

*Seizing Opportunities*



**2008**  
Annual Report

Annual Report  
2008



# 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 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 2008, 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%                      | Design, development and manufacture of printed circuit board assemblies for microprocessor applications.                        |
| ViTrox Technologies (Suzhou) Co., Ltd | 19 January 2006 (date of establishment) / China | 100%                      | Sales and Support Office in Suzhou Industrial Park, PRC.  |

## 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.



|  |       |
|--|-------|
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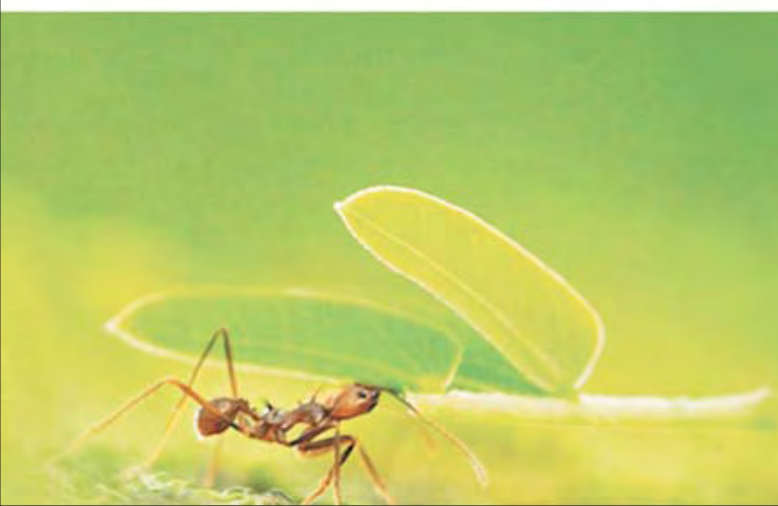
### Design Rationale

Year 2008 marks the beginning of the worldwide economic crisis.

The chosen concept of this year's Annual Report reflects the reality which we are facing, that is **danger, opportunity, team work and determination**.

The ants community are very protective of its own colony and exhibits teamwork in their nature.

This behavior is highly essential when translated to ViTrox's working environment especially in facing trying times whereby our people need to be always alert and stand by the motto "**Survive, Attack**".





## Corporate Information

### 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*

**Chuah Poay Ngee**

*Independent Non-Executive Director*

### AUDIT COMMITTEE

**Dato' Seri Kelvin Kiew Kwong Sen**

*Chairman*

**Prof. Dr. Ahmad Fadzil Bin Mohamad Hani**

**Chuah Poay Ngee**

### COMPANY SECRETARIES

**Khoo Lay Tatt** (MAICSA 7029262)

**How Wee Ling** (MAICSA 7033850)

## Corporate Structure


**ViTrox Corporation Berhad**

("ViTrox") and Subsidiaries as at 28 April 2009

**ViTrox Corporation Berhad**

 **ViTrox Technologies Sdn. Bhd.**  
(A wholly-owned subsidiary of ViTrox)

 **ViE Technologies Sdn. Bhd.**  
(A wholly-owned subsidiary of ViTrox)

 **ViTrox International Sdn. Bhd.**  
("ViTrox International")  
(A wholly-owned subsidiary of ViTrox)

 **ViTrox Technologies (Suzhou) Co., Ltd.**  
(A wholly-owned subsidiary of ViTrox International)

### REGISTERED OFFICE

57-1, Persiaran Bayan Indah,  
Bayan Bay, Sungai Nibong,  
11900 Penang.

Tel : 604 642 9887

Fax : 604 645 6698

### 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](http://www.vitrox.com)

### SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.  
Level 7, Menara Milenium,  
Jalan Damanlela,  
Pusat Bandar Damansara,  
Damansara Heights,  
50490 Kuala Lumpur.

Tel : 603 2084 9000

Fax : 603 2094 9940

### AUDITORS

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

### SOLICITORS

Zaid Ibrahim & Co

### PRINCIPAL BANKERS

Hong Leong Bank Berhad

Public Bank Berhad

### STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities  
Berhad

Stock Name : VITROX

Stock Code : 0097



From Left to Right :- **Chuah Poay Ngee** (Independent Non-Executive Director), **Prof. Dr. Ahmad Fadzil Bin Mohamad Hani** (Non-Independent Non-Executive Director), **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)



**DATO' SERI KELVIN KIEW KWONG SEN**

Chairman / Independent Non-Executive Director

Dato' Seri Kelvin Kiew Kwong Sen [Malaysian / Age 61] 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 Chairman of the Audit Committee of the Company.

He 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 UC Berkeley. After graduation, he worked in various technical and management positions at Advanced Micro Devices, 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 Chairman of ViTrox Corporation Berhad and ACX Ceramic Taiwan.

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

He has been serving as a member of Penang Competitiveness Committee since 2003. He was also the Vice Chairman and Board of Directors of InvestPenang Berhad until March 2008. He is now the Co-Chairman of the Industrial Advisory Panel for Penang. He is also the Advisor for the Young Entrepreneurs' Association of Malaysia, Penang Alumni Association of Taiwan, Software Consortium of Penang, Penang RF Cluster and Penang Automation Cluster. He is also a popular speaker at seminars and conferences both in Malaysia and overseas.

**CHU JENN WENG**

Managing Director

Chu Jenn Weng [Malaysian / Age 39] 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 12 years experience in machine vision and related field. He started his first project in machine vision back in 1992 while he was still studying in Universiti Sains Malaysia (USM) majoring in Electrical and Electronics Engineering. Upon graduation from the University, he was employed as an instrumentation engineer in Hewlett-Packard Malaysia (HPM) (now known as Agilent Technologies Sdn Bhd), where he initiated and led the in-house 4-person machine vision team for more than 5 years. During his 5 ½ year career in HPM, he was directly involved in the R&D of machine vision systems, system set-up and support, as well as setting objectives and development plan for the entire team.

