

2007

Annual Report

innovation = idea + execution

vitrox 
...innovating vision

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

Corporate Vision

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

Corporate 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.

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 Values

- ▶ **Accountability**
We take accountability for our decisions at the individual and company levels.
- ▶ **Excellence**
We strive to be the best; we settle for nothing less. We are geared towards meeting our maximum capacity for providing the best quality products and services in the most efficient way.
- ▶ **Fairness**
We treat everyone fairly and make decision objectively based on win-win situation.
- ▶ **Flexibility**
We recognize that adapting to change is an essential part of success.
- ▶ **Integrity, Trust & Respect**
We trust and respect the individual. We believe that being truthful establishes lasting relationships and promotes positive communication with our customers & employees.
- ▶ **Self-confident**
We have the ability to achieve whatever goals we set in life if we think we can. Therefore, we focus ourselves to be persistent and aggressive in achieving our goals.
- ▶ **Recognition**
We appreciate outstanding individuals by rewarding those who contribute to our growth and success. We base career opportunities and compensation on performance and achievement.
- ▶ **Teamwork**
We accomplish more together than any one-person alone can. We encourage alliances and sharing between individuals and departments to keep the organization functioning well as a whole. We believe in synergy.

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.

Principal Activities

ViTrox Corporation Berhad ("ViTrox") is principally involved in investment holding and development of 3D vision inspection system.

As at 31 December 2007, 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 of foreign subsidiary companies and for catering for future foreign investments.
ViE Technologies Sdn. Bhd. / 24 February 2006 / Malaysia / 100% / Research, development and manufacture of System-On-Chip Electronics devices for machine vision and factory automation.
ViTrox Technologies (Suzhou) Co., Ltd. / 19 January 2006 (date of establishment) / China / 100% / Sales and Support Office in Suzhou Industrial Park, PRC.

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VITROX CORPORATION BERHAD
[649966-K]



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Design rationale:-

Innovation, the core value in which the Company was built upon, is reflected in this year's Annual Report's design concept, "*origami*". The tagline "**innovation = idea + execution**", reaffirms the Company's vision to be the '*world leading company in providing total machine vision solutions.*'

The concept and design of this year's annual report also portrays the 3 important values :- "**innovative, precise and passionate**" which are reflected in the company's people who are always striving to take on every challenging initiative to bring the Company to new heights, year after year.

The chosen color concept which is turquoise and blue reminiscent of the seawaves symbolizing **riding the waves of challenges, conquered and to be embraced in the coming years.**

BOARD OF DIRECTORS

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

Chu Jenn Weng
Managing Director

Siaw Kok Tong
Executive Director

Yeoh Shih Hoong
Executive Director

Prof. Dr. Ahmad Fadzil Bin Mohamad Hani
Non-Independent Non-Executive Director
(Resigned on 3 March 2008)

Chuah Poay Ngee
Independent Non-Executive Director

COMPANY SECRETARIES

Khoo Lay Tatt (MAICSA 7029262)

How Wee Ling (MAICSA 7033850)

REGISTERED OFFICE

57-1, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604 642 9887
Fax : 604 645 6698

SHARE REGISTRAR

Epsilon Registration Services Sdn Bhd
G-01, Ground Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur.
Tel : 603 4047 3999
Fax : 603 4042 6352

AUDITORS

Horwath
Suites 701 & 702
7th Floor, 11 Lorong Kinta
10400 Penang

SOLICITORS

Zaid Ibrahim & Co

PRINCIPAL BANKERS

Hong Leong Bank Berhad

Public Bank Berhad

AUDIT COMMITTEE

Dato' Seri Kelvin Kiew Kwong Sen
Chairman

Prof. Dr. Ahmad Fadzil Bin Mohamad Hani
(Resigned as member on 3 March 2008)

Siaw Kok Tong

(Resigned as member on 3 March 2008)

Chuah Poay Ngee

HEAD OFFICE

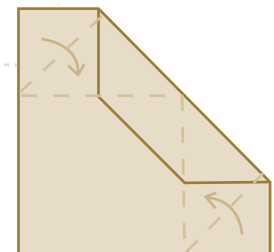
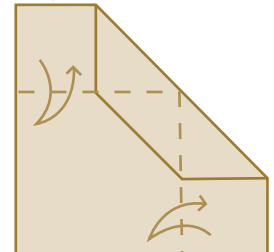
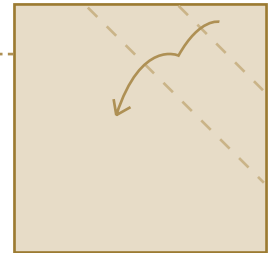
ViTrox Innovation Centre
85A, Lintang Bayan Lepas 11
Bayan Lepas Industrial Park, Phase IV
11900 Bayan Lepas, Penang
Tel : 604 646 6227
Fax : 604 646 6327
Website : www.vitrox.com

SPONSOR

HwangDBS Investment Bank Berhad
Suite 23A-01, 23A Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 603 2143 7888
Fax : 603 2148 2989

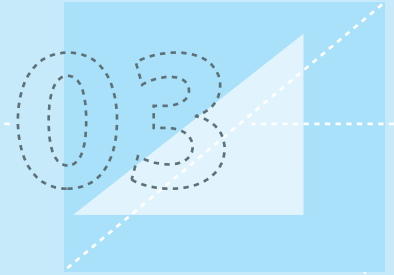
STOCK EXCHANGE LISTING

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



Corporate Structure

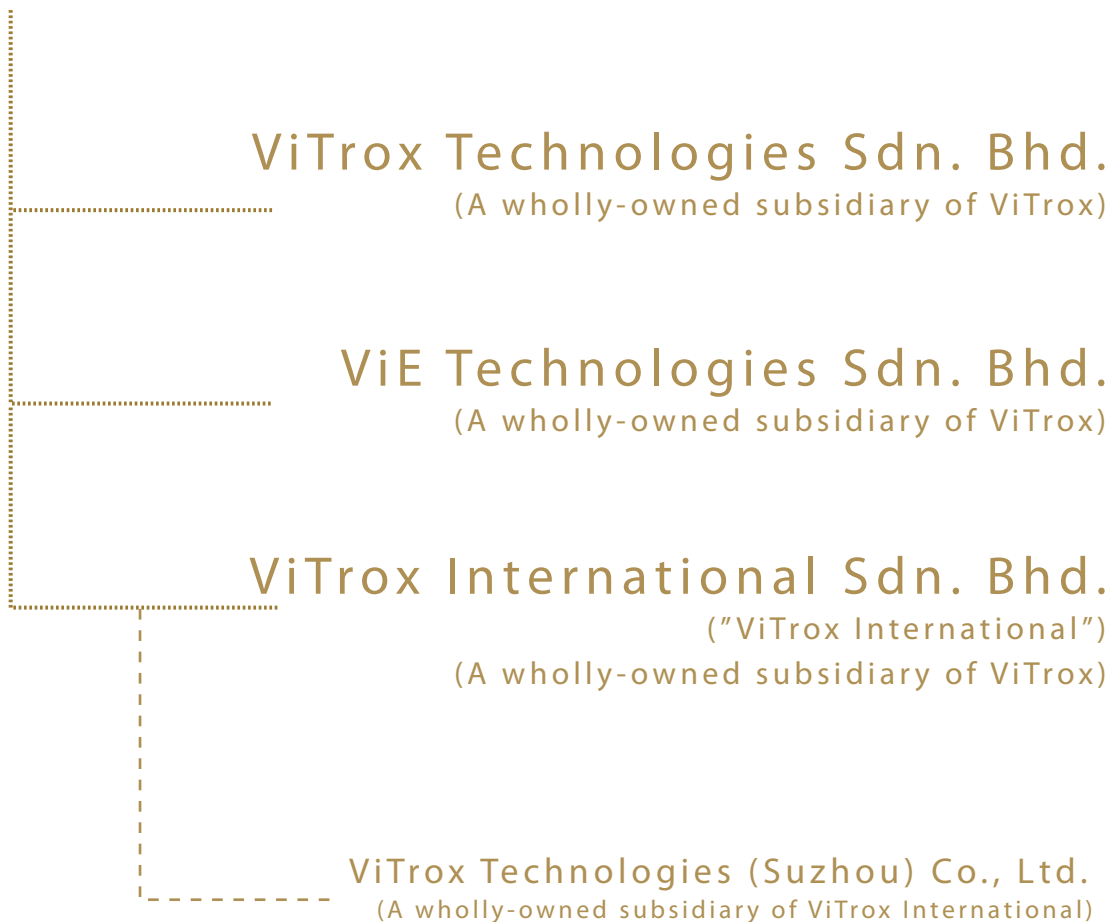
VITROX CORPORATION BERHAD
[649966-K]



ViTrox Corporation Berhad

("ViTrox") and Subsidiaries as at 3 April 2008

ViTrox Corporation Berhad



Key Events In Year 2007

VITROX CORPORATION BERHAD
[649966-K]



▶ Annual Dinner of ViTrox Group at Northam Hotel, Penang.



▶ Semicon China 2007 (Pudong)



▶ CPCA Show 2007(Pudong)

▶ Suzhou PCB Show 2007



▶ 3rd AGM cum Press Conference



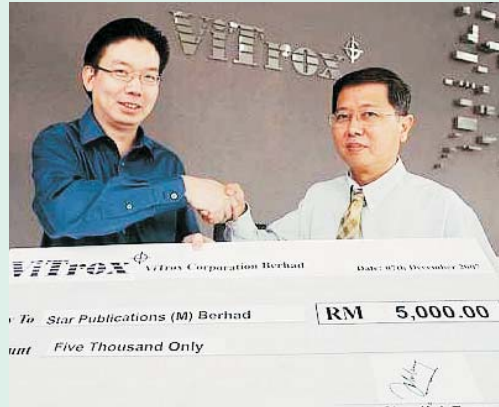
Key Events In Year 2007

VITROX CORPORATION BERHAD
[649966-K]

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► Company Trip of ViTrox Group (Beijing)



► Donations to Penang Food Fest - Helping the poor.

► TPCA Show 2007(Taipei)



► HKPCA Show 2007(Shenzhen)



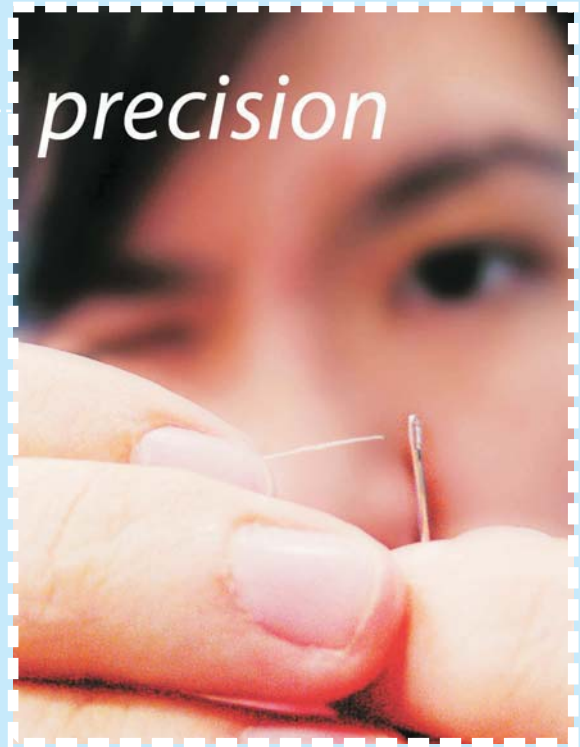


Products

VITROX CORPORATION BERHAD
[649966-K]

Introduction ViTrox is a cutting-edge systems integrator and solutions provider of high speed machine vision inspection systems. Since its inception in year 2000, ViTrox has experienced tremendous growth and continuous innovations, to provide the most innovative, advanced and cost effective machine vision solutions of excellent quality to our customers through integration of our technology, our people and our strategic alliances. ViTrox is an award winning public listed company and worldwide leader of high speed machine vision inspection systems which has extensive customer base in Malaysia, Thailand, Philippines, India, China, Taiwan ,Japan, Korea & USA.

ViTrox provides **Total Machine Vision Solutions** for semiconductor IC inspection. Our products include Mark, Lead & Package defects inspection systems for MLP, QFP, BGA, SOT, SC70, etc. We provide customized solutions for true 3D Lead Inspection, sub-pixel accuracy measurement systems, 5-in-1 integrated and high-speed on-the-fly vision systems. Our solutions are guaranteed to be cost-effective, innovative and are installed worldwide by major semiconductor manufacturers.



Our latest innovation in **Automated Optical Inspection (AOI)** is designed to specially cater for PCB and flex circuit, examined at micron level with maximum throughput. This translates to increased production efficiency and cost savings for manufacturers. We also offer Advanced Vision Solutions for surface, marking or dimensional defect inspection.

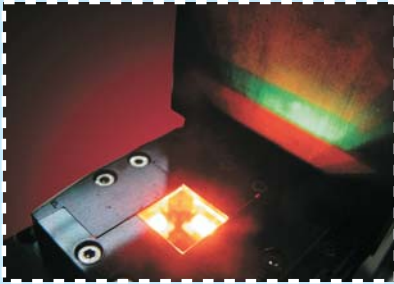
ViTrox also produces **Electronics Communications Systems** which includes PCI Direct I/O cards, Remote I/O cards, and high-speed Motion Control boards for automated equipment manufacturers.



Key Products Milestones In Year 2007

VITROX CORPORATION BERHAD
[649966-K]

07



5S Vision

Dual cam 5-Sided Pad & Package Inspection



iVision

Color Vision



3DLeadVision

Advanced 3D J-Lead Inspection

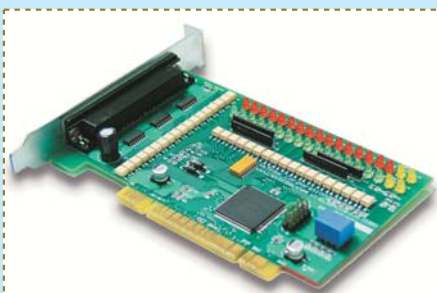


CHALLENGER

Fully Automated/Inline AOI to cater for full range of PCB.



