

Moving Forward | Accountability





Corporate Vision, Mission, Objectives, Strategies, Core 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 2012, 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

Moving Forward | Accountability

At ViTrox, our dedication towards high quality products and total customer satisfaction continues to drive us to achieve more. The ants carrying leaves represent our valuable employees who embrace teamwork - each playing their respective roles towards innovating new products, creating opportunities for growth and building relationships. Though the climb towards excellence may be an uphill task, we support each other through our strength and accountability, and keep our focus in line with our goals.

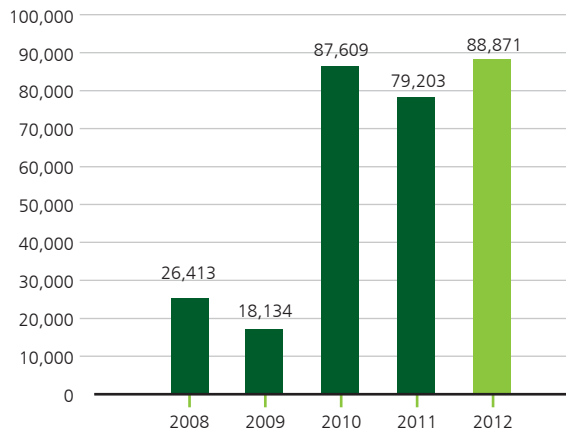


FINANCIAL HIGHLIGHTS

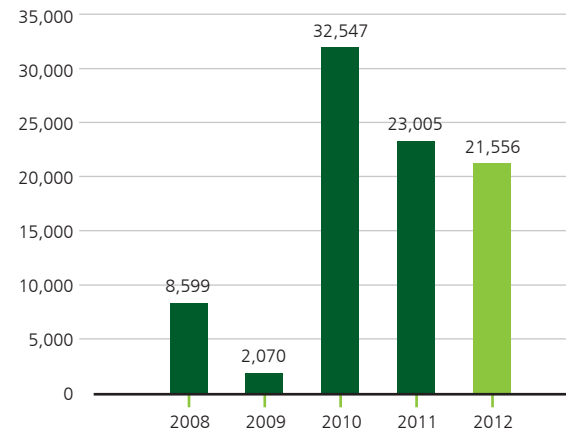


	2008	2009	2010	2011	2012
Revenue (RM'000)	26,413	18,134	87,609	79,203	88,871
Profit Before Tax (RM'000)	8,599	2,070	32,547	23,005	21,556
Profit After Tax (RM'000)	8,324	1,941	31,813	22,226	20,490
Earnings Per Share (EPS) (sen)	3.58	0.85	13.92	9.61	8.85
Total Equity (RM'000)	49,870	49,261	76,334	97,016	114,453
Return on Equity	17%	4%	42%	23%	18%

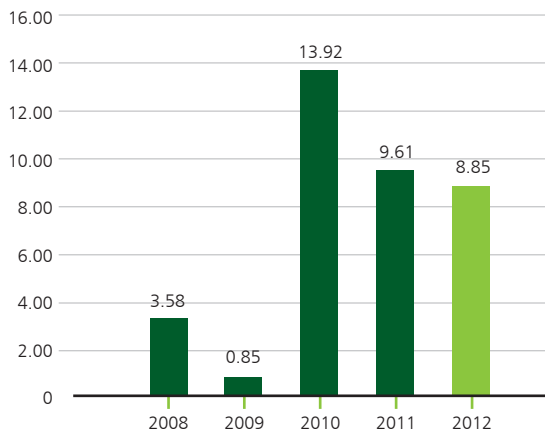
Revenue
(RM'000)



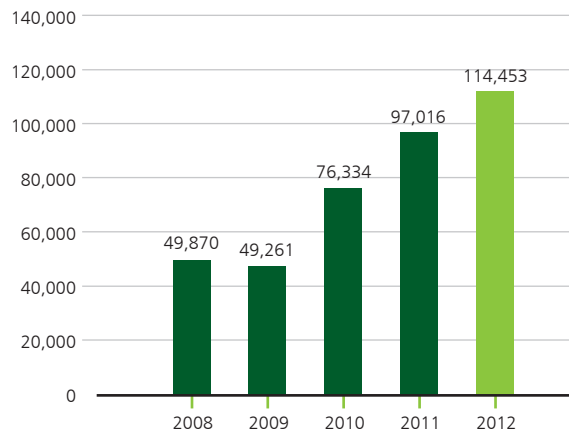
Profit Before Tax
(RM'000)



Earnings Per Share (EPS)
(Sen)



Total Equity
(RM'000)



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

Chuah Poay Ngee
Independent Non-Executive Director

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

Chang Mun Kee
Independent Non-Executive Director

AUDIT COMMITTEE

Chuah Poay Ngee
(Redesignation on 16 August 2012)
Chairman

Dato' Seri Kiew Kwong Sen
(Redesignation on 16 August 2012)

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Chang Mun Kee

NOMINATING COMMITTEE

Chuah Poay Ngee
Chairman

Dato' Seri Kiew Kwong Sen

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Chang Mun Kee

REMUNERATION COMMITTEE

Chang Mun Kee
Chairman

Dato' Seri Kiew Kwong Sen

Chu Jenn Weng

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 2 May 2013



BOARD OF DIRECTORS



FROM LEFT TO RIGHT (STANDING)

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

(Non-Independent Non-Executive Director)

Siaw Kok Tong

(Executive Director / Senior Vice President)

Chu Jenn Weng

(Managing Director / President / CEO)

Yeoh Shih Hoong

(Executive Director / Senior Vice President)

FROM LEFT TO RIGHT (SITTING)

Chang Mun Kee

(Independent Non-Executive Director)

Dato' Seri Kiew Kwong Sen

(Chairman / Independent Non-Executive Director)

Chuah Poay Ngee

(Independent Non-Executive Director)



PROFILE OF DIRECTORS



Dato' Seri Kiew Kwong Sen

Chairman / Independent Non-Executive Director

"Dato' Seri Kiew Kwong Sen [Malaysian / Age 65] 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 a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company."

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 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 43] 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 and a member of the Remuneration Committee of the Company."

Mr. Chu has more than 16 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 42] 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

Executive Director / Senior Vice President

“Yeoh Shih Hoong [Malaysian / Age 41] 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.

Chuah Poay Ngee

Independent Non-Executive Director

“Chuah Poay Ngee [Malaysian / Age 43], is an Independent Non-Executive Director of ViTrox. She was appointed to the Board of Directors of ViTrox on 15 November 2006. She is the Chairman of the Audit Committee and Nominating Committee of the Company.”

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



PROFILE OF DIRECTORS

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Non-Independent Non-Executive Director

"Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani [Malaysian / Age 53] 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 and Nominating Committee of the Company."

Prof. Ir. Dr. Ahmad Fadzil 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. Ahmad 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 till 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 UTP 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. In April 2011, he was appointed the Deputy Vice-Chancellor (Academic) of UTP.

Prof. Ir. Dr. Ahmad 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 and also as a Council Member of ASM from 2011 to 2013. 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 biomedical engineering, petroleum exploration, vision inspection systems and intelligent signal and imaging.

Chang Mun Kee

Independent Non-Executive Director

"Chang Mun Kee [Malaysian / Age 48], is an Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 25 June 2010. He is the Chairman of the Remuneration Committee of the Company. He is also a member of the Audit Committee and Nominating 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.

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 offenses other than traffic offences.

Securities held in the Company: The details are disclosed on page 111 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

	2012 RM'000	2011 RM'000	Growth
Revenue	88,871	79,203	12.2%
Profit Before Tax ("PBT")	21,556	23,005	-6.3%
Profit After Tax ("PAT")	20,490	22,226	-7.8%

ViTrox Group recorded revenue of RM88.87 million in 2012, an increase of 12.2% over the RM79.20 million in previous financial year. The increase was a result of higher demand of Tray Inspection Handler and Advanced X-ray Inspection System with the positive acceptance of our products and demand from a larger diversified customer base. PAT achieved RM20.49 million in 2012, a decrease of 7.8% over RM22.23 million recorded in previous year. As such, net earning per share were 8.85 sen in 2012 against 9.61 sen in 2011.

Dividend

A tax exempt interim dividend of 1 sen per ordinary share each amounting to RM2,312,597 for financial year ended 31 December 2012 was paid to shareholders on 31 January 2013.

The Board of Directors has recommended a special tax exempt dividend of 0.75 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 2012. If approved at the upcoming Annual General Meeting, the total special and final tax exempt dividends are estimated amount to a total distribution of RM2,890,746. As a result, ViTrox is expected to declare a total dividend of 2.25 sen per share, with a total distribution approximately RM5,203,343 for the year.

Achievements in 2012

New Product Innovation (NPI) Award 2012

ViTrox won the 2012 NPI Award from Circuits Assembly magazine in the category of Test & Inspection - AXI for its V810 In-Line 3D Advanced X-Ray Inspection System (AXI).

SME Innovation Award 2012 for 1-InnoCERT: ICT & Software Development Category

ViTrox won the SME Innovation Award 2012 under the category of 1-InnoCERT: ICT & Software Development. This award is organized by SME Corporation Malaysia and in collaboration with MIGHT (Malaysian Industry-Government Group for High Technology).

1-InnoCERT is a certification programme recognizes and certifies innovative enterprises & SMEs and to encourage entrepreneurs to venture into high technology and innovation-driven industries.

Malaysia HR Award 2012 - Gold Award for SME Best Employer Award

ViTrox won the Malaysia HR Award 2012 Gold Award in the category of SME Best Employer Award. This award is organized by the Malaysian Institute of Human Resource (MIHRM) and jointly presented by JobStreet.com, in order to acknowledge companies and people who have taken HR strategy to the next level in their organizations.



CHAIRMAN'S STATEMENT

Achievements in 2012 (cont'd)

Global Technology Award 2012

ViTrox won the Global Technology Award 2012 in the category of Inspection Equipment - X-ray for its V810 In-line 3D Advanced X-ray Inspection System (AXI).

The award was presented to ViTrox during Tuesday, October 16, 2012 ceremony which took place at the Walt Disney World Dolphin Hotel in Orlando, FL during SMTA International 2012.

Ministry of International Trade and Industry (MITI) - The Industry Excellence Award 2011

ViTrox successfully swept 2 major awards for The Industry Excellence Award 2011, held in Kuala Lumpur, Malaysia on 24th October 2012.

Award #1 : Winner of Prime Minister Award

This award recognizes organisation excellence and quality achievement to encourage production of quality products/services. The winner of this award is selected from among the winners of the Product Excellence Award, Quality Management Award, Export Excellence Award (Merchandise), Export Excellence Award (Services), Brand Excellence Award (Merchandise) and Brand Excellence Award (Services - Professional and Non-Professional).

Award #2 : Winner of Export Excellence Award (Merchandise)

This award acknowledges companies on the achievements from export performance, market penetration, product development, market operation, reduction of usage imported components, recognition received and social contribution.

Future Outlook and Focus

Continuous improvement in new technologies & products, we believe that the demand for our product will be sustainable in the new financial year. In addition, we will focus on market expansion activities, customer relationship building and product innovation to grow the business further in the new financial year.

Subject to the external market conditions and macroeconomic factors, we believe that 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 especially Tray Inspection Handler and Advanced X-ray Inspection System. At the same time, we will focus on undertaking prudent cost control measures in order to maximizing productivity and profitability. This enables us to continue to grow with competitive technologies and products while achieving higher level of customer satisfaction.

In conclusion, I would like to express my gratitude to ViTrox team on the demonstrated technical excellence, product innovations, project execution and teamwork. On behalf of ViTrox, I would also like to extend my appreciation to our valued business partner and Board of Directors for continuing to grow the Company for many years to come.

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



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



Dear Shareholders,

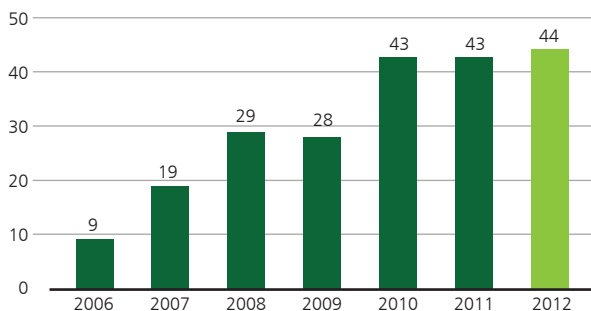
FINANCIAL PERFORMANCE

I am glad to report our 12th year of consecutive annual profit. Our 2012 revenue and profit before tax (PBT) were RM88.87 million and RM21.56 million respectively. We broke a new revenue record in 2012 with a double digit growth of 12.2% compared to a year ago amidst a sluggish economic environment caused by prolonged weaknesses in Europe, Japan and US., and a slowdown in the Chinese economy. This is a result of our aggressive market expansion and well acceptance of our new vision inspection products by worldwide customers. During the same period, our profit before tax was decreased slightly by 6.3% due to price erosion and increase of operating expenses to support the global expansion and new product development.

Our financial position remains strong with cash and cash equivalents of RM 43.92 million, as of 31st December 2012, an increased of about RM1 million compared to a year ago. Our bank borrowing was RM12.59 million, as of 31st December 2012, solely used to finance our ViTrox Innovation center, Phase 2 expansion project. Our earnings per share (EPS) decreased to 8.85 sen from 9.61 sen a year ago and our return on equity decreased slightly to 18% from 23%. Despite the challenging global economic environment, ViTrox continued its phenomenal record of 12 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, global expansion and prudent cost management.

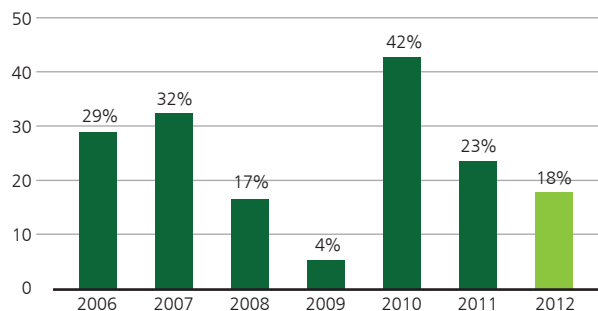
Cash & Bank Balances

(RM' Mil)



ROE

(%)



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 Outsourced Assembly and Test (OSAT) companies, printed circuit board manufacturers, electronics assemblies companies, 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. Our products have been widely used in the production of smartphones, tablets, game consoles, medical devices, automotive, computers and laptops, servers and storages, telecommunication products such as 4G & LTE and networking & access products such as routers, switches and PBX.