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

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

As the Managing Director 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 – Malaysia 2005.



## SIAW KOK TONG

Executive Director

Siaw Kok Tong [Malaysian / Age 38] is a promoter and substantial shareholder of ViTrox. He is the Executive Director of ViTrox Group and currently responsible for 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 4 ½ year tenure in HPM, he was promoted to Senior Engineer and subsequently left the company in 1999 upon completion of his scholarship bond. In 2000, Mr Siaw co-founded VTSB with Chu Jenn Weng, where during the early stages of the company 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 37] 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.





### PROF. DR. AHMAD FADZIL BIN MOHAMAD HANI

Non-Independent Non-Executive Director

Prof. Dr. Ahmad Fadzil Bin Mohamad Hani [Malaysian / Age 49] 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 NGEЕ

Independent Non-Executive Director

Chuah Poay Ngee [Malaysian / Age 39], is an Independent Non-Executive Director of ViTrox. She was appointed to the Board of Directors of ViTrox on 15 November 2006 and is a member of the Audit Committee of the Company.

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

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

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

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

Securities held in the Company: The details are disclosed on page 72 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.



## Financial Performance

|                           | 2007   | 2008   | Growth  |
|---------------------------|--------|--------|---------|
|                           | RM'000 | RM'000 | + / (-) |
| Revenue                   | 36,169 | 26,413 | -27%    |
| Profit Before Tax ("PBT") | 14,867 | 8,599  | -42%    |
| Profit After Tax ("PAT")  | 14,427 | 8,324  | -42%    |

ViTrox Group recorded revenue of RM26.41 million in 2008, a decrease of 27% over the RM36.17 million in previous financial year.

The decrease in revenue was due to lower demand for the machine inspection system ("MVS") and electronics communication system ("ECS").

As a result, the PAT achieved RM8.32 million, a decrease of 42% over RM14.43 million recorded in previous year.

## Dividend

A special interim dividend, tax exempt of 0.7 sen per ordinary share each for financial year ended December 31, 2008 was paid to shareholders on 10 February 2009.

The Board of Directors has recommended a final dividend, tax exempt of 0.4 sen per ordinary share each for the year ended 31 December 2008. If approved at the forthcoming Annual General Meeting, the total distribution is 1.1 sen per ordinary share for financial year 2008.

## Corporate Development

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 21 November 2008, approved the Company's plan to purchase its own shares.

The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.





## Chairman's Statement

### Achievements in 2008

On 16 August 2008, the ViTrox Corporation Berhad was ranked no. 6th in the top 100 KPMG Shareholder Value Awards 2007.

On 31 October 2008, the Group's wholly owned subsidiary, ViTrox Technologies Sdn Bhd has won the Golden Bull Hall Of Fame 2008 Award.



### Future Outlook and Focus



The Group will continue to focus and expand on its core business in the development & production of MVS, automated optical inspection (AOI) system and ECS.

The Group is also positioning itself towards a higher level of integration in the application of vision technologies to diversify its business.

Along this business strategy, we will focus more heavily in the development of vision equipment with expanded technologies and platform. This is crucial to our future while maintaining and achieving higher values for our shareholders.

During the uncertain economic situation, the Group will implement even more stringent and prudent internal cost control measures through lean initiatives. We believe strongly that our success depends heavily on containing costs and eliminating waste in order to ensure sufficient resources are available for product innovation and market expansion not only for the immediate future but to build ourselves into a more robust company in the global markets.

The Group appointed a new Hong Kong based sales representative for the AOI business and took part in the International Printed Circuit Assembly Exhibition (HKPCA) in Shenzhen, China in December 2008.

The Group will continue to expand its presence in the Philippines through sales representatives expansion in MVS and AOI business.

We will capitalize and expand our presence in USA, with continuous growth and technology advancement.

We foresee FY2009 would be a very challenging and break-through year. We are well positioned to address the situation through innovations and business excellence.



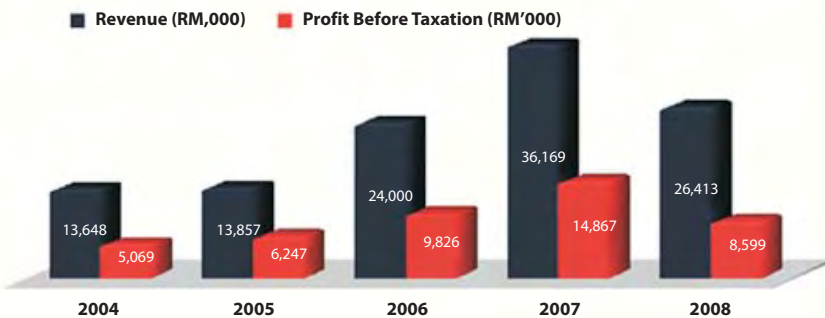
**Dato' Seri Kelvin Kiew**  
Chairman  
28 April 2009



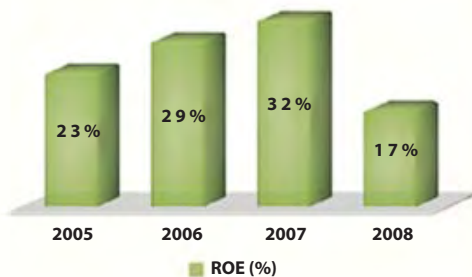
Dear Shareholders,

**Financial Performance**

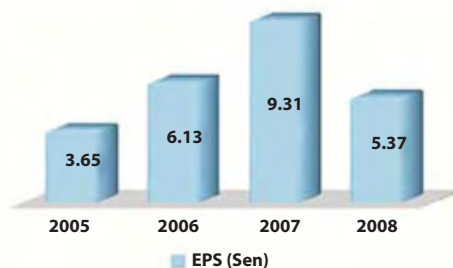
We close 2008 feeling cautious, yet appreciative. Despite the fact that the world economy fell into one of the most serious recession after World War II in the fourth quarter of 2008, with a solid business foundation and prudent cost control measures, we are able to sustain a profitable business with commendable revenue and healthy net profit margin.