VF-10 Offline Verification Station



DAQ-PCI1810
35 Channels Isolated Digital I/O Card



MCD-R1X-S2P
Remote Motion Controller with 2-Phase Stepper Motor Driver



DAQ-R2010
20 Channel Tester Interface Controller Card

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Board Of Directors

VITROX CORPORATION BERHAD
[649966-K]



DATO' SERI KELVIN KIEW KWONG SEN
Chairman / Independent Non-Executive Director

**PROF. DR. AHMAD FADZIL
BIN MOHAMAD HANI**
Non-Independent Non-Executive Director

CHU JENN WENG
Managing Director

SIAW KOK TONG
Executive Director

YEOH SHIH HOONG
Executive Director

CHUAH POAY NGEE
Independent Non-Executive Director

Profile Of Directors

VITROX CORPORATION BERHAD
[649966-K]



DATO' SERI KELVIN KIEW KWONG SEN

Chairman / Independent Non-Executive Director

Dato' Seri Kelvin Kiew Kwong Sen [Malaysian / Age 60] is the Chairman and Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 8 July 2005. He is also the Chairman of the Audit Committee of the Company.

Dato' Seri graduated from National Taiwan University with Bachelor of Science in Mechanical Engineering Degree in 1972 and later received his Master of Science in Industrial Engineering Degree from the University of California, Berkeley, USA. He worked in various technical and management positions at Advanced Micro Devices, and Hewlett Packard Malaysia and Hewlett Packard California.

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, Executive President of Mini-Circuits New York, and Chairman of Mini-Circuits Taiwan Ltd. He is also the board member of ACX Ceramic Taiwan.

Dato' Seri Kelvin Kiew is very active in community services including sponsor of various charitable and educational projects. He had donated a hydraulic operated van and built a workshop for Spastic Children School, set up Computer Lab for Salvation Army, built children's playground for Ramakrishna School in Penang and donated beds to all orphans in the Wisma Yatim, Penang. 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 is also the Advisor for the Young Entrepreneurs' Association of Malaysia, Penang Alumni Association of Taiwan and Penang Automation Cluster, Software Consortium of Penang (SCoPe) and Penang RF Cluster (PRFC). He is also a popular speaker at seminars and conferences both in Malaysia and overseas.

He is also an Independent Non-Executive Director of Pentamaster Corporation Berhad; and a Director to InvestPenang Berhad.



CHU JENN WENG

Managing Director

Chu Jenn Weng [Malaysian / Age 38] is a promoter and substantial shareholder of ViTrox. He is the Managing Director of ViTrox Group and currently leads the technical team of ViTrox Group, which includes the Research and Development (R&D), application development, project implementation and system service and supports. He was appointed to the Board of Directors of ViTrox on 7 July 2005. He is the Chairman of the Executive Committee of the Company.

Mr Chu has more than 11 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 1/2 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 of ViTrox Group, he oversees the entire operations of the business including company objectives, goals and directions.

Mr Chu received the certificate of merit under the Business, Economic and Entrepreneurial Accomplishment category from The Outstanding Young Malaysian (TOYM) Awards 2005 organized by the Junior Chamber International Malaysia. He was also the top nominee under the Technology Entrepreneur of the Year from Ernst & Young Entrepreneur of the Year in Malaysia 2005.





SIAW KOK TONG

Executive Director

Siaw Kok Tong [Malaysian / Age 37] is a promoter and substantial shareholder of ViTrox. He is the Executive Director of ViTrox Group and currently responsible for Administration, Human Resource, Finance, Sales & Marketing and Service & Support departments of the 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 HPM as an instrumentation engineer in the Automation Department, where he was involved in the development of machine vision systems. During his 4¹/₂ 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 set-up, he was involved in application development and 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, Taiwan, China, Korea, Japan, India, Europe and the USA.

As an Executive Director of ViTrox Group, Mr Siaw is responsible in promoting ViTrox Group's vision systems locally and globally, and involved in the management decision making and planning.

YEOH SHIH HOONG

Executive Director

Yeoh Shih Hoong [Malaysian / Age 36] is a promoter, substantial shareholder and Executive Director 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 HPM where he was assigned to work on machine vision projects.

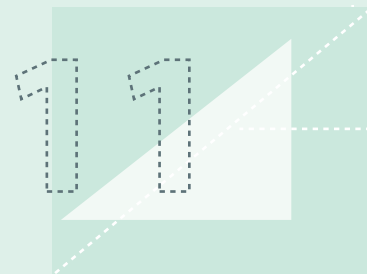
Mr Yeoh joined VTSB since its inception and has played a pivotal role in the product development of the company. He successfully co-developed many products for the company, such as Mark Lead Inspection System, IC Package Inspection System, Object Verification System and Die Counting System and the 4-in-1 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 of ViTrox, he is involved in management decision making and planning.



Profile Of Directors

VITROX CORPORATION BERHAD
[649966-K]



PROF. DR. AHMAD FADZIL BIN MOHAMAD HANI Non-Independent Non-Executive Director

Prof. Dr. Ahmad Fadzil Bin Mohamad Hani [Malaysian / Age 48] is a Non-Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 8 July 2005. He is a member of the Audit Committee of the Company.

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

Prof. Dr. Fadzil has been a lecturer in signal processing and researcher in image processing at USM since 1984. Between 1988 and 1991, he was a senior research officer in image processing and subsequently as a lecturer at his Alma matter, University of Essex. Upon returning to Malaysia, he was made the Dean of the School of Electrical and Electronic Engineering at USM from 1992 and 1996. In 1997, he became the Dean of the Engineering Faculty at the newly established Petronas University of Technology, Malaysia. He served as the Director of Academic Studies at Petronas University from 1999 till 2003. From 2003 till 2006, he served as the Director of Postgraduate Studies.

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



CHUAH POAY NGENE Independent Non-Executive Director

Chuah Poay Ngee (Malaysian/Age 38), is an Independent Non-Executive Director of ViTrox. She was appointed to the Board of Directors of ViTrox on 15 November 2006 and is a member of the Audit Committee of the Company.

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

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.

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

Securities held in the Company: The details are disclosed on page 70 of this Annual Report.

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



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Chairman's Statement

VITROX CORPORATION BERHAD
[649966-K]



On behalf of the Board of Directors, I have the pleasure to present the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("ViTrox Group" or "the Group") for the financial year ended 31 December 2007.

Highlights of Financial Performance

	Year 2006 RM'000	Year 2007 RM'000	Growth %
Revenue	24,000	36,169	51
Profit Before Tax ("PBT")	9,826	14,867	51
Profit After Tax ("PAT")	9,498	14,427	52

- ViTrox Group recorded a revenue of RM36.17 million, an increase of 51% over the RM24 million in the previous financial year
- The increase in revenue was due to strong demand for the machine inspection system ("MVS") and electronics communications system ("ECS")
- With good management and control, PAT also increased to RM14.43 million, growth of 52% over RM9.5 million recorded in previous year
- Net earnings per share was 9.31 sen in 2007 against 6.13 sen in 2006

I am particularly pleased with the financial results posted by the Group. Obviously the growth and profit numbers were impressive but the way these numbers were achieved is even more gratifying. There were some challenges before year 2007 began:

- Economic uncertainties worldwide and locally
- Further Expansions of the MVS (Machine Vision System) and ECS (Electronics Communications System)
- Market Acceptance of our improved AOI (Automatic Optical Inspection) Machine
- Ability to manage and control expenses while growing the company in size and capabilities

I am glad to report that we have successfully achieved outstanding results despite these hurdles. The management team has executed our business plans with precision and poise. Teamwork, dedication and creativity remained to be the key to our success. We have also further enhanced our customer delivery system to be more responsive.

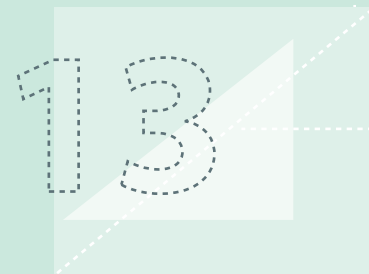
Corporate Development

On June 15, 2007, the Group's wholly-owned subsidiary company, ViTrox International Sdn Bhd ("VTI") obtained approval from Chinese Authority in China to increase the registered capital on ViTrox Technologies (Suzhou) Co., Ltd ("VTS") from USD100,000 to USD200,000. VTS will provide sales and support functions in China. This enables us to provide real time customer service and support while enhancing our presence and brand recognition in China.

During the year 2007, the Group embarked on a major lean initiative to further improve the effectiveness and efficiency of major business operation, hence strengthening business fundamental. The focus is to continuously eliminate waste in non-value added processes to enable the group to deliver quality products and services at lowest possible cost while delivering products and services to customer in a prompt and timely fashion.

Chairman's Statement

VITROX CORPORATION BERHAD
[649966-K]



In Gratitude

There are particularly two areas I would like our staff to be recognised and congratulated:

- The Engineering Innovation and Improvements in AOI is one of them. This state-of-the-art system will further prove to the industry that we are a successful technology company with good engineering creativity. This system will do very well in the areas of PCB and PCBA applications especially in countries where manufacturing expertise and automation are expected. We have also since developed a comprehensive plan to penetrate into the emerging markets in China, Korea and Taiwan.
- Personally I am particularly impressed with the continued success of cost controls in ViTrox. We are able to continue to focus on Business Fundamentals and Operational Excellence while growing at a record pace. This shows the strong wills of the management team and dedication of our staff to help spur the growth of the company.

Dividend

A special tax exempt interim dividend of 0.5 sen per ordinary share each for financial year ended December 31, 2007 was paid to shareholders on 1 February 2008.

The Board of Directors has recommended a special tax exempt dividend of 1.5 sen per ordinary share each and a final tax exempt dividend of 0.5 sen per ordinary share each for the financial year ended 31 December 2007. If approved at the forthcoming Annual General Meeting, the total tax exempt dividend for the year will amount to a total distribution of RM3.1 million for FY 2007.

Challenges Ahead

Year 2008 continues to be a challenging year for us and for the industry. Once again we have to be very sensitive to the economic situation and adjust our business plans accordingly. Many of our major engineering projects will take shape in the coming year and we need to execute them well while expanding our business in product adoption and market penetration while offering great value propositions to our customers.

I am confident that we will come out of Year 2008 with even better performance honouring our strong commitments to our customers and shareholders.

Dato' Seri Kelvin Kiew

Chairman

3 April 2008



1. Financial Performance

2007 is another fantastic year for ViTrox. We set a new record in our revenue and profit. Revenue grew 51% from RM24.0 Million to RM36.2 Million while our profit before taxation (PBT) grew 51% from RM9.8 Million to RM14.9 Million.

Our earnings per share (EPS) has grown from 6.1 sen in 2006 to 9.3 sen in 2007. At the same time, our return on equity grew from 29% in 2006 to 32% in 2007. It is also worthy to mention that we did not have any short term and long term borrowings as at 31 December 2007.

This magnificent growth of our businesses was attributed by the successful realization and effective execution of business strategies by our people to provide our customers with better products, faster delivery and excellence support coupled with prudent internal cost control.

2. Product Development and Operation

2.1 Introduction

We develop, manufacture and sell vision inspection solutions and electronics communication systems for semiconductors packaging, bare printed circuit board, flexible circuit board and electronics assemblies markets. Our solutions are used to inspect & control manufactured product quality before they are used by down stream manufacturers to produce consumer electronics, communications and computing products such as PC, mobile phone, game console, MP3 etc. We provide inspection solutions for 2D and 3D measurements, either as a standalone module or a complete integrated inspection equipment.

Over the past one year, we continued to focus and strengthen on our core business in the development, manufacturing and sales of machine vision inspection systems (MVS), automated optical inspection (AOI) and electronics communications systems (ECS) as we believe continuous advances in technologies and growth in areas such as automation, miniaturization and digitalization will drive the demand for more inspections in keeping up with higher quality standards and packaging complexity. We are now one step closer to our vision to be a world leading vision technology company in providing cost effective machine vision solutions to our customer with uncompromised quality and service.

2.2 Machine Vision System (MVS)

ViTrox provides complete machine vision inspection solutions for semiconductor component test & packaging operations. Our high speed, high accuracy MVS are mainly integrated on automated test and vision handler to perform 2D & 3D measurements on semiconductor components.

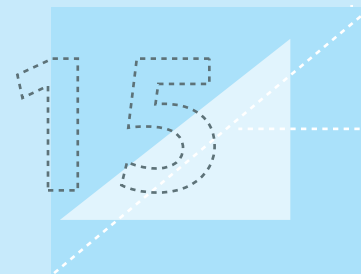
ViTrox's MVS products provide reliable inspections to detect semiconductor components' defects automatically. The system typically perform 2D Mark & Orientation Inspection, Pad and Package Inspection, 3D Lead/Ball Co-planarity Inspection, 5-Sided Pad & Package Inspection and In-tape Mark/Lead Inspection. With capability to inspect up to 50,000 units per hour and an installed base of more than 5,000 systems worldwide, we are now positioning ourselves as one of the world leading machine vision solutions provider for this market.

While we continue to enhance our capability to serve our customers with the state of the art inspection solution to meet increasing needs for higher speed and higher quality in 2007, we successfully deploy our know-how in machine vision into a new market segment, by providing advanced vision inspection system for light emitting diode (LED) packaging industry. Since the first introduction of the products in the market in middle of last year, we received encouraging response and increasing demand of this product from the market.



Managing Director's Review

VITROX CORPORATION BERHAD
[649966-K]



2.3 Automated Optical Inspection (AOI)

Under ViTroX's AOI division, we design, manufacture and market technological advanced and cost effective automated optical inspection (AOI) systems and related products, providing quality improvement solutions that are able to detect defects occurring during the manufacturing process for printed circuit board (PCB) industry, flexible printed circuit board (FPC) industry and high density interconnect substrate (HDI) industry. Our customers are manufacturers for PCB, FPC and HDI.