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



PRODUCT INNOVATION (cont'd)



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 business unit, 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 10,000 MVS products have been installed worldwide at over 100 customer sites in 13 countries.

In 2012, MVS successfully developed and launched the following new products:-

- (a) ODFN Vision System: The vision application is the 1st in the world that inspects for colored defects on Translucent Optical Sensor used in smartphone/mobile devices. Despite the complex inspection, the system has the capability to inspect 3D Ball and Pad dimensions for BGA packages, achieving a high accuracy of 6 μ m.
- (b) 9-in-1 Integrated Vision System: We released a fully integrated vision system that comprised of 9 vision systems integrated on 1 handler, running simultaneously to inspect for three dimensional, package and mark defects. It is color-enabled and is able to screen out lead and package defects due to discoloration or exposed copper, for gull-wing type IC devices.
- (c) Tray Vision Handler Inspection Capabilities: We successfully developed 3 major inspection functions to extend the capability of our TH1000 & TR1000 vision handlers. The functions include Post Seal Inspection (Tape Seal), Full Package Visual Inspection (PVI) and Double-Unit Detection for stacked IC devices. These functions are useful in handling advanced package/process related defects due to increasingly stringent product manufacturing requirements by our customers.
- (d) Tray to Tape & Reel Vision Handler (TR1000): Our advanced TR1000 (released in Q1/2012) was well accepted by our customers and is the best-seller product in our target market, offering a performance competitive and viable alternative to our customers. Key strengths of this product include fast conversion, easy maintenance and extensive in-built functions to help our customers maximize the machine utilization.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



Automated Board Inspection (ABI)

ABI group 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.

Our aim for PCA is to be the One Stop solution provider for Advanced Optical Inspection (AOI) and Advanced X-ray Inspection (AXI). We are now one step closer to this goal with the following new products launched in 2012:-

- a) Conformal Coating inspection: We successfully developed and launched a new UV light source and inspection algorithm for the V510 AOI to inspect for conformal coating material which is applied to electronic circuitry to act as protection against moisture, dust, chemicals and extreme temperature.
- b) Large Board inspection: With the release of V510 extended conveyor in 2012, V510 can now inspect long board with weight up to 15kg and length up to 800mm. The demand for this capability is increasing over time due to the adoption of 4G on telecommunication market.
- c) 2nd Generation Advanced Optical Inspection, V510 G2: Provides the highest level of defect detection and inspection speed through deployment of new camera with 3 times the frame rate from the first generation AOI system. This system can be upgraded to 8 Mega pixel camera to further improve the inspection throughput and accuracy. The release of V510 G2 has excited the market and has assisted ViTrox in winning the Approve Vendor List from a few Top 10 EMS customers.
- d) The enhanced AXI system: The enhanced V810 comes with better alignment method, higher performance scanning path pattern and new functionalities to increase test coverage, improve user-ability, enhance throughput and call accuracy. The V810 won the best AXI/NPI product award in 2012 from Global SMT Technology Award (Europe), and Circuits Assembly's NPI Award (United States).



In 2012, we continued to enhance performance of our V2000 Automated Optical Inspection system for rigid and flexible PCB. Besides, we also expanded our business coverage from Southern China to Eastern China.

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 and automation communities, 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 2012, we successfully launched a new customized analog I/O product for use in medical device processing equipment.

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



OPERATION

We remain focus on key areas based on our 2012 corporate theme: “ViTrox 2.1 - Speed, Cost & Global, always with customer in mind”, setting our priorities to (1) Expand market shares from emerging products with attractive value proposition, aggressive marketing and demo/benchmarking through internal sales team and strategic channel partners (2) Sustain profitability by growing revenue from new market share & prudent cost management (3) Achieve operation excellence through pervasive practice of Lean methodology & culture throughout ViTrox by ‘Stabilization’, ‘Standardization’ and ‘Proliferation’.

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 2012.

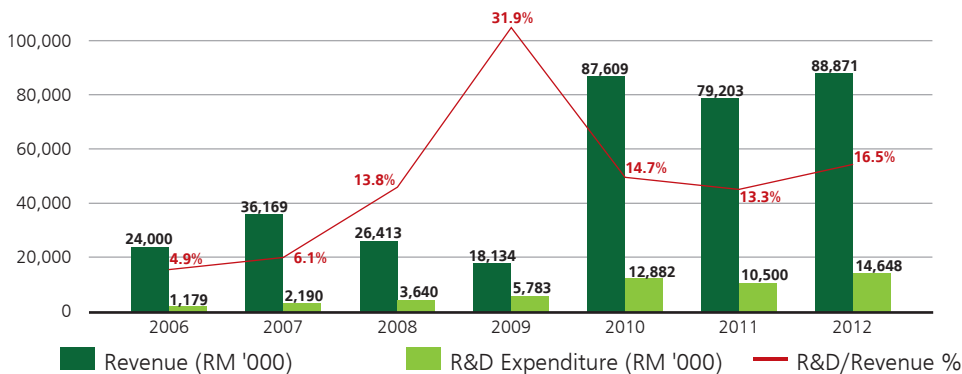
I am proud to present our key accomplishments in operations as follow:-

1. Established the manufacturing facilities for the newly launched second generation Advanced Optical Inspection systems (V510G2), Tray based vision inspection handler (TH1000S) and Tray to Tape & Reel vision inspection handler (TR1000S) flawlessly upon release.
2. Doubled the manufacturing capabilities of AOI and AXI to support business needs.
3. Successfully developed comprehensive order fulfillment system to optimize inventory purchases while meeting manufacturing built demand.
4. Expanding supplier base through strategic supplier management processes.
5. Established a centralized quality assurance function to achieve best in class quality in our incoming and outgoing products.

We always put high priority to serve our customers by understanding and fulfilling their present and future needs. This enables us to consistently deliver innovative solution in timely manner to address their short and long term objectives with leading edge technologies and excellent customer service.

RESEARCH AND DEVELOPMENT

Our relentless commitment in research and development helps ViTrox to grow more than 4 times in revenue since 2009. To further enhance our technology differentiation and stay competitive in the market place, we invested RM14.65 million, representing 16.5% of our revenue in FY2012 for research and development activities. With this investment, we increase our R&D headcount from 109 to 129, primary to support various key R&D activities for MVS-T and PCA business.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



RESEARCH AND DEVELOPMENT (cont'd)

We successfully launched a series of winning products and offered impressive features to our customers:-

1. High-speed vision systems supporting turret (rotary)-based test handlers, with throughput up to 60KUPH, comprising integrated vision systems capable of inspecting mark, lead and package related defects concurrently.
2. Launch of new high speed Tray inspection handler (TH1000S) and Tray to Tape & Reel inspection handler (TR1000S). Both new models will come with enhanced inspection features to handle new IC packages, higher throughput and better ease of use functionalities.
3. Enhanced inspection functions (for Tray Handler) include OCR (optical character recognition) capability and also POP (package on package) 3D inspection using advanced optical setup and software algorithms.
4. 3D Phase shift Profilometry AOI system and side marking inspection capability.
5. Release of enhanced AXI platform with multiple form factors that tailors to the need of emerging market such as automotive, smart phone and tablet.

Our strong R&D team who are committed to launch at least three innovative products (one for each business unit) every 6 months continue to strengthen our leading position in semiconductor component inspection, 3D Tray IC inspection, AOI inspection and 3D X-ray inspection.

In 2012, we successfully filed 5 patents and 1 copyright for our AOI and AXI products.

SALES & MARKETING

ViTrox's MVS are making in-roads in the Taiwan market by more than doubling our customer base comprising major semiconductor Outsourced Assembly and Test (OSAT) companies. Our participation in Semicon Taiwan 2012 generated strong interests from new and potential customers there. In addition, we have appointed a new Sales Channel Partner (SCP) in Korea and are also making in-roads to China and South East Asia.

In 2012, ABI-PCA expanded the customer base by almost 100% contributing to 40% of the total ABI revenue in 2012. This is a result of ViTrox's seamless effort in R&D, and success in product benchmarking in many Tier-1 and Tier-2 EMS and OEM companies around the world. Many of these newly added customers will likely to contribute positively in PCA's revenue in 2013.

Furthermore, we have successfully added 3 new Sales Channel Partners with the strategy intent of penetrating into new market segment and reaching out to the new territory. An established Sales Channel Partner in China and Taiwan was added in Q4, 2012 as our endeavor to penetrate into the ODM market which will require different approach to win their AVL. Besides, we have appointed a new Sales Channel Partner in India to bring in new sources of revenue to further grow our business in 2013.

The advanced X-ray inspection system (AXI) business has grown more than 40% in 2012 with great success in North America, South America, China and Vietnam region. The growth on the AXI Business is a great testimony of ViTrox's commitment towards developing timely and well structure services & support footprint, leading edge AXI technology and effective collaboration with our value Sales Channel Partner.

Our effort to expand the market reach will not stop here. Engagement with a globally known company to leverage their expert and skillful task force in supporting our sophisticated system is undergoing where we are coming close to sign off the agreement in early 2013. This will help us to extend our technical support footprint to uncover regions such as Canada and certain part of Europe.

For PCB-AOI, the market focus was still in China where most of the bare PCB manufacturers are residing. The V2000 AOI provides flexibility to the customers for both rigid and flexible circuits. Besides, our AOI is able to inspect art work and dry films too. These flexibilities are suitable to medium size customers who produce high mix and low volume manufacturing mode.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



BUSINESS STRATEGIES

We executed our 'ViTrox 2.1 - Speed, Cost, Global, always with customer in mind' strategies in 2012 with magnificent success. Despite our traditional machine vision system's business was slightly down by 9% caused by the sluggish semiconductor business in 2012, we achieved impressive revenue growth of 47% and 329% respectively for our emerging products namely Tray based vision inspection handler and Advanced X-ray inspection system in 2012.

We successfully expanded our presence to new territories include Japan, Europe, South America and East America, India and Indonesia 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. As a result, our customer base grows 28% from 88 customers in 2011 to 113 customers in 2012.

In 2013, we will remain 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 focus on business fundamental, strategic market expansion, research & development in specific technology differentiation in machine vision and embedded system and human capital development.

Our new products namely V510G2, V810, TH1000S and TR1000S have been well accepted by many new major customers around the world, where we saw 30% of our revenue was contributed from new customers acquired in the past 2 years. Hence, it is no doubt that we should put more resource to grow the strategic markets further through our internal sales forces as well as competitive sales channel partners.

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, learning and teaching culture 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 exceed customer's expectation in a timely manner. In short, our core strategy for 2013 is "ViTrox 2.2 - Profitability Growth with customer first attitude". With this, we expect to extend our market reach and broaden our customer base for all business units in 2013 while to keep our operating expense at reasonable level in order to achieve profitability growth.

OUR PEOPLE

Our people make ViTrox one of the best technology company in the region. In ViTrox, we are one family dedicated to make positive contributions to our customers, our employees and the communities we serve.

To accelerate our pace in new product introduction, we are increasing our R&D workforce from 109 people in 2011 to 129 people in 2012. This is in line with our plan to roll out more innovative products to capture bigger market shares and stay ahead of our competitors by launching at least one new product per business unit in every 6 months.

To uplifting our people's skill and competency in 2012, ViTrox invested more than 10,900 hours in learning and development, equivalent to 50 hours in average per employee, in various technical and soft skill development programs. 99% of ViTroxians attended one or more training program in 2012. We believe that skillful and committed ViTroxians are our long term competitive advantage in providing the most innovative, advanced and cost effective products and services to our customers in the right time.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



OUR PEOPLE (cont'd)

We believe that in order to make our customers happy with our products and services, first thing first, we need to have happy employees, who are willing to volunteer their best efforts to serve and satisfy customers' need either directly or indirectly. Hence, it is our aim to create a happy, fun and harmony work environment where people are treated fairly, trusted, respected and appreciated by their superior as well as peers. The vision of a happy organization will be realized when all ViTroxians live up the I.A.C.T.G spirit inside and outside the organization.

The I.A.C.T.G, which stands for Integrity, Accountability, Courage, Trust and Respect, Gratitude and Care, is a simple yet powerful universal values define the character of ViTrox people. These core values, when practiced wholeheartedly, lead us to live in harmony with ourselves and the outside world. They guide our interactions with colleagues, customers and others, motivate us to make great products and services, ultimately enable us to build a sustainable, great and happy organization. Therefore our leaders must ensure that we always search for potential talents and promote future leaders who possess, cultivate and embrace these values.

In ViTrox, we do more than just business, we develop good characters and build good community.

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 2012, despite the busy year, we carried out various CSR programs as listed below:-

- More than 50 ViTroxians supported the fund raising campaign in aid of Buddhist Tzu Chi Education Center cum Dialysis Center Building fund where ViTroxians co-organized and donated more than RM250,000 in the charity seminar titled "The Corporate Path begins with Love" jointly organized by ViTrox and Mini-Circuits Technologies Sdn. Bhd in Oct 2012. Through the program, we successfully raised about RM1.2 million from local business communities in supporting Tzu Chi's noble mission for the society and the world.



- More than 20 ViTroxians participated in the Eden Charity Food Fair 2012 and helped raise about RM2000 from selling of various self-made handicrafts.



- Established "A Good Deed A Day" Bamboo Bank Program in ViTrox to encourage our people helping the needy in our society by donating their pocket money. Within a short period of 5 months, we successfully collected RM56,076 from ViTroxians and ViTrox's visitors for the charity program.
- Vegetarian lunch cum charity program. To promote healthy meal and protect the earth, we provide subsidized vegetarian lunch to our people on every Monday. For every meal taken by ViTroxian, the company will donate RM1 for charity. The program successfully attracts about half of our people to take vegetarian lunch on every Monday.

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 organization.