We ended our financial year with RM26.4 Million in revenue and RM8.6 Million in profit before tax (PBT). Revenue declined 27% from RM36.2 Million while our PBT declined 42% from RM14.9 Million one year ago. The decline in both revenue and profit were mainly attributed to lower sales, which was affected by economic uncertainties worldwide and locally.



Our earnings per share (EPS) declined from 9.3 sen in 2007 to 5.4 sen in 2008 and our return of equity decreased from 32% in 2007 to 17% in 2008. We do not have any short term and long term borrowings as at 31 December 2008.



**Product Development and Operation**

**Introduction**

ViTrox is a cutting-edge solution provider of innovative, advance and cost effective automated vision inspection system & equipment for the semiconductor and electronic packaging industries. We develop, manufacture and sell three core product portfolios namely machine vision system (MVS), automated optical inspection (AOI) and electronics communication system (ECS). We serve customers from semiconductor packaging industry, printed circuit board industry, electronics assemblies and original equipment manufacturers around the world. Our solutions are used to inspect & control manufactured product quality before they are used in down stream manufacturers to produce consumer electronics, communications and computing products such as PC, mobile phone, game console, MP3 etc. We provide inspection solutions in 2D and 3D measurements that come as a standalone module or a complete integrated inspection equipment.





# 10 Managing Director's Review

The digital revolution of mobile telecommunication, medical, automotive and computing will continue to drive the demand for the need of higher complexity circuitry, larger volume and smaller size Integrated Circuits (IC) packaging and Printed Circuits Board (PCB). Each of these trends calls for more inspection for higher quality standard and ViTrox will be benefited from such development in long run. Our expanded product portfolio in its 3 core businesses and our regional coverage put us in a good position to secure more businesses from customers in the semiconductors and electronics assembly markets when the market recovers.

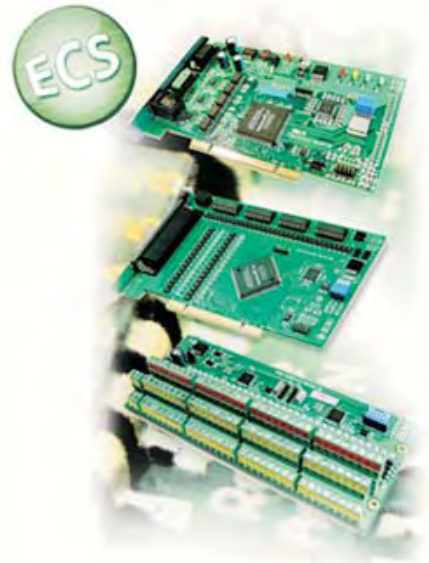
Over the past one year, we continued to stay focused and strengthened our core business in the development, manufacturing and sales of MVS, AOI and ECS.



**Machine Vision System Division**



**Automated Optical Inspection Division**



**Electronics Communications Systems Division**

## Machine Vision System (MVS)

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

ViTrox's MVS products provide reliable, high speed and cost effective inspections to detect semiconductor components' dimensional and visual defects automatically. The systems typically perform 2D Mark & Orientation Inspection, Pad and Package Inspection, 3D Lead/Ball Co-planarity Inspection, 5 Sides Pad & Package Inspection and In-tape Mark/Lead Inspection. With capability to inspect up to 50,000 units per hour and with an installed base of more than 6,000 systems worldwide, we are now positioning ourselves as one of the world leading vision inspection solution provider for this market.

New and improved models of vision inspection solutions were rolled out in 2008 to meet increasing demands. Among others, we successfully shipped and bought off the Color Vision Inspection System for Quad Flat No-Lead (QFN) & Micro Lead frame Package (MLP) devices and low cost Light Emitting Diode (LED) Vision Inspection System. Once the market situation improves, these solutions expect to generate new business opportunities for ViTrox.

While we continue to enhance our capability to serve our customers with superior inspection solution to meet increasing needs for higher speed and higher quality production output in 2008, we successfully pursue customers to upgrade their existing old vision inspection systems for better performance and ease of maintainability. We are proud to say that we achieved more than 80% growth in this sector in 2008 compared to 2007. With more than 6,000 MVS systems installed worldwide for the last 8 years since inception, we are confident the system upgrade and replacement business will continue to grow in the coming years.



3D55 Color Vision



Bottom Pad & Package Color Vision



## 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 which occur 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 consists of an image acquisition unit integrated on a moving stage and a image processing unit that performs sophisticated image processing algorithms to detect defects on PCB. The most common defects on PCB include open, short-circuit, 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.

Our improved AOI flagship products, Challenger HS1802 & VF-10 have been successfully accepted by our customers in China. These products are built with customers' need in mind for ease of use, lower cost of ownership, higher inspection capability and more throughput as compared to its predecessor.

## Electronics Communication System (ECS)

ViTrox designs, manufactures and markets ECS products via its 100% owned subsidiary, ViE Technologies Sdn. Bhd. We produce a wide variety of ECS products for machine automation community, who use our products for 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.

In 2008, we continue to roll out new and enhanced ECS products to the markets. These products include new generation motion controller, enhanced with more functionalities and high speed Remote Input and Output (I/O) digital interface boards. The motion controller and remote I/O interface boards can operate in higher speed and mainly used in automation industries for various motion and digital I/O control applications.

As many of the ECS products are built backward compatible with existing similar overseas products in the market, we are able to provide customers with a lower cost and customizable alternative to meet their stringent cost and performance needs.