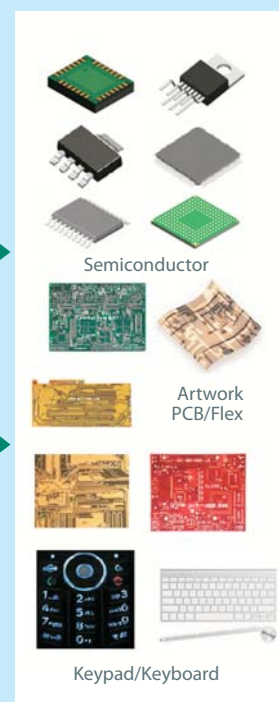
In a nutshell, AOI system consist of an image acquisition unit integrated on a moving stage and a image processing unit that perform sophisticated image processing algorithms to detect defects on PCB. The most common defects on PCB include opens, short-circuits, line width variation, trace intrusion, trace protrusion, pin-hole and via-hole variation. AOI system is usually deployed for inspection of inner layers, outer layers and artworks of PCB and FPC with line width as small as 25 um.



PCB/FPC Inspection Processes



Core Business



Inspected Products

Typically, AOI systems are installed at multiple locations on medium to large volume PCB/FPC production lines where manual inspection becomes unfeasible due to complexity of circuitry on the board and the speed of the production processes. Defective PCB/FPC will be diverted to off-line verification station, where they are reworked or rejected manually by operator.

Our newly launched AOI flagship products, Challenger & VF-10 have been successfully accepted by our customers in China. These products are built with customer's needs in mind for ease of use, lower cost of ownership, higher inspection capability and more throughput as compared to its predecessor.

2.4 Electronics Communications Systems (ECS)

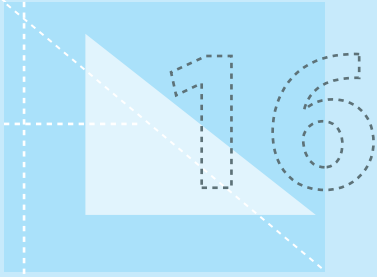
ViTroX designs, manufactures and markets ECS products via its 100% own subsidiary, VIE Technologies Sdn. Bhd. We produce a wide variety of ECS products for machine automation mainly use in data communication and motion control. These products include high speed digital input and output PC interface card, 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 digital signal multiplexing card.

As our ECS products are 100% backward compatible with many of the existing similar overseas products in the market, we are able to provide customers with a lower cost alternative to meet their stringent cost and performance needs. In 2007, we received encouraging acceptance of our ECS products from a number of major OEM customers in Malaysia. Currently ECS contributes about 15% of the group's revenue.

2.5 Operation

ViTroX has a flat organization structure and a flexible manufacturing model that allow us to operate with low operation cost and adapt quickly to changing demand in the market. We stay focused to conduct mainly high value added and complex activities such as sales and marketing, research and development, prototyping and final assembly, testing and quality control in house while outsource other less complex and high labor content tasks to carefully selected sub-contractors in Malaysia. With this structure, we are able to maintain an optimum overhead to run our businesses effectively.

Whilst we continue to expand our business aggressively in the coming years, we pay attention on our business fundamentals to ensure that our operation is running in good health. It is essential that every ringgit that we earned will be used back to invest in our people and business to stay competitive and hence generate higher earnings for the company in the future. These indicators will be monitored closely and hence actions can be taken immediately when needed.



Managing Director's Review

VITROX CORPORATION BERHAD
[649966-K]

Lean Initiative

In our continued efforts to make our operation more efficient and effective, we started a company wide lean initiative in the middle of 2007. Under this initiative, our people unrelentlessly plan and execute activities to eliminate wastes in the organization. This enable us to get things done more efficiently. Various lean tools such as value stream mapping, 5S, A3 report are being deployed not only in the production but also in sales and marketing, research and development, administrative and support functions. Our objective is clear, we want to focus primarily on delivering values to our customer and help our customers to win in their market. Therefore, we work together to find and remove all non-value added activities in our business processes as we believe that by doing so, we will be able to create lower cost and higher value products and services that are perceived as important by our customers. Ultimately, we will gear ourselves to deliver products and services to our customers with the right cost and quality and at the right time.

3. Research and Development

Our research and development team is responsible for developing and improving of our various products and creating new technology and products for the future. The R&D team focuses on few core areas namely image acquisition and optical technology development, software architecture and platform development, advanced inspection algorithm development, system-on-chip development and high performance computing cluster development.

ViTrox spent RM2.19 million for research and development activities in 2007. We will continue to focus our R&D resources on high-end and advanced machine vision system, automated optical inspection system and electronics communications systems development for the semiconductor packaging and electronics assemblies market, such as the high speed 3D IC vision inspection system, 5S vision inspection system, automated optical inspection (AOI) System for the various PCBs and highly flexible & high speed digital electronics communication boards.

The spending on research and development has been on increasing trend over the past few years, from RM0.28 million in year 2003 to RM2.19 million this year, and is likely to remain so given our unwavering commitment towards product innovations and technological advancements.

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

To continue to thrive in this high technology business and ensure long-term sustainability, product innovations and technological enhancements are the key thrusts of our committed research and development (R & D) efforts. Our R & D team is committed to continuously develop and enhance our products offerings whilst at the same time exploring the technologies and products of the future.

4. Sales & Marketing

As in previous year, ViTrox took part in international trade shows to promote our products and to establish a global awareness and network with overseas OEMs, end-users and sales representatives.

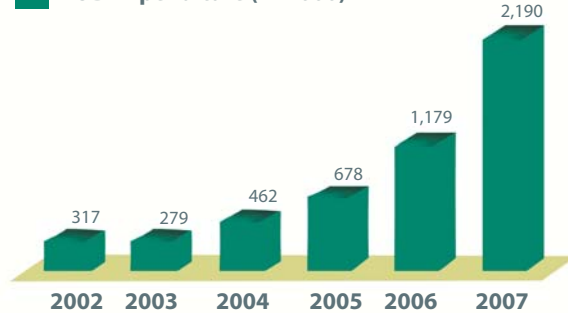
In 2007, we appointed a number of sales representatives in Asia Pacific regions covering China, Taiwan and Korea for our AOI products. At the same time, we showcased new AOI products in various PCB trade shows such as the CPCA Show 2007 in Shanghai, Suzhou PCB Show 2007 in Suzhou, the HKPCA show in Shenzhen and the TPCA show in Taipei. With this regional network coupled with more sales representatives to be appointed in 2008, we will be well positioned ourselves as a new regional AOI player in this market.

During the 2nd half of 2007, we delivered an AOI to a Taiwan customer in China. A number of AOI projects are under negotiation with potential customers in China and Taiwan.

Besides this, ViTrox also took part in the Semicon show in Shanghai where we showcased our latest product offerings in advance machine vision inspection system and electronics communication boards. Through these efforts, we have successfully established new businesses with customers in Japan, Taiwan, China and Malaysia.

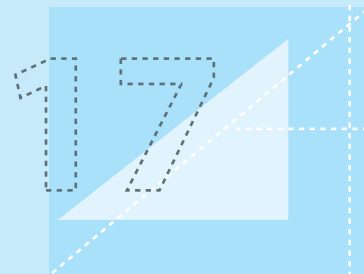
Our China operations gained traction in enhancing our responsiveness to our customers and at the same time lowered our operating overheads for customer service and support. This in turn generated strong confidence with our end-customers in China to choose our solutions and enhanced our competitive edge. FY2007 was a record year for the delivery volume of our vision systems to our customers worldwide.

R&D Expenditure (RM'000)



Managing Director's Review

VITROX CORPORATION BERHAD
[649966-K]



5. Business Strategies

We foresee challenges on many fronts in the years ahead, therefore we will continuously fine-tune our strategies from time to time, stay focused and remain committed to providing the most innovative, advanced and cost effective machine vision solutions of excellent quality to our customers through the integration of our technology, our people and strategic alliances.

Going forward, we will continue to pursue our R & D programmes for product innovations and development to fulfill the growing expectations of the machine vision market while leveraging on its leading edge technologies to add breadth and depth to the business. We will strengthen our production lines to achieve shorter lead time, higher out-going product quality, strive for operational efficiencies to contain cost and maintain profitability, embark on aggressive market expansion plans whilst improving our customer service and tap on our human resource talents to propel us towards the next level of company and personal success.

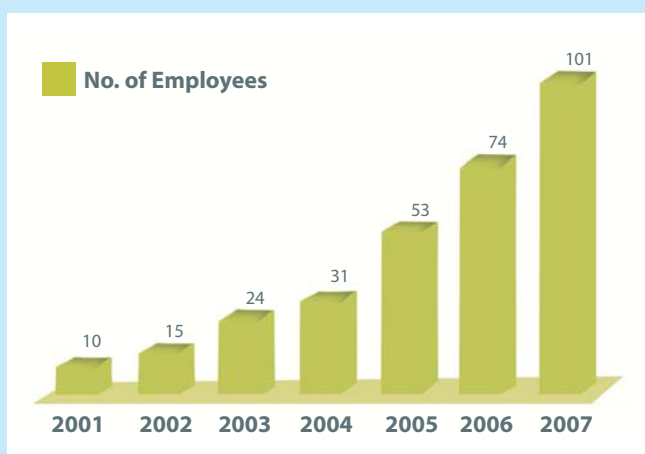
Following the successful development of cost effective and high speed intelligent ECS products thanks to the System-On-Chip technology, orders from OEM customers are set to grow. Orders from OEM customers were strong with good growth in the 2nd half of 2007. Sales and promotion strategies will be stepped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

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

In line with our customer-focused approach, we continued to increase our customer service and support personnels globally. This has resulted in an increase of customer service and support personnel from 19 in 2006 to 24 currently in 2007. This growing number of personnel will ensure that our customers are given highest priority in terms of quality services and prompt attendance to requests and/or enquiries besides best value products. Furthermore, we have instilled the discipline of conducting customer surveys to obtain direct feedback with a view towards improving product and services quality systematically. The foregoing plans are expected to contribute positively to our earnings over a long-term period.

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

6. Our People



In ViTrox, we have a group of young and dynamic workforce who always strive to create the state-of-the-art advanced machine vision solutions and electronics communications products. We dare to dream and move forward to take on every challenging initiative to bring the company to new heights, year after year.

Being a young growing company, we understand that continuing efforts to nurture and develop our people are important for us to achieve a sustainable growth in business. With this, we continue to emphasize on training and development, focusing on technical and management skills, as well as creating opportunities for our people to gain expertise and new skill sets through on-the-job learning, overseas exposure and empowering wider responsibilities.

In line with our efforts to live up with our core values in emphasizing accountability, fairness and recognition, human resource department initiated a company wide program to establish a pay-for-result performance management system in the 4th quarter of 2007. This program formulates a framework for performance measure and reward system in an organized and systematic manner. It is expected that this program will be implemented company wide in 2008.

Whilst I thank the contributory roles and support of our customers, shareholders, business associates and relevant governmental authorities, I would like to emphasize that ViTrox will not be where it is today without the winning desire, dedicated efforts, commitment and sacrifices of our people who work seamlessly as ONE team to build up the business from very humble beginnings. I applaud them and proudly declare that, in our people, we have the fundamental and critical strength to charge ahead with confidence towards the next level of success!



ViTrox's News

VITROX CORPORATION BERHAD
[649966-K]

STARBUZ, MONDAY 11 DECEMBER 2007 NEWS B5

By DAVID TAN
davidtan@theedge.com.my

Vitrox banks on PCB inspection machines

It expects the system to be major revenue earner by 2010

MESDAQ-listed Vitrox Corp Bhd expects its first-generation printed circuit board (PCB) automated optical inspection machines (AOI) to be a major contributor to gross revenue by 2010.

Group managing director Chu Jen-Weng said that three units of the machines, worth about RM1.5m, would be shipped to China and South Korea next month.

These countries are in the PCB manufacturing business, which use the machines for checking defects on the PCBs, Chu said.

The global market for AOI machines is estimated at RM350m this year and will rise to RM550m by 2010.

"The global demand for AOI is expected to rise to 1,000 per annum in 2010 from 700 units per annum in 2007. We aim to capture at least 15% of the market share by 2010 which is equivalent to selling 150 AOI machines," he said.

Chu said that by 2010, the AOI business segment could contribute about 50% of group revenue, compared with less than 10% now.

"Depending on the complexity of the machines, each unit is priced at US\$30,000 to US\$200,000," he said, adding that the group's present market share was small.

There are four major PCB AOI machine manufacturers - located in Germany, USA, and Japan - capturing 95% of the market share.

Chu added that Vitrox had appointed a distributor in China and Taiwan for its AOI machines.

"We are in the process of appointing a distributor in South Korea," he said.

Previously, before the advent of PCB AOI technology, PCB manufacturing companies used electronic probes and manual inspection to detect faults.

As consumer electronic products shrunk in size, the PCBs used also became more multi-layered and smaller, making it necessary to use AOI machines to check defects.

"The competitive edge of our PCB AOI machines is that they can detect faults on PCBs with width less than 0.1mm, high speed, and have user-friendly features."



Vitrox plant in Penang

»We aim to capture at least 15% of the market share by 2010«

CHU JEN WENG

(RM) for AOI machines two years ago.

"About RM50m was allocated to China," he said.

Chu added that Vitrox had received several orders from SEMI Imaging Association (AIA), the standard for global vision system products would grow to about US\$100b by 2010.

Vitrox's quarterly newsletter providing insights and news relating to the company, the industry, people and places.



Shenzhen Convention & Exhibition Center, Shenzhen, China

Vitrox Technologies Sdn. Bhd has arranged a recent trade visit to China in conjunction with our participation in the HKPCA & IPC Show in Shenzhen.

The PCB industry in China is booming and Vitrox Technologies Sdn. Bhd has arranged a recent trade visit to China in conjunction with our participation in the HKPCA & IPC Show in Shenzhen. Over the 3 days course of exhibition, Vitrox's executive and engineers were able to experience first hand, the state of China's market and to introduce our AOI technology to the China market.

The HKPCA & IPC Show 2007 which was held on the 5th to 7th December 2007 at the SZCEC provided a platform for integration of the pcb makers, equipment engineers and players of the industry.

The President of N.T Informa who was at the HKPCA Show 2007 Industry in China, China has expressed to last year due to current issues and also the increase of the growth of the PCB industry technology wise, we can see a rise from 40 up to 50 layers by big corp.

THE EDGE DAILY
Published by the news group of companies

20-11-2007: Vitrox to gain from products and...

VITROX Corp Bhd is set to capture growing demand with its engineering talent and capability, according to...