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



GRATITUDES

2012 was another year that was full of gratitudes. 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 and the communities. Among others, ViTrox was the winner of the Prime Minister Industrial Excellent Award 2011 and Export Excellent Award 2011 organized by the Ministry of International Trade and Industry (MITI), 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 who volunteer their best efforts to make the difference. With ViTrox's warrior spirit of never give up attitude coupled with I.A.C.T.G values, 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 2012. 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 fortunate that we are able to work as ONE family team, regardless of race, religious and background to build up our business from very humble beginnings.

Chu Jenn Weng
Managing Director/President/CEO

HIGHLIGHTS OF 2012



JANUARY

ViTrox's Participation at InterNepcon Japan 2012 (Tokyo, Japan)

On 18th to 20th January 2012, ViTrox had co-exhibited along with its Japanese Sales Channel Partner at the InterNepcon Japan, held at Tokyo Big Sight, Tokyo. InterNepcon Japan 2012 is one of the biggest and most notable expo about advanced manufacturing/ mounting technologies of IC-package.

FEBRUARY



Launching of ViTrox's Newly Developed Mobile Application - 'What's My Heart Rate?'

ViTrox has recently launched its latest developed mobile application - 'What's My Heart Rate?' for iOS, Android and Windows 8 platform.

'What's My Heart Rate?' helps user to measure his/her heart rate and breath rate through camera.

Annual Dinner cum Boot Camp 2012

On 18th February, ViTrox organized 1-day bootcamp event to officiate ViTrox's newly implemented core values, aptly called 'I.A.C.T.G' which stands for 'Integrity', 'Accountability', 'Courage', 'Trust & Respect', and 'Gratitude & Care'.

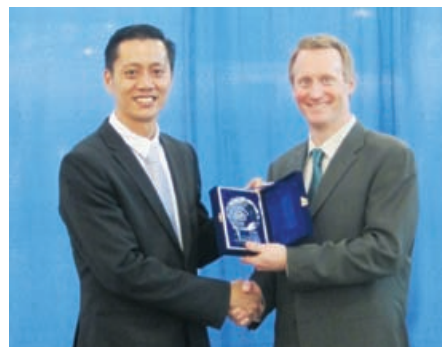
Following by the annual dinner during the night time, whereby all the employees including those who based in overseas and major customers were invited to join in the grand event.



ViTrox's Participation at IPC APEX 2012 (San Diego, USA)

On 28th February to 1st March, ViTrox had participated at the IPC APEX Show at San Diego, USA.

The award-winning of V810 3D in-line Advanced X-ray Inspection System (AXI) and Advanced Optical Inspection System (AOI) were displayed and with major Tier-1 and Tier-2 players visited ViTrox's booth throughout the show.



ViTrox is Recognized for its AXI Capabilities by Circuits Assembly's 2012 NPI Award Program

ViTrox won the 2012 New Product Innovation (NPI) Award from Circuits Assembly magazine in the category of Test & Inspection - AXI for its V810 In-Line 3D Advanced X-Ray Inspection System (AXI).

HIGHLIGHTS OF 2012

APRIL



ViTrox's Participation at Nepcon China 2012 (Shanghai, China)

ViTrox had participated at the Nepcon China 2012 in Shanghai World Expo Exhibition and Convention Centre from 25th-27th April 2012.

During the show days, overwhelming responses were received and with major Tier-1 and Tier-2 players visiting ViTrox's booth.

MAY

ViTrox's Participation at Suzhou PCB Show 2012 (Suzhou, China)

ViTrox has participated at the Suzhou PCB Show held at Suzhou International Expo Center from 9th - 11th May 2012. ViTrox has displayed its latest enhanced version of V2000 Automated Optical Inspection System (AOI) which specially cater for the PCB bare board and flex circuit inspection needs.

JUNE

ViTrox's Participation at SMIDEX Exhibition 2012 (Kuala Lumpur, Malaysia)

ViTrox exhibited at SMIDEX Exhibition 2012 which held at KL Convention Centre, from 20th - 22nd June, 2012. ViTrox's core product - vision system and newly developed mobile application - 'What's My Heart Rate' were demonstrated to the public during show days.



ViTrox won the 'SME Innovation Award 2012' for 1-InnoCERT: ICT & Software Development Category

ViTrox won the SME Innovation Award 2012 under the category of 1-InnoCERT: ICT & Software Development. This award is organized by SME Corporation Malaysia and in collaboration with MIGHT (Malaysian Industry-Government Group for High Technology).

1-InnoCERT is a certification programme used to recognise and certify innovative enterprises & SMEs and to encourage entrepreneurs to venture into high technology and innovation-driven industries.



HIGHLIGHTS OF 2012

JULY



ViTrox Technologies Releases High Throughput AOI Solution - V510 G2 Series

ViTrox has introduced the V510 G2 Series of Advanced Optical Inspection system (AOI) offering greater performance for faster inspection. Ultimately, the system will evolve into a one stop AOI inspection solution in 2013 that is able to support 3D, conformal coating and backplane connector inspection. These new features will be field upgradable on existing V510 AOI and Agilent SJ50 system.



ViTrox Participated at the Eden Charity Food Fair @ Penang

ViTrox was once again demonstrated its corporate social responsibility by taking up 2 stalls with employees voluntarily helping to sell DIY handcrafted items and potato sandwiches. All the fund collected was donated to Eden Handicapped Centre.

SEPTEMBER



ViTrox's Participation at Semicon Taiwan 2012 (Taipei, Taiwan)

ViTrox had participated at the Semicon Taiwan 2012 held successfully from 5th-7th September 2012 at TWTC, Nangang Exhibition Hall. ViTrox Technologies presented its enhanced version of TH1000 Vision Handler in this event which comes with the Double Unit Inspection feature.

OCTOBER



ViTrox won the 'Industry Excellent Awards 2011'

ViTrox has successfully swept 2 major awards for The Industry Excellence Award 2011, held in Kuala Lumpur, Malaysia on 24th October 2012.

- Award#1 :Winner of Prime Minister Award
- Award#2 :Winner of Export Excellence Award (Merchandise)



HIGHLIGHTS OF 2012

OCTOBER



ViTrox won the 'Global Technology Awards 2012' in the category of Inspection Equipment - X-ray

ViTrox won the Global Technology Award 2012 in the category of Inspection Equipment - X-ray for its V810 In-line 3D Advanced X-ray Inspection System (AXI).

ViTrox won the 'Malaysia HR Award 2012- Gold Award for SME Best Employer Award'

ViTrox won the Malaysia HR Award 2012 Gold Award in the category of SME Best Employer Award. This award is organized by the Malaysian Institute of Human Resource (MIHRM) and jointly presented by JobStreet.com, in order to acknowledge companies and people who have taken HR strategy to the next level in their organizations.



Visit by Minister of International Trade and Industry (MITI)

On 8th October, Minister of International Trade and Industry (MITI), Datuk Seri Mustapa Mohamed paid a courtesy visit to ViTrox to appreciate ViTrox's recent winning of 'SME Innovation Award 2012' for 1-InnoCERT.

DECEMBER



ViTrox's 1st Image Processing Competition Held at MMU Cyberjaya

On 7th December, ViTrox has successfully organized its very first university-level of image processing competition at MMU Cyberjaya, Malaysia. The competition came with the theme of "Show Us Your True Colors", and with the objectives to scope the best talents in programming on image processing. There was a total of 22 teams participating in the competition.

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Our History

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Our Solutions

IndelFe Sdn. Bhd., an Intel® Technology Provider Gold Partner and Microsoft® Windows® Embedded Partner along with communications and embedded developers and solution providers, designs and manufactures to provide full range of Industrial Platform Services (Industrial Computer, Embedded Computing, M2M Peripheral), Communication Appliance Service, Vertical Market Service (Digital Signage, POS, Gaming, In-Vehicle Infotainment, EMS/DMS), Panel Device Service (Portable PC, IP65, Open Frame, Project) . With streamline access to the latest Intel technology, we paved the way with the broadest array of building blocks, delivering cutting-edge solutions to meet and even exceed the demanding needs of the ever-changing telecommunication, medical electronics, industrial automation, defense and life automation markets.

Our Commitment

Committed to supplying customers with a one-stop shopping approach of full product selection, competence and sophisticated customer support, IndelFe helps all our customers pave the royal road to success and stay ahead of competition.

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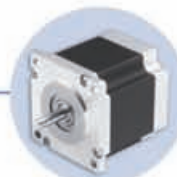


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- Serial Communication cards
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Our Technology Partners:



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Key Competencies

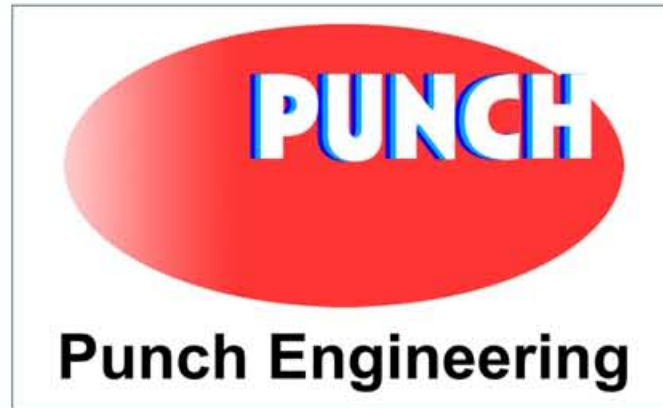
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We are a vision components specialist supplying a wide range of vision components. We strive to be recognized as the best partner in supplying vision technologies in South East Asia. Our mission is to execute the highest level of professionalism with uncompromised integrity and strong passion in the vision technology. With extensive experience in the field of vision, we provide reliable products quality, timely delivery, up-to-date and accurate information in selecting the best tools for any vision projects.

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- ⊕ Thermal cameras
- ⊕ High speed recorder
- ⊕ 3D Sensor
- ⊕ Frame grabbers
- ⊕ Lens (i.e. telecentric and low distortion macro lens)
- ⊕ Optical filters
- ⊕ Illumination
- ⊕ Image processing software libraries.
- ⊕ Industrial endoscopes



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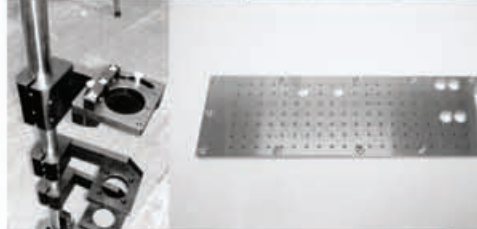
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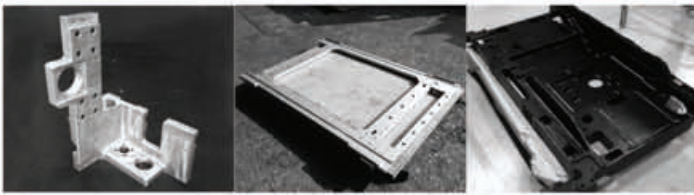
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CONTACT US:

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E-mail: sales@starcnc.com.my

Website: www.starcnc.com.my

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of ViTrox Corporation Berhad (“ViTrox” or “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 2012 (the “Code”).

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Code.

1. Establish clear roles and responsibilities

1.1 Clear functions of the Board and Management

The Board is responsible for oversight and overall management of the Company. The Board is delegating specific powers of the Board to relevant Board Committees, the CEO and the Senior Management of the Company. All approvals are supported by the Authority Limits, which clearly sets out relevant matters reserved for the Board’s approval, as well as those which the Board may delegate to the Board Committees, the CEO and the Senior Management.

Key matters reserved for the Board’s approval include the annual business plan and budget, business continuity plan, dividend payout proposal, issuance of new securities, expenditure above a certain limit, disposal of significant fixed assets and the acquisition or disposal of companies within the Group.

The Board has direct access to Senior Management and has unrestricted and immediate access to information relating to the Group’s business and affairs in the discharge of their duties. The Board will consider inviting the Senior Management to attend meetings for reporting on major issues relating to their respective responsibility.

The Board Committees are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference (TOR). The Chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

1.2 Clear roles and responsibilities

1.2.1 Reviewing and adopting the Company’s annual Corporate Hoshin Plan

The Board plays an active role in the development of the Company’s strategy. It has in place a strategy planning process, whereby the Management presents to the Board its recommended strategy annually, together with its proposed business plans for the ensuing year at a dedicated session, for the Board’s review and approval. At this session, the Board deliberates both the Management’s and its own perspectives, and challenges the Management’s views and assumptions, to ensure the best outcome. In conjunction with this, the Board also reviews and approves the annual budget for the ensuing year, and sets the Key Performance Indicators (KPIs) under the Corporate Hoshin Plan, ensuring that the targets correspond to the Company’s strategy and business plan, reflect competitive industry trends and internal capabilities as well as provide sufficient stretch for the Management.

A quarterly review of the 2012 Corporate Hoshin Plan was conducted by the Board, at which the targets set by the Board were compared against the actual performance year-to-date. The Board also discussed strategy implementation processes and requirements together with key transformational initiatives undertaken in the current quarter of the year to achieve the targets set out in the 2012 Corporate Hoshin Plan. In this exercise, the Board took cognisance of internal and external factors which had supported various achievements as well as challenges facing Management. The Board actively engaged with the Management in monitoring the progress of initiatives identified in the 2012 Corporate Hoshin Plan and, where required, in identifying alternative measures to be taken to ensure the successful realisation of the strategies.



CORPORATE GOVERNANCE STATEMENT

1. Establish clear roles and responsibilities (cont'd)

1.2 Clear roles and responsibilities (cont'd)

1.2.2 Overseeing the conduct of the Company's business

The CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by the Management Committees. The Management's performance, under the leadership of the CEO, is assessed by the Board through a status report which is tabled to the Board and which includes a comprehensive summary of the Group's operating drivers and its financial performance during each reporting period. The Board is also kept informed of key strategic initiatives and significant operational issues and the Group's performance, based on the approved KPIs in the Corporate Hoshin Plan.

The Board reviewed the results of the 2012 employee satisfaction survey to assess the level of employee satisfaction. The survey, conducted by an internal resource, aimed to ensure continuous improvement in the operating environment by maintaining areas of strength and improving areas of opportunity for its internal stakeholders. Post employee satisfaction survey, intervention initiatives were taken to address those areas below benchmark norms.