With solid technical foundation in System-On-Chip (SoC) and embedded system design and development, our product development team is ready to move forward to embark on higher end electronics communication products that will bring more business opportunities to the Company in the near future.

## Operation

ViTrox has a lean organization structure that allow us to operate with low operation cost and adapt quickly to changing needs of our customers. We run activities that are of higher value and with higher complexity, such as sales and marketing, research and development, prototyping and final assembly, testing and quality control in our facilities while outsourcing other less complex and high labor content tasks to carefully selected sub-contractors in the region. With this structure, we are able to maintain an optimum overhead to run our businesses effectively.

While we continue to selectively expand our business in product innovation and market expansion in this challenging time, we pay attention on our business fundamental, particularly in our cash flow management, to ensure that our operation is running in good health. Various cost control measures were initiated by the management in Q4'08 to mitigate the anticipated downturn in demand of our products due to the global recession. We re-looked at our operation to find wastes in every areas, minimize or eliminate them in a systematic manner without jeopardizing the quality of our performance. We work closely with our suppliers to reduce inventories and meantime, we ensure our receivables are always in good control. These indicators will be monitored closely and hence actions can be taken immediately when needed.

## 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. In 2008, we conducted various training programs internally and externally to equip our people with the right skills to get things done effectively. We implemented a number of lean projects to eliminate wastes and improve productivity in various functions in the organization, which include production, sales and marketing, research and development, administrative and support functions. Company-wide management review meetings were conducted on quarterly basis to ensure continuity and continuous improvement. Lean tools are being refined everyday. Our objective is clear, we want to focus primarily on delivering values to our customers and help our customers to win in their market. Therefore, we work together to eliminate non-value added activities and refine value added ones 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 in a shorter time 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. In 2008, more than 50% of our people have attended various lean trainings. Moving forward, we will ensure that all of our people will be trained on lean methodology and be able to apply the lean concept in their daily work.



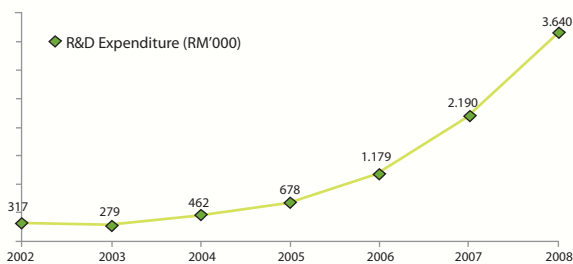
# 12 Managing Director's Review

## Research and Development

Our research and development team is responsible for developing and improving 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, control system development, system-on-chip development and high performance computing cluster development.

We spent RM3.64 million, approximately 13.8% of our revenue in FY2008, for research and development activities. Meanwhile, we have capitalized RM 1.01 million as research and development expenditure under intangible assets. Once again, we showed our strong commitment towards product innovations and technological advancements amid the global recession.

We will continue to focus our R&D resources on high-end and advanced machine vision system, high performance automated optical inspection system and electronics communication system development for the semiconductor packaging and electronics assembly's market, such as the high speed 3D multi device inspection system, 3D/5Sided color vision inspection system, automated optical inspection (AOI) System for bare PCBs, flex-PCB and PCB assemblies, and highly flexible & high speed digital electronics communication boards.



We believe that our success will depend upon the technical competence and innovativeness of our people as well as the ownership of and the ability to enforce intellectual property rights. As such, we initiated a few patent filings in 2008 for our core MVS and AOI products. To-date, we successfully filed two patents in Malaysia for our proprietary 2D & 3D inspection method for non-contact dimensional measurement of semiconductor packages.

Besides remaining committed to our continuous own R&D efforts to develop and enhance our products, we constantly collaborate with universities and research institutions on various research and development activities. With regard to a collaboration project with a local institution in the field of medical imaging for automated grading and monitoring system for retinopathy, we successfully completed a working prototype system in 2008. The system is currently under 9 months clinical trial in one of the renown hospitals in Malaysia.

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.

## Sales and Marketing

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

For the MVS division, we showcased our newly launch products; namely the Color Vision to inspect for exposed-copper defects on semiconductor contact pads/leads, and also the 3D J-lead vision inspection system for LED components, during Semicon China 2008. In addition, we also participated in the Hannover Fair 2008, together with MIDA, to generate global awareness on the technological solutions that we offer, namely MVS, AOI & ECS.

In 2008, we showcased new AOI products in the International Printed Circuits Assembly Exhibition (HKPCA) in Shenzhen, China in December 2008. At the same time, we appointed two sales representatives in Asia Pacific regions covering China and Taiwan for our AOI products. However, the current economic downturn had caused potential AOI customers to either hold-off or delay their capital investment. Nevertheless, we successfully delivered an enhanced AOI for flexible printed circuit board to a customer in Southern China in Q3'08.

Following the successful roll out of cost effective and high speed intelligent ECS products to the market with fast turn-around time by our highly committed team, orders from new OEM customers were encouraging in 2008. Sales and promotion strategies were stepped up through establishment of internal sales & support forces and appointment of new distribution channels in South East Asia and participation in local and international trade shows such as the Nepcon Exhibition Malaysia in June 2008 and the Hannover Fair 2008 in April 2008.

## Business Strategies

According to the Gartner's report published on 18 December 2008, the worldwide semiconductor capital equipment spending is expected to decline 32% in 2009. In view of the current downward trend in the global semiconductor manufacturing and equipment industries and economic downturn, we expect the financial year ending 2009 to be very challenging.

With this in mind, we will continuously fine-tune our strategies from time to time, implement various cost control measures, stay focused on our core technologies innovation and market expansion and remain committed to providing the most innovative, advanced and cost effective machine vision solution and electronics communication system.