It said year-on-year, the company's top line grew 45% back of a deliberate investment in human capital.

"Year-to-date net margin of 39.6% though lower the period remains to be one of the highest in the market

Kenanga Research said Vitrox's management expects strong running into 4Q07 as sales to China-based t...

Vitrox's vision inspection solutions had broken into the tough stringent requirements for technology and quality.

It said Vitrox's strong technological offerings and service capability further market share against lower competitors, such as Hemera and...



Monday December 10, 2007

the poor at food fest
e cash contribution of an automated vision inspection system manufacturer, more than 100 id folk will receive gifts during the Penang Famous Street Food Fest on Dec 15.

ation Bhd contributed RM5,000 to the fest, part of which will be used to buy gifts for these been invited to the event at the Penang International Sports Arena.

include children from orphanages and old folk from homes.

conjunction with Penang Starwalk's 30th anniversary, the fest will be held from 6pm to 10pm.

r Steven Siaw said some of the company's employees had also signed up for the walk the next day, as the chance to contribute to a community event that promotes a healthy lifestyle and also as fortunate.

alth is essential to generate creativity which is important for a company that develops ion inspection systems," he said after presenting a mock cheque for RM5,000 to The Star regional ho Boo Talk at the ViTrox office in Bayan Lepas, Penang, on Friday.



Company contribution from ViTrox presenting the mock cheque to Steven Siaw.

Penang's finest hawker fare with 30 hawkers selling both halal and non-halal delights, ho were featured in 'Famous Street Food of Penang - A Guide and Cook Book', ations (M) Bhd.

le at the fest at a 20% discount from its normal price of RM28.

I with excitement, featuring belly dancing, hip-hop and breakdance performances sponsored by Pallas. The Danz Club will perform salsa, cha cha, rhumba and other

i would also be held. Those interested to join can call Belinda Neoh at 016-4775782. i in store for visitors. Mystery gifts will be given to the first 30 visitors born in 1978.

自动光学检测系统 伟特机构冀成最大营收

(檳城21日讯) 坐落于檳城 峇六拜工业区的伟特机构 (VITROX-0097) 自动光学检测系统 (AOI) 冀成为集团收益最大贡献领域。

伟特机构主席詹正光表示, 自动光学检测系统 (AOI) 目前已是该公司的核心业务之一, 该公司看好这个行业的发展前景, 并希望在3年内, 自动光学检测系统能成 为集团收益的最大贡献领域。

他在公司股东大会后对记 者说, 伟特机构 (VITROX) 未来能 量与业绩 增长, 主要靠 研发、 生产、 销售、 执行



盈利表现佳

3rd to 5th Oct 2007 伟特 TPCA07

Vitrox has taken this opportunity to participate in this year's largest professional exhibition for PCB and electronic assembly industries.

World Trade Center through new ways to do business with Vitrox's book, now available in the PCB and...

ADT Technology

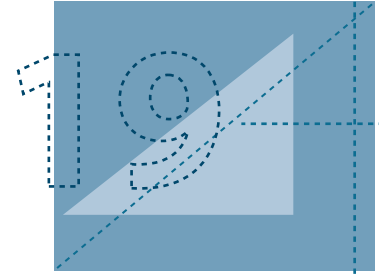
"Hoggy" Vitrox has joined, improved

participate in the first time Vitrox 30 years were listed in the international exhibition of the Group

Malaysia

Corporate Governance Statement

VITROX CORPORATION BERHAD
[649966-K]



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

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

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

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

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

1. Board of Directors

1.1 Composition and Board Balance

The Board comprises 3 Executive Directors, 1 Non-Independent, Non-Executive Director and 2 Independent, Non-Executive Directors. The composition of the Board reflects fairly the investment of all shareholders in the Company and a strong independent element on the Board. There is also a clearly accepted division of responsibilities at the head of the Company where the roles of the Chairman and Managing Director are separated which will ensure a balance of power and authority such that no one individual has unfettered powers of decision. The Board is confident that its current size and composition is sufficient and effective in discharging the Board’s responsibilities and in meeting the Company’s current needs and requirements.

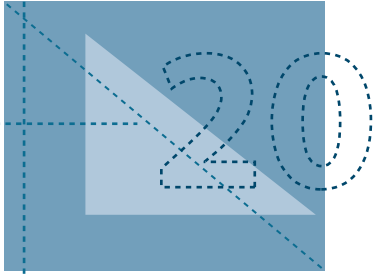
The presence of the Independent, Non-Executive Directors who respectively has a wide range of experience is vital to ensure that there is a broad, unbiased and independent view, advice and judgment on various issues dealt with at the Board. The current complement of Non-Executive Directors provides an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

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

1.2 Board responsibilities

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

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



Corporate Governance Statement

VITROX CORPORATION BERHAD
[649966-K]

1.3 Board Meetings

The Board has regularly held meetings and the attendance of the relevant directors for the Financial Year (FY) 2007 was as follows:

<u>Director</u>	<u>No. of Meetings Held</u>	<u>No. of Meetings Attended</u>
Dato' Seri Kiew Kwong Sen	4	4
Chu Jenn Weng	4	4
Siaw Kok Tong	4	4
Yeoh Shih Hoong	4	4
Prof. Dr. Ahmad Fadzil Bin Mohamad Hani	4	4
Chuah Poay Ngee	4	4

1.4 Supply of Information

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

The Board papers include among others the following:-

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

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

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

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

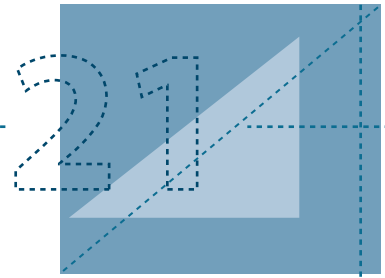
1.5 Access to Information and Advice

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.

Corporate Governance Statement

VITROX CORPORATION BERHAD
[649966-K]



1.6 Re-election of the Directors

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

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

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

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

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

1.7 Directors' Training

All Directors have attended the Mandatory Accreditation Programme ("MAP"). 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.

2. Board Committees

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

<u>Board Committee</u>	<u>Date established</u>
Executive Committee	7 July 2005
Audit Committee	8 July 2005

All Board Committees are assisted by the Company Secretary.

2.1 Audit Committee

The terms of reference and the function of the Audit Committee are discussed on Pages 24 to 26 of the Annual Report 2007.

2.2 Executive Committee

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

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

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



Corporate Governance Statement

VITROX CORPORATION BERHAD
[649966-K]

3. Directors' Remuneration

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

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

Details of the Directors' remunerations for FY2007 are as follows :

Category	Fees RM	Salaries, Bonuses & Employee Provident Fund RM	Allowances RM	Benefits-in-kind RM	Total RM
Executive	-	609,393	108,000	-	717,393
Non-Executive	108,000	12,960	33,000	-	153,960
Total					871,353

The remuneration bands of the Directors are as follows:

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

4. Accountability and Audit

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

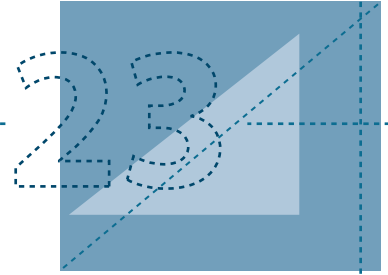
The Company, through the Audit Committee, maintains an appropriate and transparent relationship with the external auditors. It is intended that Independent members of the Audit Committee will meet the external auditors at least twice a year to discuss the conduct and concerns arising from their audit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

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

The Board is also required by the Companies Act, 1965 to prepare financial statements that give a true and fair view of the state of affairs, including the cash flows and results, of the Group and of the Company for the financial year. A statement by the Board of its responsibilities for preparing the financial statements is set out on page 29 of this Annual Report.

Corporate Governance Statement

VITROX CORPORATION BERHAD
[649966-K]



5. Relationship with Shareholders and Investors

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

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

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

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

This statement was made in accordance with a board of directors resolution dated 3 April 2008.



Audit Committee Report

VITROX CORPORATION BERHAD
[649966-K]

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

COMPOSITION

The present members of the Committee comprise:

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

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

Chuah Poay Ngee
Member
Independent, Non-Executive Director

Siaw Kok Tong (Resigned as member with effect from March 3, 2008)
Member
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 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.

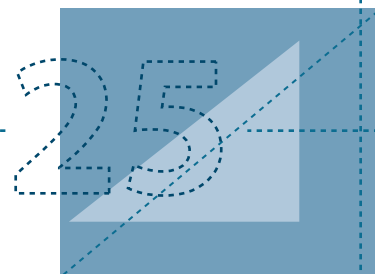
The Head of Finance and the Head of Internal Audit, if any, shall be invited to attend meetings, as the Committee deems necessary. At least twice a year, the Committee shall meet with the External Auditors without the presence of the Executive Directors.

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

VITROX CORPORATION BERHAD
[649966-K]



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 the Company);
- e) to review the internal audit programme, consider the major findings of internal audit investigations and management's response and ensure co-ordination between the Internal and External Auditors;
- f) to review the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its works;
- g) to review and evaluate the adequacy and effectiveness of the Group's accounting policies, procedures and internal controls;
- h) to review the appraisal or assessment of the performance of the staff of the internal audit function; to approve any appointment or termination of senior staff of the internal audit function;
- i) to keep under review the effectiveness of internal control system and in particular, review External Auditors' management letter and management's response;
- j) to review any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transaction between the Company and any related parties outside the Group;and
- k) to carry out such other functions and consider any other topics, as may be agreed upon by the Board .



Audit Committee Report

VITROX CORPORATION BERHAD
[649966-K]

5. Reporting Procedures

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

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

6. Attendance at Meetings

The information on the attendance of each member at the Committee meetings held during the FY 2007 was as follows:-

Member	No. of Meetings Held	Attendance
Dato' Seri Kiew Kwong Sen	4	4
Prof. Dr. Ahmad Fadzil Bin Mohamad Hani	4	4
Chuah Poay Ngee	4	4
Siaw Kok Tong (resigned w.e.f. March 3, 2008)	4	4

7. Activities of the Audit Committee

The main activities carried out by the Committee during the FY 2007 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 2007;
- ▶ Reviewed the internal audit reports for the Company and Group;
- ▶ Reviewed the external audit plan for the Company and Group with the External Auditors;
- ▶ Reviewed the external audit reports for the Company and Group with the External Auditors;
- ▶ Reviewed the quarterly results of the Group and recommended the same to the Board for approval;
- ▶ Reviewed the draft audited Financial Statements of the Company and Group for the financial year ended 31 December 2007 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 Listing Requirements for MESDAQ Market, Malaysian Code on Corporate Governance and other statutory requirements;
- ▶ provide independent, systematic and objective evaluation on the state of internal control within the Group;
- ▶ review recurrent related party transaction;
- ▶ perform such other functions as requested by the Committee.

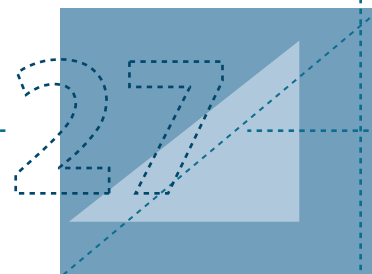
During the FY 2007, the Internal Auditors have assisted the Committee to undertake the following:

- ▶ plan the conduct of internal audit for FY 2007
- ▶ review the state of corporate governance of the Group
- ▶ review the risk management and the state of internal control of certain operating cycles within the Group

Statement On Internal Control

VITROX CORPORATION BERHAD
[649966-K]

Pursuant to Rule 15.26 (b) of the Listing Requirements of Bursa
Malaysia Securities Berhad for the MESDAQ Market



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

Internal Control Objectives

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

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

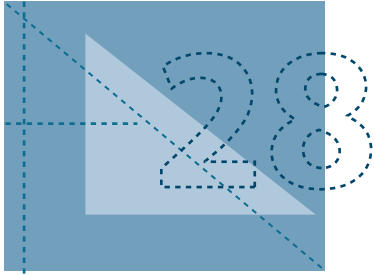
In consultation with the Executive Directors of the Company who are also managing the active subsidiaries, the Board is satisfied that throughout the year, there is an ongoing process for identifying, evaluating and managing the significant risks affecting the Group through the system of internal control.

Key Elements of Internal Control System

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

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

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



Statement On Internal Control

VITROX CORPORATION BERHAD
[649966-K]

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.

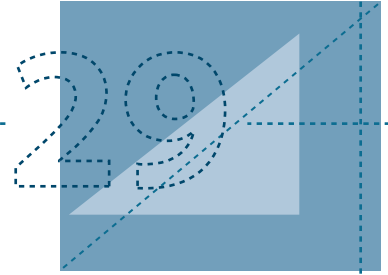
During the year under review, the internal auditors have not reported any significant weaknesses in the system of internal controls of the Group.

This statement was made in accordance with a board of directors resolution dated 3 April 2008.

Statement Of Directors' Responsibilities

VITROX CORPORATION BERHAD
[649966-K]

Pursuant to Rule 15.26 (a) of the Listing Requirements of Bursa
Malaysia Securities Berhad for the MESDAQ Market



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.

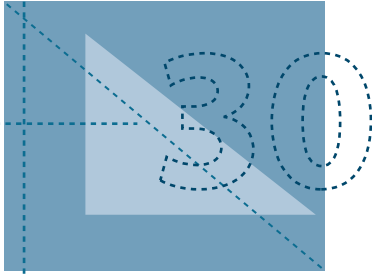
In preparing these financial statements, the Directors have considered the following:

- ▶ 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 3 April 2008.



Additional Compliance Information

VITROX CORPORATION BERHAD
[649966-K]

1. Utilization of Proceeds

As at 31 December 2007, the Company had fully utilized the total proceeds of RM 10.56 million raised from its Initial Public Offering ("IPO"). Details of the utilization of the IPO proceeds were set out as follows:-

Description	Approved Utilization By Securities Commission# RM'000	Actual Utilization RM'000
Purchase of R & D equipment	1,170	1,170
Regional offices set-up	922	922
Repayment of financing for land Acquisition and construction of three(3) double-storey office-cum-factory buildings	5,345	5,345
Working capital	1,823	1,823
Listing expenses	1,300	1,300
	10,560	10,560
% of utilization		100%

The Securities Commission approved the variation of the Company's utilization of the IPO proceeds on 15 February 2007.