1.2.3 Identifying principal risks and ensuring the implementation of appropriate system to manage them

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound system of internal control.

In this regard, major internal control systems are documented and followed by the management of the Group. To enhance the effectiveness of risk management and internal control systems, the Board has established an internal audit function with the assistance of an external professional firm.

The internal auditors will be able to provide additional independent review on the state of risk management and internal control of the Group and has an independent reporting channel to Audit Committee ("AC"). The AC reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the risk management and internal control systems in the organization.

The risk management and internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Company's assets as well as investors interests.

The Internal Control Statement set out on pages 49 to 52 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

1.2.4 Succession planning

In Financial Year Ended ("FYE") 2012, the Board assumed the role and function of identifying and developing the potential candidate(s) to fill key leadership position in the Group including appointing, training, fixing the compensation of and, where appropriate, replacing senior management.



CORPORATE GOVERNANCE STATEMENT

1. Establish clear roles and responsibilities (cont'd)

1.2 Clear roles and responsibilities (cont'd)

1.2.4 Succession planning (cont'd)

The Company has on 27 February 2013 established its Nominating Committee ("NC"). The Board has entrusted the NC with the responsibility to review candidates for key management positions, to determine compensation packages for these appointments, and to formulate nomination, selection, compensation and succession policies for the Group. The Board is believed that the NC, in its current form, effectively and efficiently discharges its functions in respect of nomination and remuneration matters listed separately in its TOR for the purpose of clarity.

The NC undertakes yearly evaluation of the performance of key management personnel whose remunerations are directly linked to performance, based on their KPIs.

1.3 Formalised ethical standards through Code of Ethics

The Company's Codes of Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors. The Code of Ethics for Directors includes principles relating to their duties, conflict of interest and dealings in securities are available at the Company's website.

As a measure to govern the conduct of its employees, the Company has in place its Whistleblower Policy and Procedures ("WPP") and Employees Hand Book. The WPP seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Company may be exposed. The Board has overall responsibility to oversee the implementation of the WPP and all whistle-blowing reports are to be addressed to the respective personnel as assigned pursuant to the Groups' WPP. This mechanism will allow the stakeholders of ViTrox to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group and about business improvement opportunities.

The WPP of ViTrox is available at its corporate website.

Apart from the above, all Employees included Directors are required to sign a Non-Disclosure of Information (NDI) with Company. This NDI includes (without limitation) confidentiality of information such as business processes and methodologies, trade secrets, business plans and strategies, financial report and forecasts, employee salary, bonus, profit sharing and company share, client lists, matter list, client targets, presentation papers, uniquely developed products for client (current or potential), employee list, knowledge management systems and its content, internally created precedents and work products, all computer software and libraries developed for and by ViTrox Group whether by itself or by third parties, all web enabled systems and methods used to develop such system, all electronics circuit designs, the ViTrox Group's databases and access rights to third party databases, and presentations and concept papers developed or created from time to time, purchase order, invoices, quotations and work instruction.

1.4 Strategies promoting sustainability

The Board promotes good Corporate Governance in the application of sustainability practices throughout ViTrox Group, the benefits of which are believed to translate into better corporate performance. The extract of the Lean Problem Solving (LPS) report and Kaizen project on sustainability activities, demonstrating ViTrox Group's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.



CORPORATE GOVERNANCE STATEMENT

1. Establish clear roles and responsibilities (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. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the fees involved.

1.6 Qualified and competent Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries also ensure that deliberations at the Board and Board Committee meetings are well captured and minuted, and subsequently communicated to the relevant management for necessary action.

The Company Secretaries keep abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training.

1.7 Board Charter

The Board has made available its Board Charter on the corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference and primary induction literature providing prospective and existing Board members and Management insights into the fiduciary and leadership functions of the Directors of ViTrox.

The Board reviews its charter regularly, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

2. Strengthen composition

2.1 Nominating Committee

The Company strives to have a Board comprising members with suitable academic and professional qualifications, skills, expertise and wide exposure. In FYE2012, the function of the NC was assumed by the Board as a whole.



CORPORATE GOVERNANCE STATEMENT

2. Strengthen composition (cont'd)

2.1 Nominating Committee (cont'd)

The Company has on 27 February 2013 established the NC and comprises exclusively of Non-Executive Directors with a majority of whom must be independent, as follows:-

Chairman : Chuah Poay Ngee (Chairman)
Member : Dato' Seri Kiew Kwong Sen
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani
Chang Mun Kee

The Committee is tasked to, amongst others:-

1. Assess the effectiveness of the Board as a whole and the contribution of each Director
2. Review the size, composition and the required mix of skills of the Board; and
3. Recommend the re-election of retiring Directors to the Board.

The NC ensures that all assessments and evaluations carried out are properly documented.

Details of the TOR for NC are available at its corporate website.

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

2.2.1 Recruitment or appointment of Directors

The Code requires a formal and transparent procedure to be established for appointment of new Directors to the Board. The Code also endorses the establishment of a nominating committee, comprised exclusively of Non-Executive Directors, a majority of whom are Independent to propose new nominees to the Board and to assess directors on an on-going basis.

The NC is responsible for assessing the nominee(s) for directorship and Board Committee membership and thereupon submitting their recommendation to the Board for decision.

In accordance with the Company's Articles of Association ("Articles"), 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 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 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.



CORPORATE GOVERNANCE STATEMENT

2. Strengthen composition (cont'd)

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors (cont'd)

2.2.2 Annual assessment

The Company has in place its procedures and criteria for appointment of new directors. All candidates for appointment are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The NC also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the candidates.

The NC will also be reviewing the composition of respective board committee of the Group to ensure its effectiveness in functioning.

The NC also establish a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The Board's effectiveness is assessed in the areas of composition, administration, accountability and responsibility, conduct and the performance of the Chairman and CEO. The criteria for assessment of each Director or Committee member shall include attendance record, intensity of participation at meetings, quality of interventions, special contributions to demonstrate a high level of professionalism and integrity in the decision-making process.

The performance of those Directors who are subject to re-appointment and re-election of Directors at the AGM will be assessed by the NC whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-appointment or re-election of the Director concerned for shareholders' approval at the next AGM.

Ms. Chuah Poay Ngee, being the sole female director and also the Chairman of the AC and NC, has since her appointment contributed significantly and actively participated in the Board's deliberation and decision making. Having said so, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy for the time being. Nevertheless, the Board will endeavor to tap talent from human capital market from time to time with the aim to have the right mix of female director in its Board in future.

2.3 Remuneration policies

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 provides that the remuneration of Directors shall not include a commission or percentage of turnover. In FYE2012, the function of the Remuneration Committee ("RC") was assumed by the Board as a whole.

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.

The RC was established on 27 February 2013 and is responsible for recommending to the Board on the remuneration framework as well as the remuneration package of Executive Directors to ensure that rewards commensurate with their contributions to the Group's growth and profitability in order to align the interest of the Directors with those of the shareholders. The Committee also ensures the level of remuneration for Non-Executive Directors and Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.



CORPORATE GOVERNANCE STATEMENT

2. Strengthen composition (cont'd)

2.3 Remuneration policies (cont'd)

The RC comprises of not fewer than 3 members, mainly of Non-Executive Directors as follows:-

Chairman : Chang Mun Kee (Chairman)
Member : Dato' Seri Kiew Kwong Sen
Chu Jenn Weng

The RC will meet at least once in a financial year to formulate and review the remunerating policies and remuneration of members of the Board, Board Committee and the CEO / Managing Director and recommend the same to the Board for approval.

The current remuneration policy of the Group is summarised as follows:-

- The Directors' salary for Executive Directors are set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.
- Directors' Fees are based on a standard fixed fee and are subject to approval by its shareholders at the AGM.
- Meeting Allowance - All the Directors' are entitled to a fixed amount of allowance paid in accordance with the number of meeting attended during the year.
- Benefits-in-kind - only Executive Directors of the Group are entitle to benefits-in-kind provided by the Group.
- The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

Details of the Directors' remunerations for FYE2012 are as follows:-

Category	Fees RM	Salaries, Bonuses & Employee	Allowances RM	Total RM
		Provident Fund RM		
Executive	-	705,922	109,500	815,422
Non-Executive	144,000	21,516	5,200	170,716
Total	144,000	727,438	114,700	986,138

The remuneration bands of the Directors are as follows:-

Range	Number of Directors	
	Executive	Non Executive
Below RM50,000	-	4
RM250,001 – RM300,000	3	-

Details of the remuneration of each Director are not disclosed as the Board is of the view that the transparency and accountability aspects of corporate governance on disclosure of Directors' remuneration are appropriately served by the above disclosures.



CORPORATE GOVERNANCE STATEMENT

3. Reinforce Independence

3.1 Annual assessment of Independence

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of ViTrox. They bring an external perspective, constructively challenge and assist the Company to develop corporate strategy, scrutinize the performance of Management in the meeting approved goals and objectives, and monitor the risk profile of the Company's business.

The Board has upon their annual assessment, concluded that each of the 3 Independent Non-Executive Directors continues to demonstrate conduct and behavior that are essential indicator of independence, and that each of them continues to fulfill the definition of independence as set out in the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("LR").

3.2 Tenure of Independent Directors

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an Independent Director should serve on the Board, mainly for the following reasons:-

- The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- NC would conduct an annual assessment of Independent Directors in respect of *inter alia* their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement. Furthermore, the NC also would review the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).

The current complement of Independent 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 Independent 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.

3.3 Shareholders' approval for the re-appointment of Non-Executive Directors

Currently, all the Independent Directors of the Company served less than a tenure of 9 years in the Company.

3.4 Separation of positions of the Chairman and CEO

The Company practises a division of responsibilities between the Independent Non-Executive Chairman and the CEO. Their roles are separated and clearly defined to ensure a balance of power and authority, increased accountability and greater capacity of the Board for Independent decision-making. The Chairman is not related to the CEO. The Chairman is responsible for the Board's effectiveness and conduct. He also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At a general meeting, the Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

The CEO, also an Executive Director is in charge of the day-to-day operations of the business, making strategic business decision and implementing Board policies.



CORPORATE GOVERNANCE STATEMENT

3. Reinforce Independence (cont'd)

3.5 Composition of the Board

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. The composition of the Board complies with the 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. Currently, the Board is led by Dato' Seri Kiew Kwong Sen, an Independent Non-Executive Chairman. 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 three (3) Independent Non-Executive Directors is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board is of the opinion that given the strong independent element of the Board, any concern regarding the Group may be conveyed by shareholders or investors to any of the Independent Directors at the following address and such concerns will be reviewed and addressed by the Board accordingly:-

Dato' Seri Kiew Kwong Sen
Email: kelvinkiew@yahoo.com

4. Foster Commitment

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Bursa Malaysia. This is evidenced by the attendance record of the Directors at Board meetings for FYE2012, as set out in the table.

Director	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Kiew Kwong Sen	4	2
Chu Jenn Weng	4	4
Siaw Kok Tong	4	3
Yeoh Shih Hoong	4	3
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	4	3
Chuah Poay Ngee	4	3
Chang Mun Kee	4	4

The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of ViTrox and for notification to Companies Commission of Malaysia accordingly.



CORPORATE GOVERNANCE STATEMENT

4. Foster Commitment (cont'd)

4.1 Time Commitment (cont'd)

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of every year. It provides the scheduled dates for meetings of the Board and Board Committees, the AGM, major conferences hosted by the Company, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.

4.2 Continuing Education Programmes

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

The Directors of the Company attended various seminars and training programmes during FYE2012 as follows:-

1. ViTrox Booth Camp - The Power of 5
2. Leadership : Great Leaders, Great Teams, Great Results
3. Hoshin Planning Workshop
4. Lean Problem Solving
5. Society for Human Resource Management's 64th Annual Conference & Exposition
6. Process Analysis Tools & Techniques
7. Corporate Financing Workshop
8. Product Road Map
9. Corporate Leadership
10. 34th Annual International IEEE EMBS Conference
11. IEEE EMBS Forum on Grand Challenges in Biomedical Imaging
12. Legal and Corporate Tax Update
13. Income Tax Update
14. Financial Modeling
15. MFRS Updates
16. Eugene Shteyn Creative and Innovation Seminar

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.

5. Uphold integrity in financial reporting

5.1 Compliance with applicable financial reporting standard

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, its position and future prospects, through the issuance of Annual Audited Financial Statements and quarterly financial reports, and corporate announcements on significant developments affecting the Company in accordance with the LR.

Details of the Directors' Responsibility in the preparation of the Group's financial statements are disclosed in page 53 of this Annual Report 2012.

The Board is assisted by the AC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The AC reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgement in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.



CORPORATE GOVERNANCE STATEMENT

5. Uphold integrity in financial reporting (cont'd)

5.2 Assessment of suitability and independence of external auditors

The AC undertakes an annual assessment of the suitability and independence of the external auditors. The Board maintains a transparent relationship with external auditors. Members of the AC meet the external auditors at least twice a year without the presence of the executive Board members to discuss the results and concerns arising from their audit.

The AC had obtained written assurance from its external auditors, Messrs. Crowe Horwath, confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. After having satisfied with the performance of Messrs. Crowe Horwath and its audit independence, the AC recommended the re-appointment of Messrs. Crowe Horwath to the Board for approval by its shareholders at the forthcoming 9th AGM.

6. Recognise and manage risks

6.1 Risk management

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound system of internal control.

The risk management and internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Company's assets as well as investors interests.

In this regard, major internal control systems are documented and followed by the management of the Group.

6.2 Internal Audit Function

To enhance the effectiveness of risk management and internal control systems, the Board has outsourced the internal audit function to Finfield Corporate Services Sdn Bhd, an independent professional firm of consultants.

The internal auditors will be able to provide additional independent review on the state of risk management and internal control of the Group and has an independent reporting channel to AC. The AC reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the risk management and internal control systems in the organization.

The Internal Control Statement set out on pages 49 to 52 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

7. Ensure timely and high quality disclosure

7.1 Corporate Disclosure Policy

The Board is mindful on the importance of maintaining a proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.