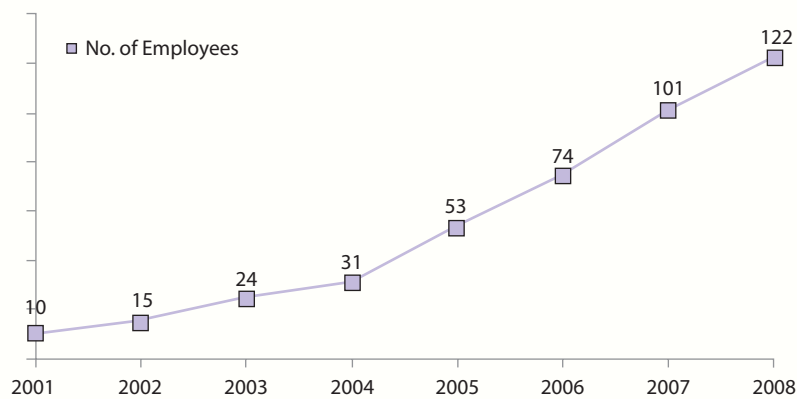
Despite various cost control measures during the current economic downturn, we will continue to pursue our R&D programmes for product innovations to fulfill the growing expectations of the machine vision market while leveraging on its leading edge technologies to add breadth and depth to the business. Meantime, 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 selective 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.

We are also taking this downturn as an opportunity to strengthen our human capital by recruiting more talented people to our team and by providing more trainings for existing workforce. We believe that now is the right time for us to invest in human capital, training and R&D while competitors are cutting back their spending, so that we are well prepared ourselves and be ready with better product and service offering to our customers when the market recovers.

We will maintain our sales and support office in Suzhou, China to ensure that our customers are well served and taken care of in this turbulent time. In the meantime we will tap on opportunities to further enhance sales not only for the vision systems but the AOI as well. The representative office in USA will remain as a beachhead to establish a strategic presence in the North American market for potential business collaboration.

### Our People

In ViTrox, we have a group of dynamic and committed workforce who always strive to create the best in class machine vision solution and electronics communications products.



We grow our Company from 10 people in 2001 to 122 people in 2008. Over the years, we have built a solid foundation not only in our core technologies but also our core values. We successfully created a “second home” for our people, a big family that treat one another with trust and respect, we work as a team and we take accountability for every decision we make at every level. We always strive to do our best to add value to our customers and our organization. We treat everyone fairly and we are flexible in dealing with changes. Many things have changed and improved over the years to bring us to who we are today, but there is one thing that has never changed, it is our passion to be a world leading technology company from Malaysia in providing world class machine vision solution and electronics communication systems. In spite of the economic turmoil, we continue to invest in our people by providing necessary trainings and tools for them to do their job more efficiently.

It has also been a year filled with numerous awards. We were ranked 6th in the 2008 Top 100 KPMG Shareholder Value Awards based on the highest Economic Profit over Invested Capital amongst all the public listed companies in Malaysia. At the same time, we have been awarded the Golden Bull Hall of Fame 2008 Award and the Malaysia HR Award 2008-2009 under the SMI category. We are especially proud to receive the Malaysia HR award this year because the award is a very good testimonial to demonstrate our commitment in continuous learning, training and HR development and a recognition of HR as strategic resource in the growth of our company.

On behalf of the management team, I wish to thank the Board, our customers, shareholders, business associates and relevant governmental authorities who have helped us one way or another in 2008. I look forward to your continued support as we venture into new and exciting journey in the year ahead.

I would like to personally thank my entire team, who are passionate, dedicated and committed to their job and the company. I feel so fortunate that we are able to work hand in hand as ONE team to build up the business from very humble beginnings. I look forward to working with you again for many many years to come and together we build a long lasting world leading machine vision and electronics communication system company in the near future.

**Chu Jenn Weng**  
 Managing Director  
 28 April 2009



## 14 Highlights Of 2008

### Parents' Appreciation Night - Annual Dinner 2008



With the theme "**Parents' Appreciation Night**", **ViTrox's 2008 Annual Dinner** was quoted as "one-of-a-kind" and the most memorable in the history of ViTrox.

The emotional concept was one of the Human Resource's idea to **cultivate the appreciation culture** among the ViTrox's employees. What better way to instill the culture than to start from our roots, our family.

Hence, the idea was born and the event was carried out with enormous success.

Each and every employee took the initiative to participate in the event, through performances such as catwalks, line dance, sketches, singing, and many more.

This concept was **remembrance of each and every one of our childhood dream**, that is to perform in front of our parents. This teary event had brought memories of the past, and filled the young dreams of each and every ViTrox's employee with hopes of the future.

*┌ This teary event had brought vivid memories of the past, and filled the young hearts of each and every ViTrox's employee with hopes of the future. ┘*

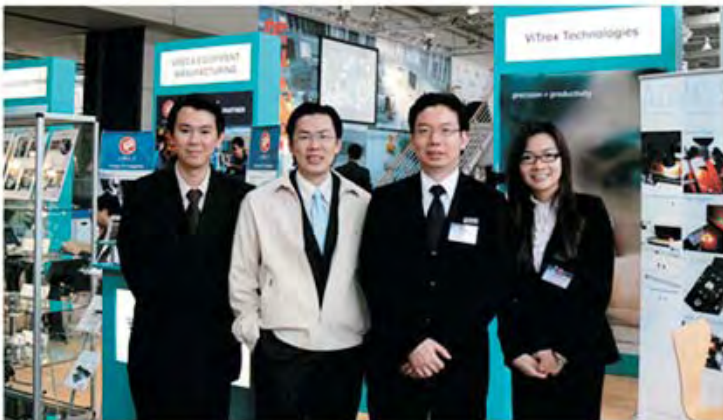


### Semicon China 2008

2008 marks the 20th anniversary of SEMICON China and **20 years of tremendous growth** for China's semiconductor industry. More than 900 exhibiting companies from China and around the world are exhibiting in more than 2,400 exhibit booths and ViTrox was one of the participants.