2. Share Buy-back

During the financial year, the Company did not enter into any share buyback transactions.

3. Options, Warrants or Convertible Securities

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

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

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

5. Imposition of Sanctions and/or Penalties

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

6. Non-Audit Fees

Non-audit fees amounting to RM9,900 were incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's external auditor and a company affiliated to the external auditors.

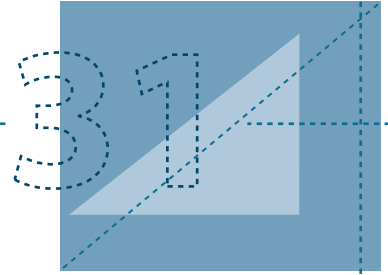
7. Profit Forecast and Unaudited Results Deviation

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

The audited consolidated results during the financial year of the Group did not deviate by more than 10% of the unaudited consolidated results of the Group as announced via the BURSALINK on www.bursamalaysia.com on 20 February 2008.

Additional Compliance Information

VITROX CORPORATION BERHAD
[649966-K]



8. Profit Guarantee

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

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

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

10. Revaluation Policy

It is the Group's policy that landed properties shall be stated at cost and consistent with this, the Group did not revalue any of its landed properties during the financial year.

11. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests either still subsisting as at 31 December 2007 or entered into since the end of the previous financial year.

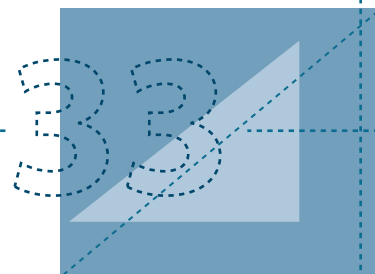
12. Corporate Social Responsibility ("CSR")

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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Financial Statements

For The Financial Year Ended 31 December 2007



ViTrox Corporation Berhad [649966-K]
(Incorporated in Malaysia)

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Directors' Report

VITROX CORPORATION BERHAD
[649966-K]

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and development of 3D vision inspection system. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Net profit for the financial year	14,427,191	<u>2,954,881</u>

DIVIDENDS

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

	RM
Special interim dividend of 1 sen per share (tax exempt) in respect of financial year ended 31 December 2006 paid in February 2007	1,550,000
Final dividend of 0.5 sen per share (tax exempt) in respect of financial year ended 31 December 2006 paid in July 2007	775,000
Special interim dividend of 0.5 sen per share (tax exempt) in respect of financial year ended 31 December 2007 paid in February 2008	<u>775,000</u>
	<u>3,100,000</u>

RESERVES AND PROVISIONS

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

ISSUE OF SHARES OR DEBENTURES

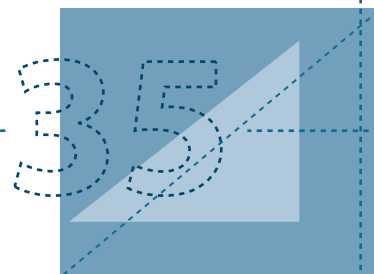
There was no issue of shares or debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

Directors' Report

VITROX CORPORATION BERHAD
[649966-K]



BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

VITROX CORPORATION BERHAD
[649966-K]

DIRECTORS OF THE COMPANY

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

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

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 31.12.2007
	Balance at 1.1.2007	Bought	Sold	
Dato' Seri Kiew Kwong Sen	1,000,000	0	0	1,000,000
Prof. Dr. Ahmad Fadzil Bin Mohamad Hani	500,000	0	0	500,000
Chu Jenn Weng	53,192,503	8,000	(490,500)	52,710,003
Siaw Kok Tong	38,489,043	10,000	(590,100)	37,908,943
Yeoh Shih Hoong	19,728,279	1,000	0	19,729,279
Chuah Poay Ngee	10,000	0	0	10,000

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

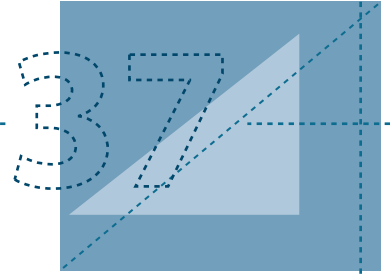
DIRECTORS' BENEFITS

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

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

Directors' Report

VITROX CORPORATION BERHAD
[649966-K]



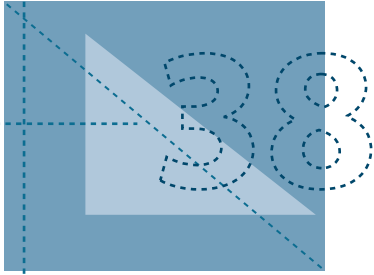
AUDITORS

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 3 APRIL 2008**

Chu Jenn Weng

Siaw Kok Tong



Statement By Directors

VITROX CORPORATION BERHAD
[649966-K]

We, Chu Jenn Weng and Siaw Kok Tong, being two of the directors of ViTrox Corporation Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 40 to 68 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of their results and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 3 APRIL 2008**

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 40 to 68 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 3 April 2008

Chu Jenn Weng

Before me

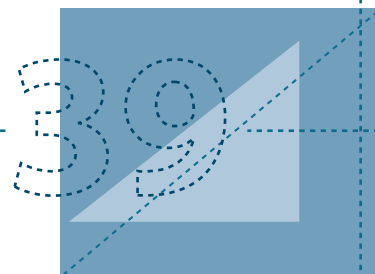
Karupayee Kamalam A/P R. Mottai
Commissioner for Oaths

Report Of The Auditors To The Member Of

ViTrox Corporation Berhad

(Incorporated in Malaysia)

Company No : 649966-K



We have audited the financial statements set out on pages 40 to 68. The preparation of the financial statements is the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and the Company as at 31 December 2007 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' report thereon of the subsidiary of which we have not acted as auditors, as indicated in Note 8 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

The financial statements for the preceding financial year were audited by another firm of auditors whose report dated 15 March 2007 expressed an unqualified opinion on those statements.

Horwath

Firm No: AF 1018

Chartered Accountants

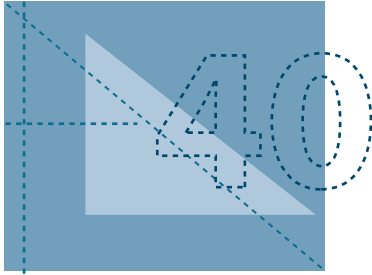
Penang

3 April 2008

Eddy Chan Wai Hun

Approval No: 2182/10/09 (J)

Partner



Consolidated Balance Sheet

VITROX CORPORATION BERHAD
[649966-K]

As At 31 December 2007

	Note	2007 RM	2006 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	8,757,403	9,157,927
Investment property	5	600,000	600,000
Prepaid lease payments	6	2,829,060	2,878,163
Development expenditure	7	1,177,822	766,006
Investment in club memberships - at cost		91,250	91,250
		13,455,535	13,493,346
CURRENT ASSETS			
Inventories	9	4,910,187	4,232,154
Trade receivables	10	12,081,413	9,934,352
Other receivables, deposits and prepayments		282,224	162,770
Current tax assets		410,698	95,684
Cash and cash equivalents	11	19,392,986	8,600,137
		37,077,508	23,025,097
CURRENT LIABILITIES			
Trade payables	12	2,286,635	877,196
Other payables and accruals		2,598,809	2,090,208
Dividend payable		775,000	0
Hire purchase payables	13	0	117,717
Term loans	14	0	23,763
Current tax liabilities		4,613	0
		5,665,057	3,108,884
NET CURRENT ASSETS		31,412,451	19,916,213
NON-CURRENT LIABILITIES			
Hire purchase payables	13	0	143,888
Deferred tax liabilities	15	280,000	0
		280,000	143,888
NET ASSETS		44,587,986	33,265,671
FINANCED BY:-			
Share capital	16	15,500,000	15,500,000
Share premium		1,222,055	1,222,055
Currency translation reserve		(8,022)	(3,146)
Retained profits		27,873,953	16,546,762
SHAREHOLDERS' EQUITY		44,587,986	33,265,671

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

Consolidated Income Statement

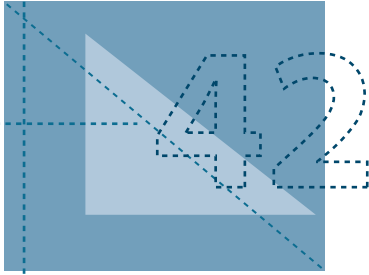
VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



	Note	2007 RM	2006 RM
Revenue	17	36,169,095	24,000,464
Other income		562,245	470,103
Amortisation of development expenditure		(136,929)	0
Amortisation of prepaid lease payments		(49,103)	(45,513)
Changes in work-in-progress and finished goods		(427,881)	848,984
Depreciation of property, plant and equipment		(890,896)	(914,728)
Directors' remuneration	18	(871,353)	(601,200)
Employee benefits expense	19	(5,700,995)	(3,435,797)
Interest expense		(2,457)	(181,878)
Raw materials consumed		(10,078,858)	(7,154,837)
Other expenses		(3,705,649)	(3,159,066)
Profit before tax	20	14,867,219	9,826,532
Tax expense	21	(440,028)	(327,665)
Net profit for the year		14,427,191	9,498,867
Earnings per share (sen)	22		
- Basic		9.31	6.13
- Diluted		9.31	6.13

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



Consolidated Statement of Changes in Equity

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

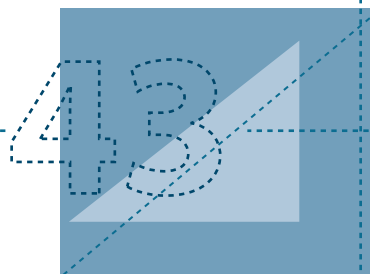
	<i>Non-distributable</i>			<i>Distributable</i>	Total RM
	Share capital RM	Share premium RM	Currency translation reserve RM	Retained profits RM	
Balance at 1 January 2006	15,500,000	1,222,055	0	7,822,895	24,544,950
Dividends (Note 23)	0	0	0	(775,000)	(775,000)
Exchange translation differences	0	0	(3,146)	0	(3,146)
Net profit for the year	0	0	0	9,498,867	9,498,867
Total recognised income and expense	0	0	(3,146)	9,498,867	9,495,721
Balance at 31 December 2006	15,500,000	1,222,055	(3,146)	16,546,762	33,265,671
Dividends (Note 23)	0	0	0	(3,100,000)	(3,100,000)
Exchange translation differences	0	0	(4,876)	0	(4,876)
Net profit for the year	0	0	0	14,427,191	14,427,191
Total recognised income and expense	0	0	(4,876)	14,427,191	14,422,315
Balance at 31 December 2007	15,500,000	1,222,055	(8,022)	27,873,953	44,587,986

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

Consolidated Cash Flow Statement

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		14,867,219	9,826,532
Adjustments for:-			
Allowance for slow moving inventories		516,568	0
Amortisation and depreciation		1,076,928	960,241
Fair value adjustment of investment property		0	(40,000)
Gain on disposal of property, plant and equipment		(156,356)	0
Interest expense		2,457	181,878
Interest income		(301,302)	(271,958)
Property, plant and equipment written-off		4,215	0
Reversal of allowance for doubtful debts		0	(73,095)
Unrealised loss on foreign exchange		98,202	326,825
Operating profit before working capital changes		16,107,931	10,910,423
Increase in inventories		(1,194,601)	(1,622,676)
Increase in trade and other receivables		(2,348,489)	(3,283,096)
Increase in trade and other payables		1,938,235	344,854
Cash generated from operations		14,503,076	6,349,505
Tax paid		(470,429)	(740,116)
Net cash from operating activities		14,032,647	5,609,389
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in capitalised development expenditure		(548,745)	(518,162)
Interest received		264,879	271,958
Lease payments prepaid		0	(538,221)
Proceeds from disposal of property, plant and equipment		351,000	0
Purchase of property, plant and equipment		(689,231)	(3,607,558)
Net cash used in investing activities		(622,097)	(4,391,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(2,325,000)	(2,325,000)
Interest paid		(2,457)	(181,878)
Repayment of hire purchase obligations		(261,605)	(113,010)
Repayment of term loans		(23,763)	(2,594,523)
Net cash used in financing activities		(2,612,825)	(5,214,411)
Effect of exchange rate changes		(4,876)	(147,643)
Net increase/(decrease) in cash and cash equivalents		10,792,849	(4,144,648)
Cash and cash equivalents brought forward		8,600,137	12,744,785
Cash and cash equivalents carried forward	11	19,392,986	8,600,137

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

Balance Sheet

VITROX CORPORATION BERHAD
[649966-K]

As At 31 December 2007

	Note	2007 RM	2006 RM
NON-CURRENT ASSETS			
Investments in subsidiaries	8	8,542,012	8,542,012
CURRENT ASSETS			
Amounts owing by subsidiaries	8	8,219,596	6,780,028
Other receivables, deposits and prepayments		3,000	1,858
Dividend receivable		775,000	0
Current tax assets		0	5,740
Cash and cash equivalents	11	2,080,041	3,515,087
		11,077,637	10,302,713
CURRENT LIABILITIES			
Non-trade payables and accruals		338,860	195,957
Dividend payable		775,000	0
Current tax liabilities		2,140	0
		1,116,000	195,957
NET CURRENT ASSETS		9,961,637	10,106,756
NET ASSETS		18,503,649	18,648,768
FINANCED BY:-			
Share capital	16	15,500,000	15,500,000
Share premium		1,222,055	1,222,055
Retained profits		1,781,594	1,926,713
SHAREHOLDERS' EQUITY		18,503,649	18,648,768

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

Income Statement

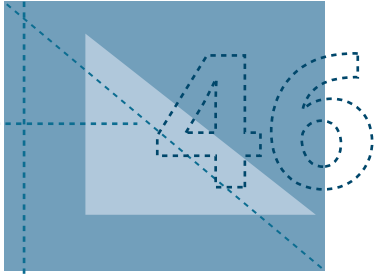
VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