CORPORATE GOVERNANCE STATEMENT

7. Ensure timely and high quality disclosure (cont'd)

7.1 Corporate Disclosure Policy (cont'd)

The Company has in place a document which sets the policies and standard operating procedures for employees to facilitate and ensure compliance by ViTrox Group. It also serves as a guide to enhance awareness among employees of corporate disclosure requirements.

The Company has put in place an internal control policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information.

7.2 Leverage on information technology for effective dissemination of information

ViTrox's website incorporates an Investor Relations (IR) section which provides all relevant information on the Group and is accessible by the public. This IR section enhances the IR function by including all announcements made by the Company, annual reports, board charter as well as the corporate governance structure of the Company.

The Company will enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time.

8. Strengthen relationship between company and shareholders

8.1 Encourage shareholder participation at general meetings

The Company dispatches its notice of AGM to shareholders at least 21 days before the AGM, requirement under the Companies Act, 1965 and Main LR. The additional time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

In addition to the above, time will be allocated during AGM for dialogue with shareholders to address issues concerning the Group.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting process.

8.2 Encourage poll voting

At the 8th AGM of the Company held on 26 June 2012, no substantive resolutions were put forth for shareholders' approval, other than resolutions pertaining to the adoption of Audited Financial Statements for the year ended 31 December 2011, payment of special and final dividend, re-election of retiring Directors, payment of Directors' fees, re-appointment of external auditors and share buy-backs. As such, the resolutions put forth for shareholders' approval at the 8th AGM were voted on by a show of hands.



CORPORATE GOVERNANCE STATEMENT

8. Strengthen relationship between company and shareholders (cont'd)

8.3 Effective communication and proactive engagement

At the 8th AGM, a total of 6 out of 7 Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The proceedings of the 8th AGM included the CEO's presentation of the Company's operating and financial performance for 2011, the presentation of the business outlook 2012, and a Q&A session during which the Chairman invited shareholders to raise questions pertaining to the Company's accounts and other items for adoption at the meeting, before putting a resolution to vote. The Directors, CEO and external auditors were in attendance to respond to the shareholders' queries.

COMPLIANCE STATEMENT

The Board is satisfied that in 2012, the Company complied with the principles and recommendations of the Code.

This Statement was made in accordance with a board of directors resolution dated 23 May 2013.



AUDIT COMMITTEE REPORT

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:-

Chuah Poay Ngee
Chairman
Independent, Non-Executive Director

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

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani
Member
Non-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 members 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.



AUDIT COMMITTEE REPORT

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

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 2012 is as follows:-

Member	No. of Meetings Held	Attendance
Dato' Seri Kiew Kwong Sen	4	2
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 2012 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 2012;
- 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; and
- reviewed the draft audited Financial Statements of the Company and Group for the financial year ended 31 December 2012 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; and
- perform such other functions as requested by the Committee.



AUDIT COMMITTEE REPORT

8. Internal Audit Function (cont'd)

During the Financial Year 2012, the Internal Auditors have assisted the Committee to undertake the following:-

- plan the conduct of internal audit for Financial Year 2012;
- review the risk management and the state of internal control of certain operating cycles within the Group; and
- presented the internal audit report to the Audit Committee.

The cost incurred for the internal audit function in the financial year 2012 was made up of a fee paid to the professional internal audit firm of RM8,160.



INTERNAL CONTROL STATEMENT

PURSUANT TO PARAGRAPH 15.26(b) OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

The Board of Directors (“the Board”) of ViTrox Corporation Berhad (“the Company”) has made the following statement on the internal control statement of the Group which has been prepared in accordance with the “Statement on Risk Management & Internal Control - Guidelines for Directors of Listed Issuers” issued by the Institute of Internal Auditors Malaysia.

Internal Control Objectives

The Board 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

Responsibility

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, and managing risks that may affect the achievement of business objectives. The control structure and process which have been instituted throughout the Group are updated and reviewed from time to time to suit changes in business environment, and this on-going process has been in place for whole financial year under review and up to date of approval of this statement for inclusion in the annual report.

The role of Board includes:-

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 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 CONTROL STATEMENT

PURSUANT TO PARAGRAPH 15.26(b) OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

Internal Control Structure

The Board is committed to maintain a strong and robust control structure and environment for the proper conduct of the Group's business operations. The Group's control environment comprises of the following components:-

Risk Management Framework

The Board has established an organization structure with clearly defined line of responsibility, authority limits and accountability aligned to business and operation requirements which supports the maintenance of a strong and robust control environment.

The Group is continuously committed in setting new standards whilst maintaining an effective risk management framework to ensure the Group's objective are achieved and stakeholders interest are protected. The Board acknowledges its responsibility to adopt best practices in risk management and internal control as part of the Group's business culture.

Internal Audit Function

The Board has outsourced the internal audit function to Finfield Corporate Services Sdn Bhd, an independent professional firm of consultants.

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.

Board of Directors

The Board meets at least quarterly, to review and evaluate the Group's operations and performance and to address key policy matters. The Managing Director leads the presentation of Board papers and provides comprehensive explanation over pertinent issues.

The prerequisite to decisions making in the meeting is through deliberation and discussion by the Board, together with recommendations and feedback from Management. In addition to quarterly financial results, corporate proposals, progress reports on business operations are also tabled at the Board's quarterly meetings.



INTERNAL CONTROL STATEMENT

PURSUANT TO PARAGRAPH 15.26(b) OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

Internal Control Structure (cont'd)

Independence of the Audit Committee

The Audit Committee is comprised of FOUR (4) Non-Executive Directors who are highly experienced and whose knowledge, background and judgment are invaluable to the Group. The Audit Committee has unimpeded access to both the Internal and External Auditors.

The Audit Committee reviews the work of the Internal and External Auditors, their findings and recommendations to ensure that it obtains the necessary level of assurance with respect to the adequacy of the internal controls. Further details of the activities undertaken by the Audit Committee during the year are set out in the Audit Committee Report on pages 45 to 48.

Senior Management Meeting

Senior Management meetings are held on a monthly basis to formulate strategies on an on-going basis and to address issues arising from changes in both the external business environment and internal operating conditions.

Hoshin Plan and Budget

Hoshin Plan and Budgets are prepared by the Company's business units and reviewed and approved by the Management and Board. The performance of each business unit is assessed with explanation on significant variances provided to Management and Board on periodic basis.

Document Policies and Procedures

Policies and procedures of business processes are documented and set out in a series of Standard Operating Manual and implemented throughout the Group. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs.

All the documented policies and procedures can be accessed via the Company's intranet.

Human Resource Policy

The Group has in place, a comprehensive Human Resource Policy approved by the Management that set the tone of control consciousness and employee conduct. There is also in place, supporting procedures for the reporting and resolution of action contravening these policies.

These are proper guidelines within the Group regarding employment and dismissal, formal training programs as well as other relevant procedures in place to ensure that staffs are competent and adequately guided in carrying out their responsibilities.

The Group has also in place a Performance Management System, which is linked to and guided by Key Performance Indicators (KPI) and accountability.



INTERNAL CONTROL STATEMENT

PURSUANT TO PARAGRAPH 15.26(b) OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

Internal Control Structure (cont'd)

Supplier Code of Conduct

The Board expects all ViTrox Group's suppliers to observe high ethical business standard of honesty and integrity and to apply these values to all aspects of their business and professional practices.

A Supplier Code of Conduct is established in which the Group's minimum expectations on the suppliers vis-à-vis legal compliance and ethical business practices are stipulated.

The Code applies to all suppliers, vendors, contractors and any other persons doing business with ViTrox Corporation Berhad and its subsidiary companies.

Assurance from Management

The Board has also received reasonable assurance from the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) that the Group's risk management and internal control system are operating adequately and effectively in all aspects, based on the risk management and internal control system of the Group.

This statement was made in accordance with a board of directors resolution dated 23 May 2013.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

PURSUANT TO PARAGRAPH 15.26(a) OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

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 23 May 2013.



ADDITIONAL COMPLIANCE INFORMATION

1. Utilization of Proceeds

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

2. Share Buy-backs

During the financial year ended 31 December 2012, the details of the shares purchased by the Company were as follows:-

Transaction date	Number of Shares (Units)	Unit Price			Consideration paid* RM
		Lowest RM	Highest RM	Average RM	
Feb 2012	665,000	0.71	0.79	0.77	511,284
Mar 2012	20,000	0.71	0.71	0.71	14,204
May 2012	6,100	0.63	0.63	0.63	3,827
Sep 2012	124,700	0.62	0.64	0.63	79,121
Oct 2012	149,600	0.63	0.67	0.63	94,977
Nov 2012	10,000	0.66	0.68	0.67	6,669
Dec 2012	34,900	0.65	0.68	0.66	22,947
	1,010,300	0.62	0.79	0.73	733,029

* Including brokerage, clearing house fee and stamp duty.

All the shares so purchased during the financial year were retained as treasury shares.

There has been no cancellation of treasury shares by the Company during the financial year ended 31 December 2012.

3. Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued 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 RM10,750 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.



ADDITIONAL COMPLIANCE INFORMATION

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 27 February 2013.

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 revenue or trading nature during the financial year.

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 2012 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.



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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

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 the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

RESULTS

	The Group RM	The Company RM
Profit for the financial year	<u>20,489,782</u>	<u>5,172,359</u>

DIVIDENDS

During the financial year, the Company paid the following dividends in respect of the financial year ended 31 December 2011:-

	RM
Interim tax exempt dividend of 1 sen per share	2,322,700
Final tax exempt dividend of 0.5 sen per share	1,157,895
Special tax exempt dividend of 0.5 sen per share	<u>1,157,895</u>
	<u>4,638,490</u>

In January 2013, the Company declared and paid an interim tax exempt dividend of 1 sen per share amounting to RM2,312,597 in respect of the financial year ended 31 December 2012.

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

There was no issue of shares or 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.



DIRECTORS' REPORT

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	
February 2012	665,000	0.71	0.79	0.77	511,284
March 2012	20,000	0.71	0.71	0.71	14,204
May 2012	6,100	0.63	0.63	0.63	3,827
September 2012	124,700	0.62	0.64	0.63	79,121
October 2012	149,600	0.63	0.67	0.63	94,977
November 2012	10,000	0.66	0.68	0.67	6,669
December 2012	34,900	0.65	0.68	0.66	22,947
	1,010,300	0.62	0.79	0.73	733,029

The mandate given by the shareholders at the Annual General Meeting held on 26 June 2012 will expire at the forthcoming Annual General Meeting at which a 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.



DIRECTORS' REPORT

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.

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' REPORT

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

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 31.12.2012
	Balance at 1.1.2012	Bought	Sold	
Dato' Seri Kiew Kwong Sen				
- Direct	3,750,000	0	0	3,750,000
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani				
- Direct	750,000	0	0	750,000
Chu Jenn Weng				
- Direct	71,710,768	0	(573,400)	71,137,368
Siaw Kok Tong				
- Direct	51,324,214	0	(417,000)	50,907,214
Yeoh Shih Hoong				
- Direct	27,283,585	0	(209,600)	27,073,985
Chuah Poay Ngee				
- Direct	15,000	0	0	15,000
Chang Mun Kee				
- Direct	150	0	0	150
- Indirect	6,367,149	0	0	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' REPORT

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.

AUDITORS

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 18 APRIL 2013**

Chu Jenn Weng

Siaw Kok Tong



STATEMENT BY DIRECTORS

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 65 to 107 give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 108 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 18 APRIL 2013**

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 65 to 107 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 18 April 2013

Chu Jenn Weng

Before me

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



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VITROX CORPORATION BERHAD

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 2012 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 65 to 107.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible 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 give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.



INDEPENDENT AUDITORS' REPORT

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

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 108 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

- (i) As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the financial year then ended.
- (ii) 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

Chan Kheng Hoe

Approval No: 2979/03/14(J)

Chartered Accountant

Date: 18 April 2013

Penang



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Property, plant and equipment	4	30,060,175	27,917,565	13,411,867
Investment property	5	600,000	600,000	600,000
Development expenditure	6	2,602,123	3,653,358	3,941,093
Investments in club memberships - at cost		91,250	91,250	91,250
		33,353,548	32,262,173	18,044,210
CURRENT ASSETS				
Assets held for sale	8	0	887,388	0
Inventories	9	27,972,481	22,990,783	14,053,179
Trade and other receivables	10	39,202,919	21,599,531	18,133,724
Financial assets at fair value through profit or loss	11	14,110	0	0
Prepayments		1,078,412	1,212,959	311,009
Current tax assets		75,249	63,016	21,406
Cash and cash equivalents	12	43,915,205	42,739,240	43,403,278
		112,258,376	89,492,917	75,922,596
CURRENT LIABILITIES				
Trade and other payables	13	16,775,448	10,925,613	11,275,422
Dividend payable		0	2,322,700	4,568,559
Term loan - secured	14	1,249,430	423,609	0
Financial liabilities at fair value through profit or loss	11	0	322,983	0
Advance payments from customers		335,000	925,100	696,304
Current tax liabilities		43,771	0	169,072
		18,403,649	14,920,005	16,709,357
NET CURRENT ASSETS		93,854,727	74,572,912	59,213,239
NON-CURRENT LIABILITIES				
Term loan - secured	14	11,339,161	8,195,860	0
Deferred tax liabilities	15	635,000	800,000	400,000
Deferred income on government grants	16	781,274	822,869	523,153
		12,755,435	9,818,729	923,153
NET ASSETS		114,452,840	97,016,356	76,334,296
EQUITY				
Share capital	17	23,250,000	23,250,000	15,500,000
Treasury shares	17	(909,802)	(176,773)	(1,021,498)
Share premium		4,662,738	4,662,738	1,222,055
Currency translation reserve		3,998	8,477	(4,022)
Retained profits		87,445,906	69,271,914	60,637,761
TOTAL EQUITY		114,452,840	97,016,356	76,334,296