This year sees the **launch of ViTrox's 2 new machine vision**, which are the **Color Vision and the 3D J-lead vision inspection**. ViTrox has launched these 2 new machines during the Semicon 2008 and has attracted many new visitors and buyers.

### Hannover Messe 2008

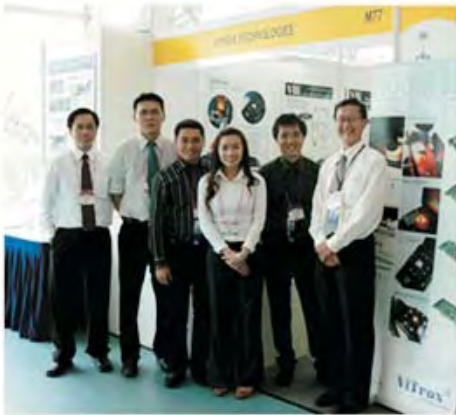


ViTrox, together with 5 other Malaysian companies has collaborated with MIDA in the Malaysian Pavillion, strategically located in the Factory Automation Division. The event saw a lot of international exposures especially in the energy technology and efficiency, industrial automation and research - both from a business and a social perspective.

*┌ ViTrox has joined the Malaysia Industrial Development Authority (MIDA) in the **Hannover Fair 2008 in Germany**, which was taunted as the world's largest Industrial Trade Show for leading edge industrial technology. ┘*



**Nepcon 2008**



**ViTrox** has participated in the **Nepcon Show 2008** from 3 - 6 June 2008 in Penang, Malaysia under the Penang Pavillion hosted by Invest-In-Penang Berhad.

The event saw the focus on **ViE Technologies Sdn. Bhd.** (a subsidiary of ViTrox Corporation) by showcasing its **electronic cards and also a live simulation demo system**. Also on display were the Machine Vision Systems which is the live system of "On-The-Fly Mark Orient Vision" and the demo system of 5S Pad & Package vision.



*"Penang encompasses a complete range of materials, equipment, systems and services for the PCB and semiconductor industries in packaging, production, design, test and assembly."*

The participants included companies from Singapore, China and Japan which fell under various categories such as the SMT assembly & PCB assembly equipment, Testing and Measurement equipment, Active and Passive components and Metal Stamping, Rubber Molding & Contract Manufacturing.

**Industrial Visit for USM Students**



*"It is a crucial move in order to attract the best talents in the industry and where else better to start than our own local born talents" said Ms. Su , ViTrox's Human Resource Manager.*

**ViTrox** has organised an Industrial Visit for the students of **Universiti Sains Malaysia(USM)** to attract and tap the local industry talents in various fields such as the Electrical and Electronics.

The industrial visit proved to be a success where the turnout was more than 75 students from various faculties. Students were exposed to ViTrox's products such as Machine Vision, Automated Optical Inspections, and Electronics Cards.

### ViTrox ranked No.6 in the top 100 KPMG Shareholder Value Awards

ViTrox was selected to be the **top 10 winner** from all the listed companies in Malaysia in the **KPMG Shareholder Value Award 2007** held on **15 August 08** in Kuala Lumpur.

ViTrox is ranked number 6 among 1000+ listed companies in Malaysia. The ranking is based on the highest economic profit/invested capital amongst all the listed companies. The top 10 winners are:-

1. British American Tobacco (Malaysia) Berhad
2. DiGi.com Berhad
3. Uchi Technologies Berhad
4. Jobstreet Corp. Berhad
5. ETI Tech Berhad

#### 6. ViTrox Corporation Berhad

7. Nestle Malaysia Berhad
8. Dutch Lady Milk Industries Berhad
9. TH Plantation Berhad
10. Excel Force MSC Berhad

“This is a result of us working hard together to make our company deliver strong revenue and profit with limited resources year after year. We must continue to work as ONE team to further deliver more values to our customers by providing better services and better products while keeping a close look at our operating expenses.” said Mr. Chu Jenn Weng, ViTrox’s Managing Director. ┘

### Golden Bull Hall Of Fame 2008

ViTrox has also won for the third time the **Golden Bull Award** which was “acknowledged as the most prestigious and representative annual business award.” This time, ViTrox has won the **Golden Bull Hall of Fame category** which recognizes the Golden Bull Award’s past winners who have succeeded in listing on local and abroad Stock Exchanges after winning the Award.



### HKPCA Exhibition 2008



In December 2008, ViTrox participated in the **2008 HKPCA Show** showcasing our **Automated Optical Inspection for PCB and flex circuit** together with its **VF-10 Offline Verification Station**.



**New Products Launched**



**LCV for LED Inspection**



**3D5S vision**



**Non Conversion 5S Vision**

The year 2008 saw the launching of the **new LCV for LED** inspection. The new **LCV provides a cost effective vision inspection solution** specially catered for **SMD LED packages**. ViTrox's LCV has improved top view inspection to detect wrong orientation, tombstone and upside down unit.

The combination of 3D and 5S vision brings us the all new **3D5S Vision Solutions** for high versatility and speed of inspection coupled with improved image clarity especially catered for SMA packages.

While for the 5-sided vision inspection, ViTrox has come up with an improved **Non Conversion 5S** inspection for checking on packages in the range of 2-6mm and 3-7mm without the hassle of changing conversion kits.

In the machinery department, ViTrox has successfully developed a customized machine for array inspection, the **LC1203**. This customized LC1203 provides high speed and high accuracy inspection at affordable price.

An improved version of ViTrox's Automated Optical Inspection [AOI], **Challenger** incorporates advanced DFRC2 checking to detect more accurate defects. This new function combines the powerful algorithm of Direct Full Reference from CAM generated parameters and Design Rule Check. This combination ensures high precision defects detection.