	Note	2007 RM	2006 RM
Revenue	17	4,066,804	1,891,090
Other income		103,982	208,820
Directors' remuneration	18	(423,812)	(284,326)
Employee benefits expense	19	(426,593)	(530,906)
Other expenses		(349,691)	(328,152)
Profit before tax	20	2,970,690	956,526
Tax expense	21	(15,809)	(6,660)
Net profit for the year		2,954,881	949,866

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



Statement of Changes in Equity

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

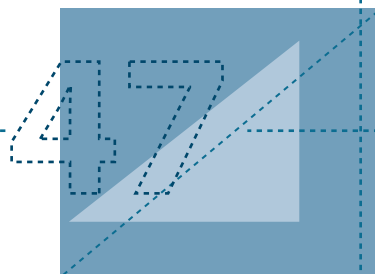
	Share capital RM	<u>Non-distributable</u> Share premium RM	<u>Distributable</u> Retained profits RM	Total RM
Balance at 1 January 2006	15,500,000	1,222,055	1,751,847	18,473,902
Dividends (Note 23)	0	0	(775,000)	(775,000)
Net profit for the year	0	0	949,866	949,866
Balance at 31 December 2006	15,500,000	1,222,055	1,926,713	18,648,768
Dividends (Note 23)	0	0	(3,100,000)	(3,100,000)
Net profit for the year	0	0	2,954,881	2,954,881
Balance at 31 December 2007	15,500,000	1,222,055	1,781,594	18,503,649

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

Cash Flow Statement

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,970,690	956,526
Adjustments for:-			
Dividend income		(3,100,000)	(775,000)
Interest income		(103,982)	(208,820)
Operating loss before working capital changes		(233,292)	(27,294)
Decrease/(Increase) in amount owing by a subsidiary		798,602	(4,564,636)
Increase in other receivables		(1,142)	(858)
Increase in non-trade payables		142,903	119,946
Cash generated from/(absorbed by) operations		707,071	(4,472,842)
Tax paid		(7,929)	(10,700)
Net cash from/(used in) operating activities		699,142	(4,483,542)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		2,325,000	775,000
Increase in amounts owing by subsidiaries		(2,238,170)	0
Interest received		103,982	208,820
Investments in subsidiaries		0	(1,000,000)
Net cash from/(used in) investing activities		190,812	(16,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amount owing to a subsidiary		0	(396,640)
Dividends paid		(2,325,000)	(2,325,000)
Net cash used in financing activities		(2,325,000)	(2,721,640)
Net decrease in cash and cash equivalents		(1,435,046)	(7,221,362)
Cash and cash equivalents brought forward		3,515,087	10,736,449
Cash and cash equivalents carried forward	11	2,080,041	3,515,087

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



Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

1. GENERAL INFORMATION

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

The registered office of the Company is located at 57-1, 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 principal activities of the Company are those of investment holding and development of 3D vision inspection system. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

The consolidated financial statements set out on pages 40 to 43 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 44 to 47 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 3 April 2008.

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 compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (hereinafter referred to as "Financial Reporting Standards" or "FRSs").

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

The Group and the Company have not applied the following FRSs and Interpretations which have been issued as at the balance sheet date but are not yet effective:-

Standard/Interpretation		Effective for financial periods beginning on or after
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139	Financial Instruments: Recognition and Measurement	Yet to be announced
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Standard/Interpretation		Effective for financial periods beginning on or after
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

FRS 111, FRS 120, the amendment to FRS 121 and all the Interpretations will not be applicable to the Group and the Company. The adoption of the revised FRS 107, FRS 112, FRS 118, FRS 134 and FRS 137 is not expected to have any significant impacts on the financial statements. By virtue of the exemption given by FRS 139, the impacts on the financial statements upon initial application of this FRS are not disclosed.

2.2 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 financial year using the purchase method. The results of the subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date represents goodwill. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date exceeds the cost of acquisition, the excess (hereinafter referred to as "negative goodwill"), after reassessment, is recognised in the income statement.

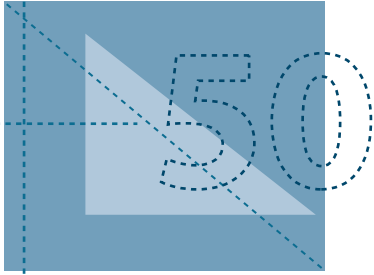
2.3 Financial Instruments

Recognised Financial Instruments

The accounting policies for recognised financial instruments are disclosed in the individual policies associated with each item.

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the contingent liabilities as disclosed in Note 26 to the financial statements.



Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Financial Instruments (Cont'd)

Fair Values

The carrying amounts of financial assets and liabilities with short maturity periods are assumed to approximate their fair values.

It is not practicable to estimate the fair values of contingent liabilities reliably due to the uncertainties of timing, cost and eventual outcome.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

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

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

2.5 Investment Property

An 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 the income statement.

2.6 Research and Development Expenditure

Research expenditure is recognised in the income statement as an expense 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 expensed off when incurred.

Development expenditure, considered to have finite useful lives, is stated at cost less any impairment losses and is amortised on a straight-line basis over the commercial lives of the underlying products over a period not exceeding five years. The amortisation period and method are reviewed at least at each balance sheet date.

2.7 Investments

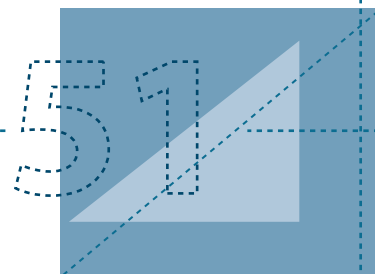
Subsidiaries

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.

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.7 Investments (Cont'd)

Club Memberships

Investment in club memberships is stated at cost less impairment loss, if any.

2.8 Impairment of Assets

The carrying amounts of assets, other than inventories and financial assets within the scope of FRS 139 Financial Instruments: Recognition and Measurement, are reviewed at each balance sheet date to determine whether there is any indication that an item of asset 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. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised as an expense in the income statement.

An impairment loss 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 the income statement.

2.9 Inventories

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

2.10 Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2.11 Payables

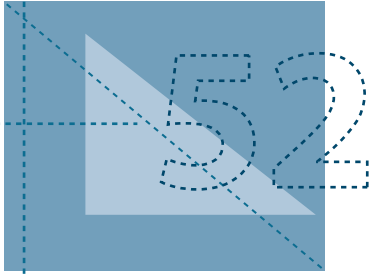
Payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2.12 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.



Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.12 Leases (Cont'd)

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The upfront payments for a lease of land under an operating lease are classified as prepaid lease payments and amortised on a straight-line basis over the lease term.

2.13 Loans and Borrowings

All loans and borrowings are initially recognised at cost which is the fair value of the proceeds received. The loans and borrowings are subsequently stated at amortised cost using the effective interest method. The effective interest rate is the historical rate for a fixed rate instrument and the current market rate for a floating rate instrument.

All borrowing costs are recognised as an expense in the period in which they are incurred.

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 balance sheet date, 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 the income statement. 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, ie directly in equity or in the income statement.

In translating the financial position and results of an entity whose functional currency is not the required presentation currency, ie Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the average exchange rate for the financial year. All resulting exchange differences are recognised directly in equity.

2.15 Share Capital

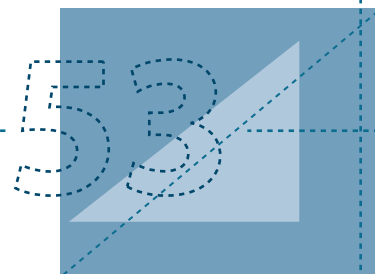
Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the balance sheet date are recognised as a liability whereas dividends proposed or declared after the balance sheet date are disclosed by way of note to the financial statements.

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 right to receive payment is established.

Interest income is recognised using the effective interest method.

2.17 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 substantially enacted by the balance sheet date.

Deferred tax is provided for under the balance sheet liability method in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base except for those temporary differences associated with goodwill, negative 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 substantially enacted by the balance sheet date.

2.18 Employee Benefits

Short-term Employee Benefits

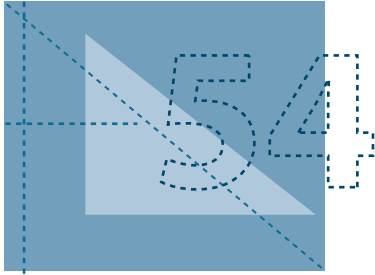
Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense or included in development expenditure, where appropriate, in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the state pension scheme, Employees Provident Fund ("EPF"). A foreign subsidiary makes contributions under certain defined contribution plans of the People's Republic of China. Contributions to defined contribution plans are recognised as an expense or included in development expenditure, where appropriate, in the period in which the associated services are rendered by the employee.

2.19 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, 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.



Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

Critical Judgements

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

(i) Allowance for Inventories

Reviews are made periodically by the 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 could result in revisions to the valuation of inventories.

(ii) Allowance for Doubtful Debts

The Group and the Company make allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowance is applied to receivables where events or changes in circumstances indicate that the balances may not be recoverable. The 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 doubtful debts. Where expectations are different from previous estimates, the difference will impact the carrying amounts of receivables.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

(i) Amortisation and Depreciation

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

(ii) Impairment of Assets

When the recoverable amount of an asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows.

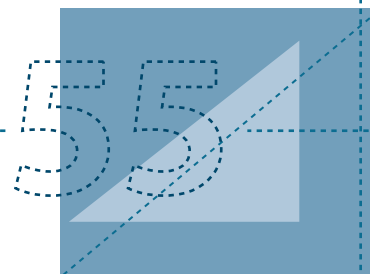
(iii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact the tax provisions in the period in which the outcome is determined.

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation and electrical installation RM	Construction- in-progress RM	Total RM
Cost						
Balance at 1 January 2006	789,840	995,973	499,093	2,536	4,467,797	6,755,239
Additions	0	1,638,409	0	5,400	1,963,749	3,607,558
Transfer	6,431,546	0	0	0	(6,431,546)	0
Balance at 31 December 2006	7,221,386	2,634,382	499,093	7,936	0	10,362,797
Additions	0	620,552	0	68,679	0	689,231
Disposals/Write-off	0	(6,151)	(490,697)	0	0	(496,848)
Balance at 31 December 2007	7,221,386	3,248,783	8,396	76,615	0	10,555,180
Accumulated Depreciation						
Balance at 1 January 2006	8,443	167,518	113,593	588	0	290,142
Depreciation	132,814	589,504	190,856	1,554	0	914,728
Balance at 31 December 2006	141,257	757,022	304,449	2,142	0	1,204,870
Depreciation	146,393	733,802	0	10,701	0	890,896
Disposals/Write-off	0	(1,936)	(296,053)	0	0	(297,989)
Balance at 31 December 2007	287,650	1,488,888	8,396	12,843	0	1,797,777
Carrying Amount						
Balance at 1 January 2006	781,397	828,455	385,500	1,948	4,467,797	6,465,097
Balance at 31 December 2006	7,080,129	1,877,360	194,644	5,794	0	9,157,927
Balance at 31 December 2007	6,933,736	1,759,895	0	63,772	0	8,757,403

Buildings with carrying amount of RM6,187,718 (2006 : RM7,080,129) have been pledged to banks for banking facilities granted to the Group.

5. INVESTMENT PROPERTY

The Group

Fair Value

	Shoplots RM
Balance at 1 January 2006	560,000
Fair value adjustment	40,000
Balance at 31 December 2006	600,000
Movement during the year	0
Balance at 31 December 2007	600,000



Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

5. INVESTMENT PROPERTY (Cont'd)

The fair value of investment property as at 31 December 2006 was determined based on the valuation exercise carried out by an independent valuer. Subsequent update of the fair value as at 31 December 2007 has been obtained from the said valuer who, after studying the prevailing market conditions of similar properties in the same locality, is of the opinion that the fair value remains unchanged.

The shoplots have been pledged to a bank for banking facilities granted to the Group.

6. PREPAID LEASE PAYMENTS

The Group

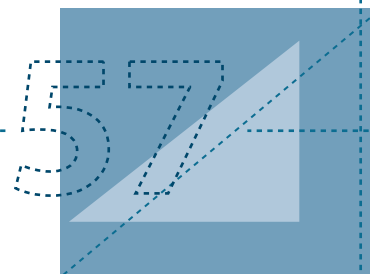
	Long-term leasehold land RM
Cost	
Balance at 1 January 2006	2,407,984
Additions	538,221
Balance at 31 December 2006	<u>2,946,205</u>
Movement during the year	0
Balance at 31 December 2007	<u>2,946,205</u>
Accumulated Amortisation	
Balance at 1 January 2006	22,529
Amortisation	45,513
Balance at 31 December 2006	68,042
Amortisation	49,103
Balance at 31 December 2007	<u>117,145</u>
Carrying Amount	
Balance at 1 January 2006	<u>2,385,455</u>
Balance at 31 December 2006	<u>2,878,163</u>
Balance at 31 December 2007	<u>2,829,060</u>

Leasehold land with carrying amount of RM2,605,138 (2006 : RM2,878,163) has been pledged to banks for banking facilities granted to the Group.

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



7. DEVELOPMENT EXPENDITURE

The Group

	RM
Cost	
Balance at 1 January 2006	247,844
Additions - internal development	518,162
Balance at 31 December 2006	766,006
Additions - internal development	548,745
Balance at 31 December 2007	1,314,751
Accumulated Amortisation	
Balance at 1 January 2006	0
Amortisation	0
Balance at 31 December 2006	0
Amortisation	136,929
Balance at 31 December 2007	136,929
Carrying Amount	
Balance at 1 January 2006	247,844
Balance at 31 December 2006	766,006
Balance at 31 December 2007	1,177,822

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

	2007 RM	2006 RM
Short-term employee benefits	429,440	252,832
Defined contribution plans	56,426	32,555
	485,866	285,387

8. INVESTMENTS IN SUBSIDIARIES

The Company

	2007 RM	2006 RM
Unquoted shares, at cost	8,542,012	8,542,012

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Ownership Interest Held		Principal Activity
		2007	2006	
ViTrox Technologies Sdn. Bhd.	Malaysia	100%	100%	Development and production of automated vision inspection system and digital automated vision inspection equipment and modules
ViE Technologies Sdn. Bhd.	Malaysia	100%	100%	Design, development and manufacture of printed circuit board assemblies for microprocessor applications
ViTrox International Sdn. Bhd.	Malaysia	100%	100%	Investment holding for setting up foreign subsidiaries and catering for future foreign investments
ViTrox Technologies (Suzhou) Co., Ltd.*	China	**100%	**100%	As sales and support office

* Not audited by Horwath

** Interest held through ViTrox International Sdn. Bhd.

Amounts Owing By Subsidiaries

	2007 RM	2006 RM
Trade	1,721,426	2,520,028
Non-trade	6,498,170	4,260,000
	<u>8,219,596</u>	<u>6,780,028</u>

The credit term of trade amount is 60 days. The non-trade amount is unsecured, non-interest bearing and has no fixed term of repayment.