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Revenue	18	88,870,691	79,202,576
Other income		7,923,173	4,639,070
Amortisation of development expenditure		(928,641)	(790,509)
Changes in work-in-progress and finished goods		(1,595,533)	2,185,674
Depreciation of property, plant and equipment		(1,756,050)	(1,134,558)
Directors' remuneration	19	(986,138)	(890,224)
Employee benefits expense	20	(16,999,960)	(12,552,981)
Raw materials consumed		(34,585,300)	(34,343,348)
Finance costs		(274,154)	(58,152)
Other expenses		(18,112,294)	(13,252,549)
Profit before tax	21	21,555,794	23,004,999
Tax expense	22	(1,066,012)	(778,542)
Profit for the financial year		20,489,782	22,226,457
Other comprehensive income:-			
Currency translation differences for foreign operation		(4,479)	12,499
Other comprehensive income for the financial year		(4,479)	12,499
Total comprehensive income for the financial year		20,485,303	22,238,956
Earnings per share:-	23		
- Basic (sen)		8.85	9.61
- Diluted (sen)		8.85	9.61

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

			Non-distributable		Distributable	
	Share capital RM	Treasury shares RM	Share premium RM	Currency translation reserve RM	Retained profits RM	Total equity RM
Balance at 1 January 2011	15,500,000	(1,021,498)	1,222,055	(4,022)	60,637,761	76,334,296
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	69,271,914	97,016,356
Profit for the financial year	0	0	0	0	20,489,782	20,489,782
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	(4,479)	0	(4,479)
Total comprehensive income for the financial year	0	0	0	(4,479)	20,489,782	20,485,303
Purchase of own shares	0	(733,029)	0	0	0	(733,029)
Dividends (Note 24)	0	0	0	0	(2,315,790)	(2,315,790)
Total transactions with owners	0	(733,029)	0	0	(2,315,790)	(3,048,819)
Balance at 31 December 2012	23,250,000	(909,802)	4,662,738	3,998	87,445,906	114,452,840

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



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		21,555,794	23,004,999
Adjustments for:-			
Allowance for slow moving inventories		2,388,215	2,418,197
Amortisation and depreciation		2,684,691	1,925,067
Amortisation of deferred income		(181,178)	(331,783)
Development expenditure written off		146,971	0
Gain on disposal of assets held for sale		(1,912,612)	0
Gain on disposal of property, plant and equipment		(1,136)	(10,500)
Impairment loss on loans and receivables		459,896	792,598
Interest expense		274,154	58,152
Interest income		(917,435)	(766,434)
Reversal of allowance for slow moving inventories		(2,418,197)	(2,513,989)
Reversal of impairment loss on loans and receivables		(355,451)	(31,500)
Unrealised (gain)/loss on financial instruments at fair value through profit or loss		(14,110)	322,983
Unrealised loss/(gain) on foreign exchange		555,718	(250,056)
Operating profit before working capital changes		22,265,320	24,617,734
Changes in:-			
Inventories		(4,951,716)	(8,841,812)
Receivables and prepayments		(17,956,835)	(4,572,643)
Payables and advance payments		5,242,680	(122,263)
Financial instruments at fair value through profit or loss		(322,983)	0
Cash generated from operations		4,276,466	11,081,016
Tax paid		(1,227,993)	(632,544)
Tax refunded		28,519	43,320
Net cash from operating activities		3,076,992	10,491,792
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of development expenditure		(24,377)	(502,774)
Grants received		261,682	599,987
Interest received		911,086	766,163
Proceeds from disposal of assets held for sale		2,800,000	0
Proceeds from disposal of property, plant and equipment		2,570	10,500
Purchase of property, plant and equipment		(3,900,350)	(16,526,862)
Net cash from/(used in) investing activities		50,611	(15,652,986)

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



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

	Note	2012 RM	2011 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(4,638,490)	(9,218,559)
Drawdown of term loan		4,405,627	8,312,368
Interest paid		(268,441)	(37,877)
Purchase of own shares		(733,029)	(427,467)
Reissue of treasury shares		0	5,934,930
Repayment of term loan		(101,948)	0
Share issue transaction costs		0	(91,659)
Net cash (used in)/from financing activities		(1,336,281)	4,471,736
Currency translation differences		(615,357)	25,420
Net increase/(decrease) in cash and cash equivalents		1,175,965	(664,038)
Cash and cash equivalents brought forward		42,739,240	43,403,278
Cash and cash equivalents carried forward	12	43,915,205	42,739,240

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



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Property, plant and equipment	4	757,643	849,269	166,291
Investments in subsidiaries	7	8,042,013	8,042,013	8,042,013
		8,799,656	8,891,282	8,208,304
CURRENT ASSETS				
Trade and other receivables	10	10,442,731	13,882,739	15,533,216
Dividends receivable		5,800,000	0	0
Prepayments		21,283	27,395	27,609
Current tax assets		17,570	1,468	0
Cash and cash equivalents	12	8,834,432	10,854,364	8,655,353
		25,116,016	24,765,966	24,216,178
CURRENT LIABILITIES				
Trade and other payables	13	2,045,993	1,547,708	1,936,995
Dividend payable		0	2,322,700	4,568,559
Current tax liabilities		0	0	807
		2,045,993	3,870,408	6,506,361
NET CURRENT ASSETS		23,070,023	20,895,558	17,709,817
NON-CURRENT LIABILITIES				
Deferred income on government grants	16	346,361	387,062	82,540
NET ASSETS		31,523,318	29,399,778	25,835,581
EQUITY				
Share capital	17	23,250,000	23,250,000	15,500,000
Treasury shares	17	(909,802)	(176,773)	(1,021,498)
Share premium		4,662,738	4,662,738	1,222,055
Retained profits		4,520,382	1,663,813	10,135,024
TOTAL EQUITY		31,523,318	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 2012

	Note	2012 RM	2011 RM
Revenue	18	11,600,000	10,820,000
Other income		3,456,280	2,381,956
Depreciation of property, plant and equipment		(320,782)	(257,996)
Directors' remuneration	19	(467,124)	(447,812)
Employee benefits expense	20	(6,644,792)	(5,015,105)
Other expenses		(2,439,332)	(2,334,950)
Profit before tax	21	5,184,250	5,146,093
Tax expense	22	(11,891)	(25,000)
Profit for the financial year		5,172,359	5,121,093
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		5,172,359	5,121,093

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



STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Share capital RM	Treasury shares RM	Non- distributable Share premium RM	Distributable Retained profits RM	Total equity RM
Balance at 1 January 2011	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
Profit (representing total comprehensive income) for the financial year	0	0	0	5,172,359	5,172,359
Purchase of own shares	0	(733,029)	0	0	(733,029)
Dividends (Note 24)	0	0	0	(2,315,790)	(2,315,790)
Total transactions with owners	0	(733,029)	0	(2,315,790)	(3,048,819)
Balance at 31 December 2012	23,250,000	(909,802)	4,662,738	4,520,382	31,523,318

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



STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,184,250	5,146,093
Adjustments for:-			
Amortisation of deferred income		(146,800)	(124,832)
Depreciation		320,782	257,996
Dividend income		(11,600,000)	(10,450,000)
Interest income		(248,866)	(181,105)
Unrealised gain on foreign exchange		(5)	(387)
Operating loss before working capital changes		(6,490,639)	(5,352,235)
Changes in:-			
Receivables and prepayments		3,528,212	1,663,380
Payables		498,290	(389,083)
Cash absorbed by operations		(2,464,137)	(4,077,938)
Tax paid		(27,993)	(27,275)
Net cash used in operating activities		(2,492,130)	(4,105,213)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		5,800,000	10,450,000
Grants received		26,052	419,044
Interest received		246,821	178,909
Purchase of property, plant and equipment		(229,156)	(940,974)
Net cash from investing activities		5,843,717	10,106,979
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(4,638,490)	(9,218,559)
Purchase of own shares		(733,029)	(427,467)
Reissue of treasury shares		0	5,934,930
Share issue transaction costs		0	(91,659)
Net cash used in financing activities		(5,371,519)	(3,802,755)
Net (decrease)/increase in cash and cash equivalents		(2,019,932)	2,199,011
Cash and cash equivalents brought forward		10,854,364	8,655,353
Cash and cash equivalents carried forward	12	8,834,432	10,854,364

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 the 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 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 65 to 69 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 70 to 73 together with the notes thereto cover the Company solely.

The presentation currency is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 April 2013.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

These are the first MFRS financial statements of the Group and the Company, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The Group and the Company adopted MFRSs on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. The Group and the Company prepared their previous financial statements in accordance with Financial Reporting Standards ("FRSs"). The effects of transition from FRSs to MFRSs are disclosed in Note 2.2.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	1 January 2015
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits</i> (amended in 2011)	1 January 2013
MFRS 127 <i>Separate Financial Statements</i> (amended in 2011)	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011)	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRSs contained in the document entitled "Annual Improvements 2009 - 2011 Cycle"	1 January 2013

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

MFRS 9 *Financial Instruments*

MFRS 9 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

MFRS 10 Consolidated Financial Statements

MFRS 10 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.

2.2 Transition to MFRSs

The effects of transition from FRSs to MFRSs on the reported financial position are as follows:-

	FRSs RM	Effects of transition RM	MFRSs RM
<u>Consolidated Statement of Financial Position (Extract)</u>			
<u>As at 1 January 2011</u>			
Deferred tax liabilities	450,000	(50,000)	400,000
Retained profits	60,587,761	50,000	60,637,761
Total equity	<u>76,284,296</u>	<u>50,000</u>	<u>76,334,296</u>
<u>As at 31 December 2011</u>			
Deferred tax liabilities	850,000	(50,000)	800,000
Retained profits	69,221,914	50,000	69,271,914
Total equity	<u>96,966,356</u>	<u>50,000</u>	<u>97,016,356</u>

Upon transition to MFRSs, the Group applied MFRS 112 *Income Taxes* which presumes that the carrying amount of investment property stated at fair value will be recovered entirely through sale. Accordingly, unless the presumption is rebutted, the measurement of deferred tax shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. The deferred tax liabilities as at 1 January 2011 and 31 December 2011 in relation to the investment property were reduced by RM50,000.

The transition from FRSs to MFRSs did not have any significant effects on the reported financial performance and cash flows.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 values. 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.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 term of 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	20% - 25%
Motor vehicles	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.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 group) 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 MFRSs. Upon classification as held for sale, the asset (or disposal group), other than financial assets within the scope of MFRS 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.

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, 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 loss 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 2012

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 under 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. 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).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Financial Liabilities (cont'd)

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.

(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. 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).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

In translating the financial position and results of a foreign operation whose functional currency is not the 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Income Taxes (cont'd)

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 is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

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:-

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.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 vehicles RM	Renovation and electrical installation RM	Capital work-in- progress RM	Total RM
<u>Cost</u>								
Balance at 1 January 2011	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
Additions	0	0	825,669	1,794,284	0	0	1,280,397	3,900,350
Disposals/Write-offs	0	0	0	(20,130)	0	0	0	(20,130)
Currency translation differences	0	0	0	(693)	0	0	0	(693)
Balance at 31 December 2012	0	2,691,103	24,569,252	8,556,520	99,578	262,321	1,280,397	37,459,171

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 vehicles RM	Renovation and electrical installation RM	Capital work-in- progress RM	Total RM
<u>Accumulated Depreciation</u>								
Balance at 1 January 2011	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
Depreciation	0	44,851	482,425	1,157,453	24,894	46,427	0	1,756,050
Disposals/Write-offs	0	0	0	(18,696)	0	0	0	(18,696)
Currency translation differences	0	0	0	(437)	0	0	0	(437)
Balance at 31 December 2012	0	310,224	1,229,552	5,664,501	37,341	157,378	0	7,398,996
<u>Carrying Amount</u>								
Balance at 1 January 2011	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
Balance at 31 December 2012	0	2,380,879	23,339,700	2,892,019	62,237	104,943	1,280,397	30,060,175

The long-term leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)**The Company**

	Furniture, fittings and equipment RM	Renovation RM	Total RM
<u>Cost</u>			
Balance at 1 January 2011	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
Additions	229,156	0	229,156
Balance at 31 December 2012	1,267,187	85,700	1,352,887
<u>Accumulated Depreciation</u>			
Balance at 1 January 2011	9,470	6,996	16,466
Depreciation	236,571	21,425	257,996
Balance at 31 December 2011	246,041	28,421	274,462
Depreciation	299,357	21,425	320,782
Balance at 31 December 2012	545,398	49,846	595,244
<u>Carrying Amount</u>			
Balance at 1 January 2011	87,587	78,704	166,291
Balance at 31 December 2011	791,990	57,279	849,269
Balance at 31 December 2012	721,789	35,854	757,643

5. INVESTMENT PROPERTY**The Group**

<u>Fair Value</u>	Shoplots RM
Balance at 1 January 2011	600,000
Movement during the year	0
Balance at 31 December 2011	600,000
Movement during the year	0
Balance at 31 December 2012	600,000

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

6. DEVELOPMENT EXPENDITURE

The Group

	RM
<u>Cost</u>	
Balance at 1 January 2011	4,042,474
Additions - internal development	502,774
Balance at 31 December 2011	4,545,248
Additions - internal development	24,377
Write-offs	(146,971)
Balance at 31 December 2012	4,422,654
<u>Accumulated Amortisation</u>	
Balance at 1 January 2011	101,381
Amortisation	790,509
Balance at 31 December 2011	891,890
Amortisation	928,641
Balance at 31 December 2012	1,820,531
<u>Carrying Amount</u>	
Balance at 1 January 2011	3,941,093
Balance at 31 December 2011	3,653,358
Balance at 31 December 2012	2,602,123

7. INVESTMENTS IN SUBSIDIARIES

The Company

	2012	2011
	RM	RM
Unquoted shares, at cost	8,542,012	8,542,012
Impairment loss	(499,999)	(499,999)
	<u>8,042,013</u>	<u>8,042,013</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

7. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2012	2011	
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
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.