**LC1203**



**Challenger**



# EDVANTEK PTE LTD

*Special thanks to **ViTrox** for years of rewarding partnership*



**Edvantek Pte Ltd.** is a distributor of customer-tailored solutions with an extensive range of the industry's premier manufacturers of **CCD cameras, frame grabbers, lenses and software products.**

Edvantek Pte Ltd. offers all major components used in the design and development of high-performance imaging systems.



We maintain a big network of highly-trained application specialists to ensure immediate response and consistent technical support for our clients for the duration of each project. We also provide a host of value-added programs that cater to engineering and manufacturing environments.



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[www.edvantek.com](http://www.edvantek.com)



## Vital Vision Technology Pte Ltd

We are vision components specialist supplying a wide range of vision components including area/line scan industrial camera, framegrabbers, lenses, illuminations, image processing software libraries.

With the extensive experience in the field of vision, we are the partner you can count on to provide up-to-date and accurate information in selecting the best tools for any vision projects.

We provide reliable products quality, timely delivery and excellent support; strive to be the most reliable vision components partner you can always count on!

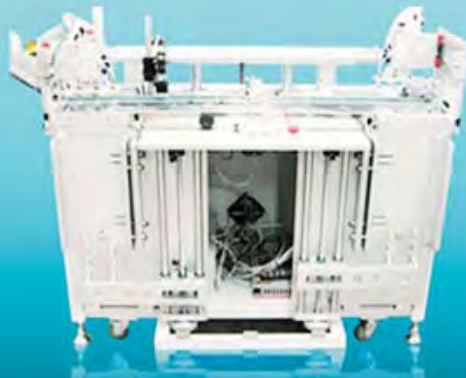
31 UBI ROAD 1 #04-05 AZTECH BUILDING SINGAPORE 408694  
TEL: +65 6741 0056 FAX: +65 6844 4823.....  
WWW.V2TECH.COM.SG EMAIL: SALES@V2TECH.COM.SG

*\*Special thanks to ViTrox for years of rewarding partnership.*

# *Proud to be partnered with ViTrox.*



OPTO SEMICONDUCTOR



SEMICONDUCTOR



CONSUMER PRODUCTS



WATER PIPING



MOTIVATION • INNOVATION • DETERMINATION



MID is principally involved in factory automation solutions, from designing, manufacturing and integration of automated machines and automation systems for production and manufacturing.

MID has established in 2002. Since then, with continuing commitment to innovation and a focus on meeting our customers' changing needs, we have experienced steady growth. MID offer a range of services from design capabilities that is extraordinary to hands-on experience.

Our customers are diverse, ranging from opto semiconductors, consumer products companies, automotives and assembly line.

MID works with clients to set realistic, achievable, financially justifiable goals.



ASSEMBLY LINE



CAR AUDIO



AUTOMOTIVE

**MID Mechatronic Sdn. Bhd.** (Co. No. 601877-H)

5, Lintang Bayan Lepas 2, Bayan Lepas Industrial Park, Phase 4, 11900 Bayan Lepas Penang, Malaysia.

Tel : +604 642 8355 Fax : +604 642 7355

Email : sales@mid.com.my

[www.mid.com.my](http://www.mid.com.my)

# RADIANT™

*"Congratulations to Vitrox Technologies Sdn Bhd on yet another successful year of growth and innovation in the world of machine vision. We are proud to be associated with Vitrox since our inception, and we look forward to a long and rewarding partnership to come."*

*Radiant Instruments Sdn Bhd was incorporated in February of 2006 in the beautiful island of Penang. Lead by key personnel with decades of experience in the high technology industry, we got off to a quick start and soon established ourselves as serious equipment supplier, product designer and service provider primarily to the manufacturing industry. Business grew rapidly and we soon found ourselves represented in Kuala Lumpur, Thailand, The Philippines and Taiwan.*

*Today we represent some very well known brands such as Nisene Technology Group, Ultratec Manufacturing Inc., Baty International Ltd., Nikon Corporation (Instruments Products), Lumos Technology Co. Ltd., and many others. We also take pride in designing, producing and marketing our Radiant branded range of products which includes RadLux - lighting and illumination products; RadOptic - optical inspection microscopes; RadSoft - imaging software solution; and RadMet - measuring microscope. Our customers get a choice of off-the-shelf, customised and special-made products tailored specifically for each and every case. Things continue to evolve and change at a rapid pace and even now that we are in a challenging economic environment we kept ourselves nimble not only to cope but to thrive. We Make It Work is our philosophy towards everything we do. This can-do spirit coupled with our flexibility allows us to efficiently tailor the best solution to meet our customer needs.*

We value the business our customers give us, but more importantly, the precious relationship that we cultivate with each and everyone that we work with.

We look forward to working closely together with everyone and continue to strive to make it work for all.