9. INVENTORIES

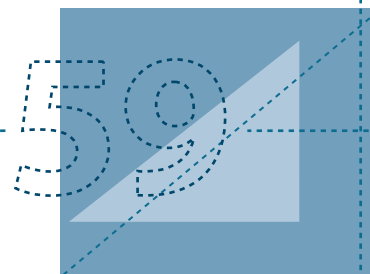
The Group

	2007 RM	2006 RM
Finished goods	1,857,867	1,716,185
Allowance for slow moving inventories	(516,568)	0
	<u>1,341,299</u>	<u>1,716,185</u>
Raw materials	3,286,455	2,180,541
Work-in-progress	282,433	335,428
	<u>4,910,187</u>	<u>4,232,154</u>

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



10. TRADE RECEIVABLES

The Group

	2007 RM	2006 RM
Trade receivables	12,102,693	9,955,632
Allowance for doubtful debts	(21,280)	(21,280)
	12,081,413	9,934,352

The currency exposure profile of trade receivables is as follows:-

	2007 RM	2006 RM
Ringgit Malaysia	8,280,292	6,072,215
US Dollar	3,801,121	3,862,137
	12,081,413	9,934,352

The credit terms of trade receivables range from 30 to 60 days.

11. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term deposits with licensed banks	16,297,581	5,026,298	0	933,300
Short-term funds	2,168,904	2,602,456	1,939,335	1,980,682
Cash and bank balances	926,501	971,383	140,706	601,105
	19,392,986	8,600,137	2,080,041	3,515,087

The effective interest rates of short-term deposits range from 2.55% to 4.6% (2006 : 3% to 3.7%) per annum. Short-term funds represent highly liquid investments in fixed income instruments.

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	18,125,001	5,706,174	2,080,041	3,515,087
US Dollar	1,074,335	2,865,854	0	0
Renminbi	193,650	28,109	0	0
	19,392,986	8,600,137	2,080,041	3,515,087

A short-term deposit amounting to RM77,123 (2006 : RM74,670) has been pledged to a bank for bank guarantee facility granted to the Group and hence, is not freely available for use.

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

12. TRADE PAYABLES

The Group

The currency exposure profile of trade payables is as follows:-

	2007 RM	2006 RM
Ringgit Malaysia	1,253,894	589,666
US Dollar	958,231	28,568
Singapore Dollar	74,510	15,406
Euro	0	243,556
	<u>2,286,635</u>	<u>877,196</u>

The credit terms of trade payables range from 7 to 90 days.

13. HIRE PURCHASE PAYABLES

The Group

	2007 RM	2006 RM
Minimum hire purchase payments:-		
- not later than one year	0	131,496
- later than one year and not later than five years	0	147,374
	<u>0</u>	<u>278,870</u>
Future finance charges	0	(17,265)
Present value of hire purchase liabilities	<u>0</u>	<u>261,605</u>
Current:-		
- not later than one year	0	117,717
Non-current:-		
- later than one year and not later than five years	0	143,888
	<u>0</u>	<u>261,605</u>

The effective interest rates of hire purchase payables ranged from 4.39% to 6.23% per annum.

14. TERM LOANS

The Group

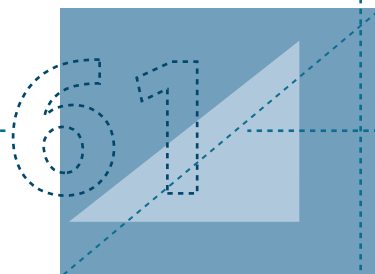
	2007 RM	2006 RM
Current portion of long-term loans	<u>0</u>	<u>23,763</u>

Term loans were secured against certain leasehold land and building of the Group. The effective interest rate was 7% per annum.

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



15. DEFERRED TAX LIABILITIES

The Group

	2007 RM	2006 RM
Balance at 1 January	0	0
Deferred tax expense relating to origination and reversal of temporary differences	18,000	0
Deferred tax liabilities underprovided in prior year	262,000	0
Balance at 31 December	<u>280,000</u>	<u>0</u>

The deferred tax liabilities are in respect of the following items:-

	2007 RM	2006 RM
Taxable temporary differences of:-		
- property, plant and equipment	230,000	N/A
- investment property	50,000	N/A
	<u>280,000</u>	<u>N/A</u>

Save as disclosed above, as at 31 December 2007, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM13,000 (2006 : NIL). No further deferred tax assets have been recognised for the excess of the unused tax losses over the taxable temporary differences as follows:-

	2007 RM	2006 RM
Unused tax losses	122,000	0
Taxable temporary differences of:-		
- property, plant and equipment	(12,000)	0
- development expenditure	(37,000)	0
	<u>73,000</u>	<u>0</u>

16. SHARE CAPITAL

	2007 RM	2006 RM
Authorised:-		
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>	<u>25,000,000</u>
Issued and fully paid-up:-		
155,000,000 ordinary shares of RM0.10 each	<u>15,500,000</u>	<u>15,500,000</u>

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

17. REVENUE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Income from sale of goods	36,169,095	24,000,464	966,804	1,116,090
Gross dividends from subsidiary	0	0	3,100,000	775,000
	<u>36,169,095</u>	<u>24,000,464</u>	<u>4,066,804</u>	<u>1,891,090</u>

18. DIRECTORS' REMUNERATION

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Fees	108,000	85,700	108,000	85,700
Short-term employee benefits	581,323	393,924	239,668	146,469
Defined contribution plans	182,030	121,576	76,144	52,157
	<u>871,353</u>	<u>601,200</u>	<u>423,812</u>	<u>284,326</u>

The directors' remuneration represents the entire key management personnel compensation of the Group and the Company as there were no other key management personnel apart from all the directors who have the authority and responsibility, directly or indirectly, for planning, directing and controlling the activities of the Group and the Company.

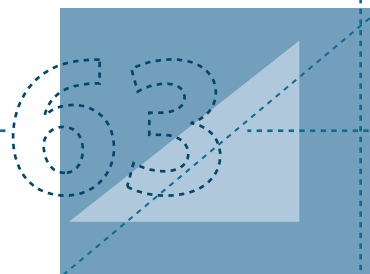
19. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term employee benefits	5,157,519	3,150,253	385,655	480,322
Defined contribution plans	543,476	285,544	40,938	50,584
	<u>5,700,995</u>	<u>3,435,797</u>	<u>426,593</u>	<u>530,906</u>

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



20. PROFIT BEFORE TAX

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before tax is arrived at after charging:-				
Allowance for slow moving inventories	516,568	0	0	0
Auditors' remuneration				
- current year	34,890	30,570	9,500	12,000
- prior year	0	1,000	(2,500)	0
Direct operating expenditure on investment property generating rental income	1,351	8,795	0	0
Loss on foreign exchange				
- realised	118,075	48,595	0	0
- unrealised	98,202	326,825	0	0
Property, plant and equipment written-off	4,215	0	0	0
Rental of premises	72,999	70,691	0	0
Research and development expenditure	1,445,838	660,822	0	0
and crediting:-				
Fair value adjustment of investment property	0	40,000	0	0
Gain on disposal of property, plant and equipment	156,356	0	0	0
Interest income	301,302	271,958	103,982	208,820
Realised gain on foreign exchange	603	22	0	0
Rental income				
- investment property	38,400	14,500	0	0
- others	48,000	40,000	0	0
Reversal of allowance for doubtful debts	0	73,095	0	0

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

21. TAX EXPENSE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax based on results for the year:-				
Malaysian income tax	188,995	540,410	10,045	5,260
Deferred tax	18,000	0	0	0
	<u>206,995</u>	<u>540,410</u>	<u>10,045</u>	<u>5,260</u>
Tax (over)/under provided in prior year:-				
Malaysian income tax	(28,967)	(212,745)	5,764	1,400
Deferred tax	262,000	0	0	0
	<u>440,028</u>	<u>327,665</u>	<u>15,809</u>	<u>6,660</u>

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	
	2007 %	2006 %	2007 %	2006 %
Applicable tax rate	27.00	28.00	27.00	28.00
Non-deductible expenses	1.29	1.32	2.05	4.02
Non-taxable income	(0.31)	(0.60)	(28.71)	(27.81)
Pioneer income exempted	(26.42)	(23.51)	0.00	(3.66)
Increase in unrecognised deferred tax assets	0.13	0.00	0.00	0.00
Effect of lower tax rate	(0.30)	0.29	0.00	0.00
Average effective tax rate	<u>1.39</u>	<u>5.50</u>	<u>0.34</u>	<u>0.55</u>

Pursuant to the Finance Act, 2006 (Act 661) gazetted on 31 December 2006, the statutory income tax rate has been reduced from 28% to 27% for the financial year under review.

As at 31 December 2007, the Company has sufficient tax credits and tax exempt accounts to frank/distribute its retained profits in full if paid out as dividends.

Tax incentives applicable to the Group are summarised below:-

The Company

The Company has been granted Multimedia Super Corridor ("MSC") status by Multimedia Development Corporation Sdn. Bhd. for the development of QFP/SO 3D Vision Inspection System, Leadless Package Vision Inspection System, BGA 3D Vision Inspection System and Line Scan and Laser 3D Vision Inspection System ("Pioneer Products"). By virtue of its MSC status, the Company has been granted pioneer status by the Ministry of International Trade and Industry Malaysia. Under this incentive, 100% of the Company's statutory income from the Pioneer Products is exempted from income tax for a period of 5 years (extendable for further 5 years) commencing 25 January 2005.

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



21. TAX EXPENSE (Cont'd)

ViTrox Technologies Sdn. Bhd.

The subsidiary has been granted pioneer status by the Ministry of International Trade and Industry Malaysia for the development and production of digital automated vision inspection equipment and modules ("Pioneer Products"). Under this incentive, 100% of the subsidiary's statutory income from the Pioneer Products is exempted from income tax for a period of 5 years (extendable for further 5 years) commencing 1 April 2005.

ViE Technologies Sdn. Bhd.

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

22. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated by dividing the Group's net profit for the financial year of RM14,427,191 (2006 : RM9,498,867) by the weighted average number of ordinary shares in issue during the financial year of 155,000,000 (2006 : 155,000,000) shares.

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.

23. DIVIDENDS

The Group and the Company

	2007 RM	2006 RM
Final dividend of 0.5 sen per share (tax exempt) in respect of financial year ended 31 December 2005 paid in July 2006	0	775,000
Special interim dividend of 1 sen per share (tax exempt) in respect of financial year ended 31 December 2006 paid in February 2007	1,550,000	0
Final dividend of 0.5 sen per share (tax exempt) in respect of financial year ended 31 December 2006 paid in July 2007	775,000	0
Special interim dividend of 0.5 sen per share (tax exempt) in respect of financial year ended 31 December 2007 paid in February 2008	775,000	0
	<u>3,100,000</u>	<u>775,000</u>



Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

24. RELATED PARTY DISCLOSURES

Other than the directors' remuneration as disclosed in Note 18 to the financial statements, significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Disposal of motor vehicles to certain directors	187,200	0	0	0
Dividends declared from subsidiary	0	0	3,100,000	775,000
Sale of goods to subsidiary	0	0	966,804	1,116,090
Subscription of shares in subsidiaries	0	0	0	999,996

25. SEGMENT REPORTING

The Group

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets, interest-bearing liabilities, income tax assets and liabilities and their related income and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments

The Group is principally engaged in the development and production of vision inspection system and printed circuit board assemblies for microprocessor applications. Business segment information has not been prepared as the Group's revenue, operating results, assets, liabilities, capital expenditure, depreciation and other non-cash expenses are mainly confined to one business segment.

Geographical Segments

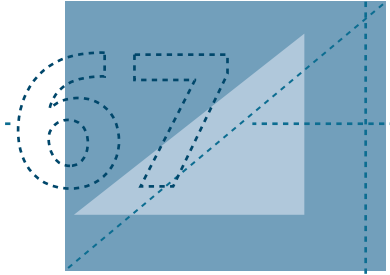
Information on segment assets and capital expenditure based on the geographical location of assets has not been presented as the Group operates predominantly in Malaysia. Segment revenue based on the geographical location of customers is analysed as follows:-

	2007 RM	2006 RM
Malaysia	28,347,255	17,118,915
Asia Pacific	7,820,087	6,709,980
Others	1,753	171,569
	<u>36,169,095</u>	<u>24,000,464</u>

Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007



26. CONTINGENT LIABILITIES - UNSECURED

The Group

A subsidiary, ViTrox Technologies Sdn. Bhd. ("VTSB"), has initiated a claim against a former employee (first defendant) who was suspected to have copied its source code and produced automated vision inspection system to be sold through a third party (second defendant).

On 27 December 2005 and 6 March 2006, the second and first defendants respectively issued a writ of summons against VTSB claiming that VTSB had published a statement that is defamatory to them in VTSB's corporate directory. VTSB has been advised by its legal adviser that at this stage the quantum of damages cannot be determined as damages (if any) that are to be awarded in a defamation action are to be assessed by the Court having the benefit of evidence adduced during trial.

Accordingly, no provision for any contingent loss in respect of actual cost and expenses incurred is made in the financial statements.

27. FINANCIAL INSTRUMENTS

Recognised Financial Instruments

The information about the extent and nature of significant recognised financial instruments is disclosed in the individual notes associated with each item.

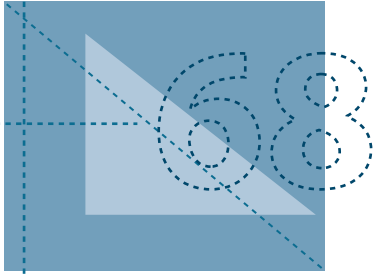
Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the contingent liabilities as disclosed in Note 26 to the financial statements.

