on page 39 of this annual report.

10. Public Shareholding Spread

As at 30 April 2012, the Record of Depositors of ViTrox showed that 67,936,142 Shares representing approximately 29.34% of the issued and paid-up share capital were held by the public shareholders. In this regard, the Board undertakes that the Proposed Share Buy-Back will be conducted to the extent that the public shareholding spread of ViTrox shall not fall below 25% of the issued and paid-up share capital of the Company (excluding treasury shares) at all times in accordance with the laws and regulations prevailing at the time of the purchase as stipulated in Paragraphs 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements (LR).

11. Directors' Statement

The Board of Directors, having taken into consideration the rationale for the Proposed Share Buy-Back, is of the opinion that Proposed Share Buy-Back is in the best interest of the Company.

12. Directors' Recommendation

The Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM to give effect to the Proposed Share Buy-Back.

13. Further Information

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.



NOTICE OF ANNUAL GENERAL MEETING

VITROX CORPORATION BERHAD (649966-K)

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at the Auditorium of ViTrox Innovation Centre, 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang on Tuesday, 26 June 2012 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2011 together with the reports of the Directors and Auditors thereon. (Please refer to Note A)
2. To declare the following Dividends for the year ended 31 December 2011:-
 - a) A Special Dividend of 0.5 sen per share exempt from Income Tax; (Resolution 1)
 - b) A Final Dividend of 0.5 sen per share exempt from Income Tax. (Resolution 2)
3. To approve the payment of Directors' Fee of up to RM144,000 for the financial year ending 31 December 2012. (Resolution 3)
4. To re-elect the following directors retiring under the Article 85 of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:-
 - a) Dato' Seri Kiew Kwong Sen (Resolution 4)
 - b) Prof Ir. Dr. Ahmad Fadzil Bin Mohamad Hani (Resolution 5)
5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 6)
6. AS SPECIAL BUSINESSES

To consider and if thought fit, to pass the following resolution: -

ORDINARY RESOLUTIONS

- a) Authority to Issue Shares (Resolution 7)

"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."
- b) Renewal of Authority to Purchase its own Shares (Resolution 8)

"That subject to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

 - i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;

NOTICE OF ANNUAL GENERAL MEETING

VITROX CORPORATION BERHAD (649966-K)

6. AS SPECIAL BUSINESSES (CONT'D)

b) Renewal of Authority to Purchase its own Shares (cont'd)

- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits and share premium account of the Company. As at the latest financial year ended 31 December 2011, the audited retained profits and share premium account of the Company stood at RM1,663,813 and RM4,662,738 respectively;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
 - to cancel the shares so purchased; or
 - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
 - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act, 1965, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals.

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date : 4 June 2012





NOTICE OF ANNUAL GENERAL MEETING

VITROX CORPORATION BERHAD (649966-K)

NOTES:

- A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

Proxy

1. *For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 18 June 2012. Only a depositor whose name appears on the Record of Depositors as at 18 June 2012 shall be entitled to attend, speak and vote at the said meetings as well as for appointment of proxy(ies) to attend and vote on his/her stead.*
2. *A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.

Explanatory Note On Special Business:

1. Resolution pursuant to the Authority to issue Shares

The proposed Resolution No. 7 [Item 6(a)], if passed, will grant a renewed general mandate (Mandate 2012) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

The Mandate 2012 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Seventh Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

2. Resolution pursuant to the Authority to Purchase its own Shares

The proposed Resolution No. 8 [Item 6(b)], if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

VITROX CORPORATION BERHAD (649966-K)

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2011, if approved, will be paid on 27 July 2012 to depositors registered in the Records of Depositors on 29 June 2012:-

- a) A Special Dividend of 0.5 sen per share exempt from Income Tax; and
- b) A Final Dividend of 0.5 sen per share exempt from Income Tax.

A Depositor shall qualify for entitlement to the Dividends in respect of: -

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 29 June 2012 in respect of ordinary transfers;
- b) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board,

HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date: 4 June 2012



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No of ordinary shares held

I/We, _____
 of _____
 being a Member of the above Company hereby appoint (Proxy 1) _____
 of _____
 _____ and*/or failing him* (Proxy 2),
 _____ of _____

and*/or failing him*, the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the EIGHTH ANNUAL GENERAL MEETING of the Company to be held at the Auditorium of ViTrox Innovation Centre, 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang on Tuesday, 26 June 2012 at 10.30 a.m. and at any adjournment thereof as indicated below:-

The proportions of my/our holdings to be represented by my/our proxy(ies) are as follows:-

Proxy 1	-	_____ %	In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on my/our behalf.
Proxy 2	-	_____ %	
		<u>100%</u>	

* Strike out whichever is inapplicable

I/We hereby indicate with an "X" in the spaces provided how I/we wish my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

Resolutions	For	Against
1. To declare a Special Dividend of 0.5 sen per share exempt from Income Tax for the year ended 31 December 2011.		
2. To declare a Final Dividend of 0.5 sen per share exempt from Income Tax for the year ended 31 December 2011.		
3. To approve the payment of Directors' Fee of up to RM144,000 for the financial year ending 31 December 2012.		
4. To re-elect the following directors retiring under the Article 85 of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:- Dato' Seri Kiew Kwong Sen		
5. Prof Ir. Dr. Ahmad Fadzil Bin Mohamad Hani		
6. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7. <u>Special Business</u> <u>Ordinary Resolutions</u> To approve the resolution pursuant to Section 132D of the Companies Act, 1965.		
8. To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares.		

Signature of Member:

Signed this:

Proxy

- For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 18 June 2012. Only a depositor whose name appears on the Record of Depositors as at 18 June 2012 shall be entitled to attend, speak and vote at the said meetings as well as for appointment of proxy(ies) to attend and vote on his/her stead.
- A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.

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Stamp

The Company Secretaries
VITROX CORPORATION BERHAD
(Company No. 649966-K)
57-G, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

Fold along this line