8. ASSETS HELD FOR SALE

The Group

	Short-term leasehold land RM	Buildings RM	Total RM
Balance at 1 January 2011	0	0	0
Transfer from property, plant and equipment	207,979	679,409	887,388
Balance at 31 December 2011	207,979	679,409	887,388
Disposals	(207,979)	(679,409)	(887,388)
Balance at 31 December 2012	0	0	0



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

9. INVENTORIES**The Group**

	2012	2011
	RM	RM
Raw materials	21,188,617	14,611,386
Work-in-progress	690,935	424,167
Finished goods	6,092,929	7,955,230
	27,972,481	22,990,783

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Trade receivables	37,769,081	20,446,126	0	0
Allowance for impairment	(796,076)	(691,631)	0	0
	36,973,005	19,754,495	0	0
Grants receivable	2,044,885	1,516,246	2,044,885	923,610
Other receivables:-				
- Subsidiaries	0	0	8,341,818	12,949,364
- Unrelated parties	285,996	429,757	56,028	9,765
- Allowance for impairment	(100,967)	(100,967)	0	0
	185,029	328,790	8,397,846	12,959,129
	39,202,919	21,599,531	10,442,731	13,882,739

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

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Ringgit Malaysia	6,764,100	4,720,952	10,442,731	13,879,880
US Dollar	32,425,051	16,857,393	0	2,859
Others	13,768	21,186	0	0
	39,202,919	21,599,531	10,442,731	13,882,739



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. TRADE AND OTHER RECEIVABLES (cont'd)

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 270 day terms.

The movements in allowance for impairment are as follows:-

	The Group	
	2012 RM	2011 RM
Balance at 1 January	691,631	31,500
Impairment loss recognised	459,896	691,631
Impairment loss reversed	(355,451)	(31,500)
Balance at 31 December	<u>796,076</u>	<u>691,631</u>

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	
	2012 RM	2011 RM
Not past due	24,615,106	11,953,572
Past due 1 to 30 days	6,175,491	2,423,394
Past due 31 to 120 days	4,199,532	3,614,647
Past due more than 120 days	1,982,876	1,762,882
	<u>36,973,005</u>	<u>19,754,495</u>

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. TRADE AND OTHER RECEIVABLES (cont'd)

Trade Receivables (cont'd)

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2011, there was 1 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. As at 31 December 2012, the Group did not have any major credit risk concentration relating to any individual customer or counterparty. The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group	
	2012 RM	2011 RM
Malaysia	6,516,018	2,983,241
China	8,068,328	398,709
Mexico	310,459	3,047,162
Singapore	1,793,868	6,609,045
Taiwan	5,377,238	4,146,659
United States of America	10,677,553	2,563,880
Others	4,229,541	5,799
	36,973,005	19,754,495

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	
	2012 RM	2011 RM
Balance at 1 January	100,967	0
Impairment loss recognised	0	100,967
Balance at 31 December	100,967	100,967

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

11. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2012 RM	2011 RM
Derivatives classified as held for trading, at fair value (Level 2)	<u>14,110</u>	<u>(322,983)</u>

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 2012, the Group had contracts due within 1 year to buy RM3,684,000 (2011 : RM6,053,000) and sell USD1,200,000 (2011 : USD1,993,000) at contractual forward rates.

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Highly liquid investments	12,706,509	12,327,397	5,668,044	5,511,517
Term deposits with licensed banks (fixed rate)	16,244,197	22,340,198	3,028,246	5,163,823
Cash and bank balances	<u>14,964,499</u>	<u>8,071,645</u>	<u>138,142</u>	<u>179,024</u>
	<u>43,915,205</u>	<u>42,739,240</u>	<u>8,834,432</u>	<u>10,854,364</u>

A term deposit of the Group amounting to RM187,621 (2011 : RM182,177) 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 2012 ranged from 2.6% to 3.6% (2011 : 2.7% to 3.6%) per annum.

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	30,200,080	36,042,038	8,834,432	10,854,364
US Dollar	13,599,617	6,590,418	0	0
Others	<u>115,508</u>	<u>106,784</u>	<u>0</u>	<u>0</u>
	<u>43,915,205</u>	<u>42,739,240</u>	<u>8,834,432</u>	<u>10,854,364</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

13. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables:-				
- Subsidiary	0	0	5,995	0
- Unrelated parties	6,793,955	3,498,178	23,769	17,885
	6,793,955	3,498,178	29,764	17,885
Other payables:-				
- Subsidiary	0	0	9,854	0
- Unrelated parties	9,981,493	7,427,435	2,006,375	1,529,823
	9,981,493	7,427,435	2,016,229	1,529,823
	16,775,448	10,925,613	2,045,993	1,547,708

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	14,355,665	10,225,479	2,043,978	1,540,315
US Dollar	1,844,563	547,531	2,015	0
Others	575,220	152,603	0	7,393
	16,775,448	10,925,613	2,045,993	1,547,708

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 and non-interest bearing. The amount owing to subsidiary is repayable on demand. The credit terms granted by unrelated parties range from 30 to 90 days.

Other Payables

Other payables are unsecured and non-interest bearing. The amount owing to subsidiary is repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 60 days.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

14. TERM LOAN - SECURED

The Group

	2012 RM	2011 RM
Term loan (floating rate and denominated in US Dollar)	<u>12,588,591</u>	<u>8,619,469</u>
Disclosed as:-		
- Current liabilities	1,249,430	423,609
- Non-current liabilities	<u>11,339,161</u>	<u>8,195,860</u>
	<u>12,588,591</u>	<u>8,619,469</u>

Term loan is secured against the long-term leasehold land and buildings (Note 4). The effective interest rate as at 31 December 2012 was 2.4% (2011 : 2.8%) per annum.

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

	2012 RM	2011 RM
Gross loan instalments:-		
- Within 1 year	1,515,129	502,574
- Later than 1 year and not later than 2 years	1,485,002	1,500,310
- Later than 2 years and not later than 5 years	4,278,493	4,287,430
- Later than 5 years	6,897,585	3,267,264
Total contractual undiscounted cash flows	14,176,209	9,557,578
Future finance charges	(1,587,618)	(938,109)
Present value of term loan:-		
- Within 1 year	1,249,430	423,609
- Later than 1 year and not later than 2 years	1,223,345	1,270,825
- Later than 2 years and not later than 5 years	3,670,033	3,812,476
- Later than 5 years	6,445,783	3,112,559
	<u>12,588,591</u>	<u>8,619,469</u>

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 2012

15. DEFERRED TAX LIABILITIES**The Group**

	2012 RM	2011 RM
Balance at 1 January	800,000	400,000
Deferred tax (income)/expense relating to origination and reversal of temporary differences	(123,000)	363,000
Deferred tax liabilities (over)/under provided in prior year	(42,000)	37,000
Balance at 31 December	635,000	800,000
In respect of taxable temporary differences of:-		
- Property, plant and equipment	512,000	513,000
- Development expenditure	123,000	287,000
	635,000	800,000

16. DEFERRED INCOME ON GOVERNMENT GRANTS

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Balance at 1 January	822,869	523,153	387,062	82,540
Grants related to:-				
- Property, plant and equipment	110,387	485,139	106,099	429,354
- Capitalised development expenditure	29,196	146,360	0	0
	139,583	631,499	106,099	429,354
Amortisation	(181,178)	(331,783)	(146,800)	(124,832)
Balance at 31 December	781,274	822,869	346,361	387,062

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

17. SHARE CAPITAL

	2012		2011	
	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	232,500,000	23,250,000	155,000,000	15,500,000
Bonus issue	0	0	77,500,000	7,750,000
Balance at 31 December	232,500,000	23,250,000	232,500,000	23,250,000

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:-

	2012		2011	
	No. of Shares	RM	No. of Shares	RM
Balance at 1 January	230,000	176,773	2,714,700	1,021,498
Shares purchased	1,010,300	733,029	427,900	427,467
Shares reissued	0	0	(2,912,600)	(1,272,192)
Balance at 31 December	1,240,300	909,802	230,000	176,773
Average unit cost for the year		0.73		1.00

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

	2012	2011
	No. of Shares	No. of Shares
Balance at 1 January	232,270,000	152,285,300
Bonus issue	0	77,500,000
Shares purchased	(1,010,300)	(427,900)
Shares reissued	0	2,912,600
Balance at 31 December	231,259,700	232,270,000



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

18. REVENUE

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Income from sale of goods	88,870,691	79,202,576	0	370,000
Gross dividends from subsidiaries	0	0	11,600,000	10,450,000
	88,870,691	79,202,576	11,600,000	10,820,000

19. DIRECTORS' REMUNERATION

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Fees	144,000	144,000	144,000	144,000
Other short-term employee benefits	659,410	596,218	243,678	235,429
Defined contribution plans	182,728	150,006	79,446	68,383
	986,138	890,224	467,124	447,812

20. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	15,202,878	11,245,868	5,969,178	4,441,561
Defined contribution plans	1,797,082	1,307,113	675,614	573,544
	16,999,960	12,552,981	6,644,792	5,015,105

21. PROFIT BEFORE TAX

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax is arrived at after charging:-				
Allowance for slow moving inventories	2,388,215	2,418,197	0	0
Auditors' remuneration	39,500	39,500	12,000	12,000
Development expenditure written off	146,971	0	0	0



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

21. PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Direct operating expenditure for investment property:-				
- Generating rental income	0	2,462	0	0
- Not generating rental income	2,582	0	0	0
Fee expense for financial instruments not at fair value through profit or loss	59,181	54,360	3,284	1,984
Impairment loss on loans and receivables	459,896	792,598	0	0
Interest expense for financial liabilities not at fair value through profit or loss	274,154	58,152	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading):-				
- Realised	0	181,541	0	0
- Unrealised	0	322,983	0	0
Loss on foreign exchange:-				
- Realised	375,328	7,420	0	991
- Unrealised	555,723	0	0	0
Rental of premises	119,872	476,129	44,574	267,868
Research and development expenditure	13,716,181	10,792,708	8,572,605	5,570,244
and crediting:-				
Amortisation of deferred income	181,178	331,783	146,800	124,832
Gain on disposal of assets held for sale	1,912,612	0	0	0
Gain on disposal of property, plant and equipment	1,136	10,500	0	0
Gain on financial instruments at fair value through profit or loss (classified as held for trading):-				
- Realised	277,782	0	0	0
- Unrealised	14,110	0	0	0
Gain on foreign exchange:-				
- Realised	82,803	749,559	4,623	0
- Unrealised	5	250,056	5	387
Grants related to income	4,044,402	2,463,221	3,055,986	2,075,632



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

21. PROFIT BEFORE TAX (cont'd)

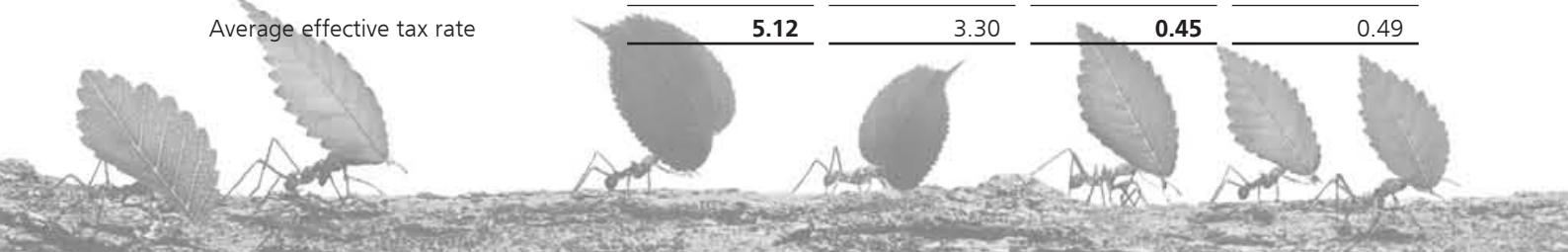
	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest income for financial assets not at fair value through profit or loss	917,435	766,434	248,866	181,105
Rental income:-				
- Investment property	0	32,853	0	0
- Others	0	4,800	0	0
Reversal of allowance for slow moving inventories	2,418,197	2,513,989	0	0
Reversal of impairment loss on loans and receivables	355,451	31,500	0	0

22. TAX EXPENSE

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax based on results for the year:-				
Malaysian income tax	1,226,335	366,000	23,085	25,000
Overseas income tax	0	30,429	0	0
Deferred tax	(123,000)	363,000	0	0
	1,103,335	759,429	23,085	25,000
Tax under/(over) provided in prior year:-				
Malaysian income tax	4,677	(17,887)	(11,194)	0
Deferred tax	(42,000)	37,000	0	0
	1,066,012	778,542	11,891	25,000

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	
	2012 %	2011 %	2012 %	2011 %
Applicable tax rate	25.00	25.00	25.00	25.00
Non-deductible expenses	5.89	3.80	16.15	11.64
Non-taxable income	(7.44)	(2.55)	(71.31)	(61.85)
Pioneer income exempted	(30.50)	(27.26)	0.00	0.00
Effect of differential tax rates	12.17	4.31	30.61	25.70
Average effective tax rate	5.12	3.30	0.45	0.49



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

22. TAX EXPENSE (cont'd)

As at 31 December 2012, 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 2012 as tax exempt dividends under the single tier tax system.

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 as follows:-

	2012	2011
Profit for the financial year (RM)	<u>20,489,782</u>	<u>22,226,457</u>
Number of shares in issue as at 1 January	232,270,000	152,285,300
Effect of bonus issue	0	77,140,914
Effect of shares purchased	(713,274)	(217,435)
Effect of shares reissued	0	2,194,428
Weighted average number of shares in issue	<u>231,556,726</u>	<u>231,403,207</u>
Basic earnings per share (sen)	<u>8.85</u>	<u>9.61</u>

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

24. DIVIDENDS

The Group and the Company

	2012	2011
	RM	RM
In respect of financial year ended 31 December 2010:-		
- Final tax exempt dividend of 0.5 sen per share	0	775,000
- Special tax exempt dividend of 2.5 sen per share	0	3,875,000
 In respect of financial year ended 31 December 2011:-		
- Interim tax exempt dividend of 1 sen per share	0	2,322,700
- Final tax exempt dividend of 0.5 sen per share	1,157,895	0
- Special tax exempt dividend of 0.5 sen per share	1,157,895	0
	2,315,790	6,972,700

In January 2013, the Company declared and paid an interim tax exempt dividend of 1 sen per share amounting to RM2,312,597 in respect of the financial year ended 31 December 2012.

25. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Key management personnel compensation:-				
- Short-term employee benefits	909,147	858,202	387,678	379,429
- Defined contribution plans	194,172	167,488	79,446	68,383
	1,103,319	1,025,690	467,124	447,812
Dividends declared from subsidiaries	0	0	11,600,000	10,450,000
Purchase of goods from subsidiary	0	0	5,450	0
Purchase of property, plant and equipment from subsidiary	0	0	0	644,408



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. SEGMENT REPORTING

The Group

Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	28,059,211	24,231,373	33,347,215	32,252,352
China	10,838,466	1,524,966	6,333	9,821
Singapore	12,540,389	29,044,277	0	0
Taiwan	11,752,115	4,451,392	0	0
United States of America	17,792,044	11,618,592	0	0
Others	7,888,466	8,331,976	0	0
	88,870,691	79,202,576	33,353,548	32,262,173

Major Customers

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

	External Revenue	
	2012 RM	2011 RM
Customer I*	12,384,636	29,043,123
Customer II*	19,404,350	19,084,924

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

27. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Contracted but not provided for	4,764,000	269,000	2,691,000	0

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 a subsidiary up to a total limit of approximately RM28,179,000 (2011 : RM24,179,000). The total utilisation of these credit facilities as at 31 December 2012 amounted to approximately RM16,935,000 (2011 : RM14,987,000).

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 subsidiary 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 a subsidiary. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 28.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

29. FINANCIAL RISK MANAGEMENT (cont'd)

Credit Risk (cont'd)

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.

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	Increase/ (Decrease) in Profit
	2012	2011
	RM	RM
Appreciation of USD against RM by 10%	3,159,353	1,427,795
Depreciation of USD against RM by 10%	(3,159,353)	(1,427,795)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

29. FINANCIAL RISK MANAGEMENT (cont'd)

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:-

	The Group	
	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit
	2012	2011
	RM	RM
Increase in interest rates by 50 basis points	(62,144)	(42,706)
Decrease in interest rates by 50 basis points	62,144	42,706

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 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, which is calculated as total loans and borrowings divided by total equity as follows:-

	The Group	
	2012	2011
	RM	RM
Total loans and borrowings	12,588,591	8,619,469
Total equity	114,452,840	97,016,356
Total capital	127,041,431	105,635,825
Debt-to-equity ratio	11%	9%

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



SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	94,895,313	75,973,921	4,520,377	1,663,426
- Unrealised	(1,136,608)	(509,944)	5	387
	93,758,705	75,463,977	4,520,382	1,663,813
Consolidation adjustments and eliminations	(6,312,799)	(6,192,063)	0	0
Total retained profits as per statement of financial position	87,445,906	69,271,914	4,520,382	1,663,813

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

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 2012 RM	Year of Valuation / Acquisition
1.	<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	6 years / 60 years lease expiring on December 26, 2066	ViTrox Innovation Centre	12,152 / 13,510	25,720,579	July 27, 2004 (Date of Acquisition)
2.	<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, Lebu Bukit Kecil 6, 11900 Bayan Lepas, Penang	8 years / 99 years lease upon issuance of strata title	Shoplot for investment purposes	- / 96	300,000	December 31, 2012 (Date of Valuation)
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. 21, Kristal Point II, Lebu Bukit Kecil 6, 11900 Bayan Lepas, Penang	8 years / 99 years lease upon issuance of strata title	Shoplot for investment purposes	- / 96	300,000	December 31, 2012 (Date of Valuation)



STATISTICS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 2 MAY 2013

Authorised Capital	: RM25,000,000.00
Issued and Paid-up Capital	: RM23,125,970.00*
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One voting right for one ordinary share

* Excluding 1,240,300 Ordinary Shares held as Treasury Shares

DISTRIBUTION OF SHAREHOLDERS AS AT 2 MAY 2013

Size of Holdings	No. of Holders	No. of Shares	%
1 - 99	35	1,958	0.00
100 - 1,000	450	104,023	0.04
1,001 - 10,000	497	2,510,695	1.09
10,001 - 100,000	372	12,156,133	5.26
100,001 - 11,562,984	100	69,425,624	30.02
11,562,985 and above	3	147,061,267	63.59
TOTAL	1,457	231,259,700	100.00

THIRTY LARGEST SECURITIES HOLDERS AS AT 2 MAY 2013

No.	Name	Shareholdings	%
1	Chu Jenn Weng	70,034,868	30.28
2	Siaw Kok Tong	50,115,914	21.67
3	Yeoh Shih Hoong	26,910,485	11.64
4	HSBC Nominees (Asing) Sdn Bhd Qualifier: HSBC Trustee (S) Ltd for Voyager Assets Limited	6,367,149	2.75
5	Teng Soo Fong	6,008,199	2.60
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	Wong Ting Lik	2,035,394	0.88
12	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Cheong Siew Chyuan (470322)	2,000,000	0.86
13	Chua Siew Kim	1,754,749	0.76
14	Ang Nya @ Ang Ah Nya	1,500,000	0.65
15	Chong Kok Cheng	1,500,000	0.65
16	Koay Soo Ming	1,495,793	0.65
17	Chua Siew Kim	1,345,000	0.58
18	Lim Yee @ Lim Wei Yee	1,307,900	0.57



STATISTICS OF SHAREHOLDINGS

THIRTY LARGEST SECURITIES HOLDERS AS AT 2 MAY 2013 (cont'd)

No.	Name	Shareholdings	%
19	Amanahraya Trustees Berhad Qualifier: Public Smallcap Fund	1,114,400	0.48
20	Su Peik Hoon	1,110,116	0.48
21	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Booi Charn (471694)	1,000,000	0.43
22	Goh Thong Beng	900,000	0.39
23	Wixtali Sdn. Bhd.	900,000	0.39
24	Kenanga Nominees (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	Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: PHEIM Asset Management Sdn Bhd for Pintaras Jaya Berhad (00-10032-000)	728,000	0.31
28	Su Pek Fuen	721,099	0.31
29	Pang Kin Wai	651,100	0.28
30	CIMB Group Nominees (Asing) Sdn. Bhd. Qualifier: CIMB Commerce Trustee Berhad for Global Strategic Growth Fund (KSC 2)	600,000	0.26
TOTAL		200,146,815	86.53

SUBSTANTIAL SHAREHOLDERS AS AT 2 MAY 2013

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	70,034,868	30.28	-	-
Siaw Kok Tong	50,154,314	21.69	-	-
Yeoh Shih Hoong	26,910,485	11.64	-	-

DIRECTORS' SHAREHOLDING AS AT 2 MAY 2013

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	70,034,868	30.28	-	-
Siaw Kok Tong	50,154,314	21.69	-	-
Yeoh Shih Hoong	26,910,485	11.64	-	-
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 Trustee (S) Ltd for Voyager Assets Limited. HSBC Trustee (S) Ltd for Voyager Assets Limited 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

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 2012, the retained profits and share premium of the Company stood at RM4,520,382 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 RM8.83 million based on the audited financial statements of ViTrox as at 31 December 2012. 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

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 2 May 2013 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 2 May 2013 ^(a)				After Proposed Share Buy-Back ^(b)			
	Direct	Direct	Indirect	Indirect	Direct	Direct	Indirect	Indirect
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors and Substantial Shareholders								
Chu Jenn Weng ¹	70,034,868	30.28	-	-	70,034,868	33.47	-	-
Siaw Kok Tong	50,154,314	21.69	-	-	50,154,314	23.97	-	-
Yeoh Shih Hoong	26,910,485	11.64	-	-	26,910,485	12.86	-	-
Directors								
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
Person Connected to Director/Substantial Shareholder								
Su Pek Fuen ¹	721,099	0.31	-	-	721,099	0.34	-	-
HSBC Trustee (S) Ltd for Voyager Assets Limited ²	6,367,149	2.75	-	-	6,367,149	3.04	-	-

Notes:-

- (a) Based on the existing issued and paid-up share capital of 231,259,700 Ordinary Shares excluding 1,240,300 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 Trustee (S) Ltd for Voyager Assets Limited 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

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.

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 2 May 2013, the issued and paid-up capital of ViTrox was RM23,250,000 comprising 232,500,000 Shares including 1,240,300 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 2 May 2013	232,500,000
Assumed the Shares purchased and cancelled	<u>(23,250,000)*</u>
Resultant issued and paid-up capital	<u>209,250,000</u>

* Inclusive of the 1,240,300 Shares already purchased and retained as Treasury Shares as at 2 May 2013.

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.



SHARE BUY-BACK STATEMENT

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

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.

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.



SHARE BUY-BACK STATEMENT

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

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 2013 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 backs 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 requirement when making any purchase of ViTrox Shares pursuant to the Proposed Share Buy-Back.

9. Purchases made by the Company of its own shares in financial year ended 31 December 2012

The information on purchases made by the Company of its own shares during the financial year ended 31 December 2012 is as set out on page 54 of this annual report.

10. Public Shareholding Spread

As at 2 May 2013, the Record of Depositors of ViTrox showed that 72,556,635 Shares representing approximately 31.37% 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).



SHARE BUY-BACK STATEMENT

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

NOTICE IS HEREBY GIVEN that the Ninth 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 Friday, 21 June 2013 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2012 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 2012:-
 - a) A Special Dividend of 0.75 sen per share exempt from Income Tax; (Resolution 1)
 - b) A Final Dividend of 0.50 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 2013. (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) Siaw Kok Tong (Resolution 4)
 - b) Chuah Poay Ngee (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."



NOTICE OF ANNUAL GENERAL MEETING

6. AS SPECIAL BUSINESSES (cont'd)

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;
- 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 2012, the audited retained profits and share premium account of the Company stood at RM4,520,382 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."

c) SPECIAL RESOLUTION

Proposed Alteration to the Articles of Association

(Resolution 9)

"That the Proposed Alteration to the Articles of Association of the Company as set out in the Appendix A attached together with the Annual Report 2012 be and are hereby approved."



NOTICE OF ANNUAL GENERAL MEETING

- 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 : 30 May 2013

NOTES:

- 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

- 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 17 June 2013. Only a depositor whose name appears on the Record of Depositors as at 17 June 2013 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.

Explanatory Note On Special Business:

- 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 2013) 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.



NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note On Special Business: (cont'd)

1. Resolution pursuant to the Authority to issue Shares (cont'd)

The Mandate 2013 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 Eighth 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.

3. Resolution pursuant to the Alteration to the Articles of Association

The proposed Resolution 9 [Item 6(c)] is made to comply with the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. Further information on the Proposed Alteration to the Articles of Association of the Company is set out in the Appendix A attached to the Annual Report 2012.



NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2012, if approved, will be paid on 24 July 2013 to depositors registered in the Records of Depositors on 26 June 2013:-

- a) A Special Dividend of 0.75 sen per share exempt from Income Tax; and
- b) A Final Dividend of 0.50 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 26 June 2013 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: 30 May 2013



APPENDIX A

Proposed Alteration to the Articles of Association of the Company

1. THAT Article 2 of the Company's Articles of Association be altered by deleting in full the undermentioned Definition and substituted in lieu thereof with the new Definition (where applicable) as set out below:-

Existing Definitions	New Definition
"Approved Market Place" - a stock Exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No.2) Order, 1998.	Deleted
"Listing Requirements" - The Listing Requirements of the Exchange for the MESDAQ Market as amended, modified and supplemented from time to time.	"Listing Requirements" - The Listing Requirements of the Exchange for the Main Market as amended, modified and supplemented from time to time.
"Securities" - Any debenture, note, stock and share in the Company and includes any right or option in respect thereof and any interest in a unit trust scheme.	"Securities" - has the meaning given in section 2(1) of the Capital Markets and Services Act 2007."

2. THAT the existing Article 4(c) of the Articles of Association be deleted in its entirety and substituted in lieu thereof with the following:-

"No Director shall participate in a share issuance scheme unless shareholders in general meeting have approved the specific allotment to be made to such Director."

3. THAT the word "accounts" as appeared in Articles 5 (2), 63, 135, 144 and 158 of the Company's Articles of Association respectively, to be amended as "financial statements" accordingly.
4. THAT the existing Article 15 of the Articles of Association to be amended from:-

"The Company shall have a first and paramount lien on every share and dividend from time to time declared in respect of such share for all unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, if the shares were acquired under an *employee share option scheme*, amounts which are owed to the Company for acquiring them and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the holder or deceased former holder, the Company shall be entitled to charge interest thereon, not higher than the overdraft rate charged for the time being by the Company's principal bankers or such other reasonable rate as the Directors may determine. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article."

to:

"The Company shall have a first and paramount lien on every share and dividend from time to time declared in respect of such share for all unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, if the shares were acquired under an *employee share issuance scheme*, amounts which are owed to the Company for acquiring them and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the holder or deceased former holder, the Company shall be entitled to charge interest thereon, not higher than the overdraft rate charged for the time being by the Company's principal bankers or such other reasonable rate as the Directors may determine. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article."



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5. THAT the existing Article 26 of the Articles of Association to be amended from:-

"The transfer of any listed Securities or class of listed Securities of the Company, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed Securities."

to:

"The transfer of any listed Security or class of listed Security of the Company, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed Security."

6. THAT the existing Article 36 of the Articles of Association to be amended from:-

"In the event that:-

- (a) the Securities are listed on an Approved Market Place; and
- (b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment)(No.2) Act, 1998, as the case may be, under the Rules in respect of such Securities,

the Company shall, upon the request of a securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in ownership of such Securities."

to:

"Where:-

- (a) the Securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities,

the Company shall, upon request of a securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities."

7. THAT the existing Article 37 of the Articles of Association as follows:-

"The Company shall not allow any transmission of Securities from the Malaysian Register to the Foreign Register."

to be deleted in its entirety.



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8. THAT the existing Article 64 of the Articles of Association to be amended from:-

"In every notice calling a meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote is entitled to appoint two (2) or more proxies to attend and vote in his stead, and that a proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a Member appoints two (2) or more proxies, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. Where a Member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account."

to:

"In every notice calling a meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote is entitled to appoint two (2) or more proxies to attend and vote in his stead, and that a proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a Member appoints two (2) or more proxies, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. *A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.* Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account."

9. THAT the following be inserted as Article 64A of the Articles of Association:-

- "(1) Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- (2) An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act."



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