Fair Values

The carrying amounts of financial assets and liabilities of the Group and the Company as at 31 December 2007 and 2006 approximate their fair values.

It is not practicable to estimate the fair values of contingent liabilities reliably due to the uncertainties of timing, cost and eventual outcome.



Notes To The Financial Statements

VITROX CORPORATION BERHAD
[649966-K]

For The Financial Year Ended 31 December 2007

28. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including currency risk, interest rate risk, credit risk and liquidity risk. The overall financial risk management objective of the Group is to maximise shareholders' value by minimising the potential adverse impacts of these risks on its financial position, performance and cash flows.

The Board of Directors explicitly assumes the responsibilities of financial risk management which is carried out mainly through risk reviews and internal control systems.

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. Such exposure is 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 bank balances in foreign currency accounts to meet future obligations in foreign currencies.

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from borrowings.

The Group manages its exposure to interest rate risk by seeking to obtain the most favourable interest rates available without increasing its other financial risk exposures.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables. The maximum credit risk exposure is best represented by the total carrying amount of these financial assets in the balance sheet. An approximately 84% of the total trade receivables of the Group as at the balance sheet date was due from five major customers.

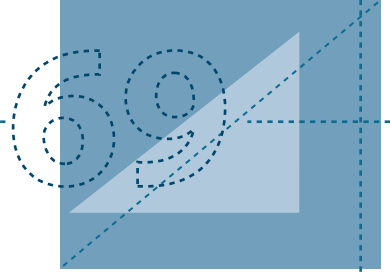
The Group manages its exposure to credit risk by assessing counter parties' financial standings on an ongoing basis, setting and monitoring counter parties' limits and credit terms.

Liquidity Risk

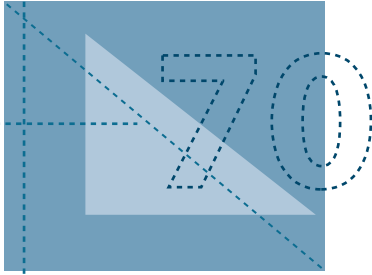
The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and aims to maintain sufficient liquidity and cash flows at all times.

List Of Properties

VITROX CORPORATION BERHAD
[649966-K]



No	Name of Registered Owner / Postal Address / Title Identification	Approx Age of Building / Tenure / Date of Expiry of Lease	Description / Existing Use	Land Area / Build Up Area Sq Metre	Net Book Value as at 31 December 2007 RM	Year of Valuation / Acquisition
1.	<i>ViTrox Technologies Sdn. Bhd.</i> HSD 10203, Lot No. PT 4952, Mukim 12, Daerah Barat Daya, Pulau Pinang Bearing Postal Address No. 5, Lintang Bayan Lepas 2, Bayan Lepas Industrial Park, Phase 4, 11900 Bayan Lepas, Penang	5 years / 60 years lease expiring on January 6, 2058	Semi-detached factory cum office	1,529 / 544	969,940	September 27, 2000 (Date of Acquisition)
2.	<i>ViTrox Technologies Sdn. Bhd.</i> HSD 21704, Lot No. PT 5286, Mukim 12, Daerah Barat Daya, Pulau Pinang Bearing Postal Address No. 85A, Lintang Bayan Lepas 11 Bayan Lepas Industrial Park Phase IV, 11900 Bayan Lepas, Penang	2 years / 60 years lease expiring on December 26, 2066	ViTrox Innovation Centre	12,152/2,900	8,792,855	July 27, 2004 (Date of Acquisition)
3.	<i>ViTrox Technologies Sdn. Bhd.</i> Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang Bearing Postal Address Level No. 04, Unit No. 20, Kristal Point II, Lebuah Bukit Kecil 6, 11900 Bayan Lepas, Penang	4 years / 99 years lease upon issuance of strata title	Shoplot for investment purposes	- / 96	300,000	December 31, 2007 (Date of Valuation)
4.	<i>ViTrox Technologies Sdn. Bhd.</i> Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang Bearing Postal Address Level No. 04, Unit No. 21, Kristal Point II, Lebuah Bukit Kecil 6, 11900 Bayan Lepas, Penang	4 years / 99 years lease upon issuance of strata title	Shoplot for investment purposes	- / 96	300,000	December 31, 2007 (Date of Valuation)



Statistics Of Shareholdings

VITROX CORPORATION BERHAD
[649966-K]

SHARE CAPITAL AS AT 23 APRIL 2008

Authorised Capital	: RM25,000,000.00
Issued and Paid-up Capital	: RM15,500,000.00
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDERS AS AT 23 APRIL 2008

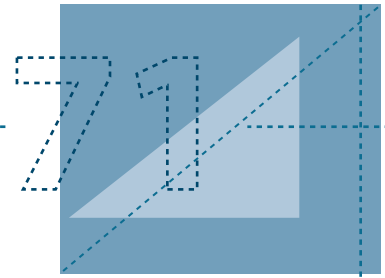
Size of Holdings	No. of Holders	No. of Shares	%
1 – 99	15	766	0.00
100 – 1,000	534	148,147	0.10
1,001 – 10,000	265	1,273,795	0.82
10,001 – 100,000	149	5,148,283	3.32
100,001 – 7,749,999	47	38,011,884	24.52
7,750,000 and above	3	110,417,125	71.24
Total	1,013	155,000,000	100.00

THIRTY LARGEST SECURITIES HOLDERS AS AT 23 APRIL 2008

No.	Name	Shareholdings	%
1	Chu Jenn Weng	52,668,403	33.98
2	Siaw Kok Tong	37,878,643	24.44
3	Yeoh Shih Hoong	19,844,479	12.80
4	Teng Soo Fong	4,025,566	2.60
5	Sim Ah Yoong	4,009,233	2.59
6	Tan Booi Charn	3,984,000	2.57
7	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Exempt an for Kumpulan Sentiasa Cemerlang Sdn. Bhd.	3,068,300	1.98
8	Tan Hong Soon	3,000,000	1.93
9	Chang Mun Kee	1,666,666	1.07
10	Chua Siew Kim	1,357,166	0.88
11	Ooi Lay Hoe	1,078,856	0.70
12	Su Peik Hoon	1,059,744	0.68
13	Kiew Kwong Sen	1,000,000	0.65
14	Citigroup Nominees (Asing) Sdn. Bhd. Qualifier: Exempt an for CLSA Limited	1,000,000	0.65
15	Ang Nya @ Ang Ah Nya	1,000,000	0.65
16	Foo Wen Pok	933,895	0.60
17	Wong Ting Lik	693,066	0.45
18	Chong Kok Cheng	575,000	0.37
19	Che Kausa Binti Mamat @ Mohd Nor	524,333	0.34
20	HSBC Nominees (Asing) Sdn. Bhd. Qualifier: Exempt an for ABN Amro Bank N.V. (Gibraltar Brch)	500,000	0.32
21	Goh Siew Eng	500,000	0.32
22	Ahmad Fadzil Bin Mohamad Hani	500,000	0.32
23	Vincent Leong Wai Shun	486,833	0.31
24	Cheng Ming Hann	466,333	0.30
25	Koay Soo Ming	432,599	0.28
26	Wong Ting Lik	385,100	0.25
27	Koay Soo Ming	385,100	0.25
28	Ooi Chek Siah	333,163	0.21
29	Lean Teik Chooi	271,000	0.17
30	Mayban Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Yeoh Kee Leng	264,000	0.17
	TOTAL	143,891,478	92.83

Statistics Of Shareholdings

VITROX CORPORATION BERHAD
[649966-K]



SUBSTANTIAL SHAREHOLDERS AS AT 23 APRIL 2008

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	52,668,403	33.98	-	-
Siaw Kok Tong	37,904,243	24.44	-	-
Yeoh Shih Hoong	19,844,479	12.80	-	-

DIRECTORS' SHAREHOLDING AS AT 23 APRIL 2008

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	52,668,403	33.98	-	-
Siaw Kok Tong	37,904,243	24.44	-	-
Yeoh Shih Hoong	19,844,479	12.80	-	-
Dato' Seri Kiew Kwong Sen	1,000,000	0.65	-	-
Prof. Dr. Ahmad Fadzil Bin Mohamad Hani	500,000	0.32	-	-
Chuah Poay Ngee	10,000	0.01	-	-



Notice Of Annual General Meeting

VITROX CORPORATION BERHAD
[649966-K]

NOTICE IS HEREBY GIVEN that the Fourth 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 Wednesday, 25 June 2008 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2007 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 2007:-
 - a) A Special Dividend of 1.5 sen per share exempt from Income Tax (Resolution 1)
 - b) A Final Dividend of 0.5 sen per share exempt from Income Tax (Resolution 2)
3. To approve the payment of additional Directors' Fees of RM31,200 for the financial year ended 31 December 2007 (Resolution 3)
4. To approve an increase of Directors' Fees from RM76,800.00 to RM108,000 for the financial year ending 31 December 2008 and payment of such Fees to the Directors of the Company (Resolution 4)
5. To re-elect the following Directors retiring under the respective provisions of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-
 - a) Yeoh Shih Hoong Article 85 (Resolution 5)
 - b) Chu Jenn Weng Article 85 (Resolution 6)
6. To re-appoint Messrs. Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. (Resolution 7)

7. AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as an Ordinary Resolution:-

Authority to Issue Shares

(Resolution 8)

"That pursuant to Section 132D of the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorized 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 of the Company for the time being, and that the Board of Directors be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the MESDAQ Market of Bursa Malaysia Securities Berhad."

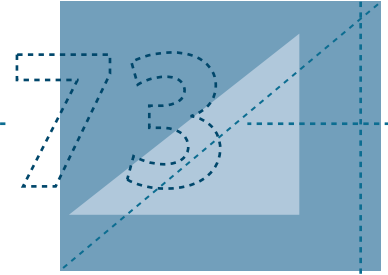
8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board
KHOO LAY TATT (MAICSA 7029262)
HOW WEE LING (MAICSA 7033850)
Secretaries

Penang
Date : 2 June 2008

Notice Of Annual General Meeting

VITROX CORPORATION BERHAD
[649966-K]



NOTES:

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

Proxy

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.

To be valid, this form, duly completed must be deposited at the registered office of the Company at 57-1, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time for holding the meeting.

A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.

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.

If the appointor is a corporation, this form must be executed under its Common Seal.

Explanatory Note On Special Business:

1. The proposed Resolution No. 8 (Item No. 7), if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. 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 Dividend Entitlement And Payment

VITROX CORPORATION BERHAD
[649966-K]

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2007, if approved, will be paid on 15 July 2008 to depositors registered in the Records of Depositors on 2 July 2008:-

- a) A Special Dividend of 1.5 sen per share exempt from Income Tax; and
- b) A Final Dividend of 0.5 sen per share exempt from Income Tax

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

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 2 July 2008 in respect of transfers; and
- b) shares bought on the MESDAQ Market on a cum entitlement basis according to the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

By Order of the Board
KHOO LAY TATT (MAICSA 7029262)
HOW WEE LING (MAICSA 7033850)
Secretaries

Penang
Date : 2 June 2008

Statement Accompanying Notice Of Annual General Meeting

RETIREMENT OF DIRECTORS

Pursuant to Rule 8.36(2) of the Bursa Securities Listing Requirements for MESDAQ Market, the details of the two (2) directors seeking re-election are set out in their respective profiles which appear in the Board of Directors' Profile on pages 9 to 10 of the Annual Report 2007. The details of their respective interests in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 71 of the Annual Report 2007.

Proxy Form

VITROX CORPORATION BERHAD
[649966-K]



No of ordinary shares held

I/We
(*NRIC No./Company No) of

..... being a *Member/Members of VITROX CORPORATION BERHAD hereby appoint

(*NRIC No./Passport No) of
..... or failing him

(*NRIC No./Passport No) of

..... as my/our proxy to vote for me/us and on my/our behalf at the Fourth Annual General Meeting of the Company to be held at the Auditorium of ViTrox Innovation Centre, 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang on Wednesday, 25 June 2008 at 10.00 a.m. and, at every adjournment thereof to vote as indicated below:-

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

RESOLUTIONS	FOR	AGAINST
To declare the following Dividends for the year ended 31 December 2007:		
1. a) A Special Dividend of 1.5 sen per share exempt from Income Tax		
2. b) A Final Dividend of 0.5 sen per share exempt from Income Tax		
3. To approve the payment of additional Directors' Fees of RM31,200 for the financial year ended 31 December 2007		
4. To approve an increase of Directors' Fees from RM76,800.00 to RM108,000 for the financial year ending 31 December 2008 and payment of such Fees to the Directors of the Company		
To re-elect the following directors retiring under the respective provisions of the Articles of Association of the Company:-		
5. Yeoh Shih Hoong (Article 85);		
6. Chu Jenn Weng (Article 85)		
7. To re-appoint Messrs. Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
To pass the following resolutions as Special Business :-		
Ordinary Resolution		
8. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		

* **Strike out whichever is not desired.**

Signature of Shareholder(s).....

Signed this..... day of....., 2008.

Notes:

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.

To be valid, this form, duly completed must be deposited at the registered office of the Company at 57-1, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time for holding the meeting.

A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.

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.

If the appointer is a corporation, this form must be executed under its Common Seal.

Fold along this line

Stamp

The Company Secretaries
VITROX CORPORATION BERHAD
(Company No. 649966-K)
57-1 Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

Fold along this line

ViTrox Corporation Berhad [649966-K]

No.85-A, Lintang Bayan Lepas 11,
Bayan Lepas Industrial Park, Phase 4,
11900 Bayan Lepas,
Penang, Malaysia.

Tel : 604 646 6227 Fax : 604 646 6327

China Division

ViTrox Technologies (Suzhou) Co. Ltd

F409, International Science Park,
No. 328 Airport Road, Suzhou,
215021, P.R. China.

Tel : 86 512 6251 9891 Fax : 86 512 6251 9892

ViTrox USA

1460 Koll Circle Suite A, San Jose,
CA 95112, USA.

Tel : 1 408 573 1077 (ext. 213) Fax : 1 408 573 1079

Email : enquiry@vitrox.com

www.vitrox.com