*Vision Light*



*Microscopy and Optical Products*

**Radiant Instruments Sdn Bhd** (720512-P)

**Address:** 32 Jalan Perusahaan Jelutong 2, Fortune Park, 11600 Jelutong, P. Pinang.

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**Fax :** +60 (4) 288 1391

**Email :** enquiry@radiantinstruments.com

**Web :** <http://radiantinstruments.com>

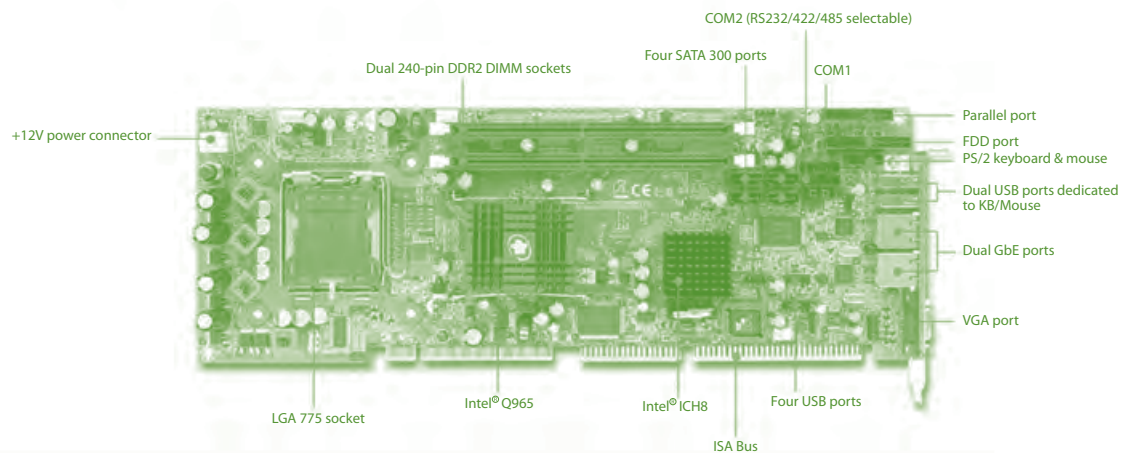
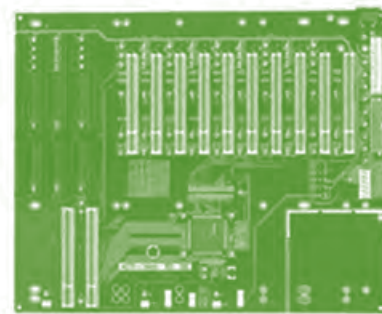
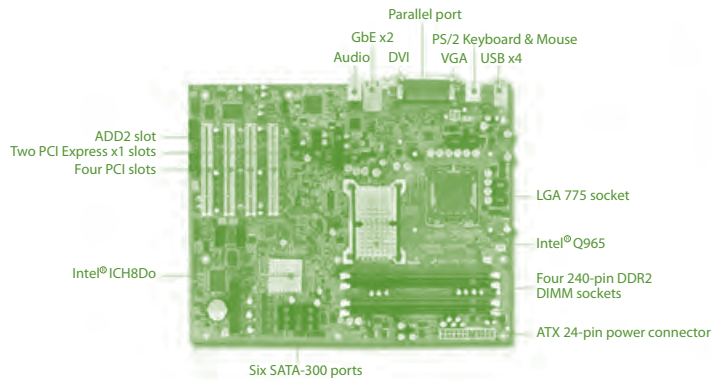
# IndelFe

*your premium partner of Industrial Computing*

*Special thanks to **ViTrox** for  
years of rewarding partnership*



**ARTO-1070A**



**IndelFe Sdn Bhd**

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47301 Petaling Jaya, Selangor, Malaysia.

Tel : 603-78037845 Fax : 603-78037848

**Penang office:**

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Tel : 016-4020129

info@indelfe.com.my



# Corporate Governance Statement

VITROX CORPORATION BERHAD  
[649966-K]

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

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

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

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

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

## 1. Board of Directors

### 1.1 Composition and Board Balance

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

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

The composition of the Board complies with the Bursa Malaysia Securities Berhad 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) 2008 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                           | 3                               |
| 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, 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") prescribed by Bursa Malaysia.

Other than Dato' Seri Kiew Kwong Sen and Prof. Dr. Ahmad Fadzil Bin Mohamad Hani who were not able to attend any training due to their respective tight traveling schedules, the rest of the Directors of the Company attended various seminars and training programmes during FY2008 as follows:

1. Northern Corridor Investment & Trade Dialogue Seminar;
2. Competency Based Interviewing Skills;
3. On The Job Training;
4. Branding: "Jazzing up Your Business" by Dato' Seri Tony Fernandes
5. Job Matching & Placement Workshop
6. Latest Tax Update on Taxation 2008; and
7. 2009 Budget Seminar

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

## 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.

## Corporate Governance Statement

VITROX CORPORATION BERHAD  
[649966-K]

### 2. Board Committees (Cont'd)

#### 2.1 Audit Committee

The terms of reference and the function of the Audit Committee are discussed on Pages 28 to 30 of the Annual Report 2008.

#### 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.

### 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 FY2008 are as follows :

| Category      | Fees<br>RM | Salaries,<br>Bonuses &<br>Employee<br>Provident<br>Fund<br>RM | Allowances<br>RM | Benefits-in-kind<br>RM | Total<br>RM    |
|---------------|------------|---|------------------|------------------------|----------------|
| Executive     | -          | 495,214   | 108,000          | -                      | 603,214        |
| Non-Executive | 108,000    | 12,960  | 7,200            | -                      | 128,160        |
| <b>Total</b>  |            |   |                  |                        | <b>731,374</b> |

The remuneration bands of the Directors are as follows:

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



## Corporate Governance Statement

VITROX CORPORATION BERHAD  
[649966-K]

### 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 Directors 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 33 of this Annual Report.

### 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 assessed through Bursa Malaysia website at [www.bursamalaysia.com](http://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](http://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 14 May 2009.

# 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*

The Committee is governed by the following terms of reference :

### 1. Membership

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

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

### 2. Meetings

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

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

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

The Company Secretary shall be the secretary of the Committee.

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

### 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.

# Audit Committee Report

VITROX CORPORATION BERHAD  
[649966-K]

## 4. Duties and Responsibilities

The duties and responsibilities of the Committee shall include:

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

## 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.



# Audit Committee Report

VITROX CORPORATION BERHAD  
[649966-K]

## 6. Attendance at Meetings

The information on the attendance of each member at the Committee meetings held during the Financial Year 2008 is 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. 3 March 2008) | 1                    | 1          |

## 7. Activities of the Audit Committee

The main activities carried out by the Committee during the FY2008 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 2008;
- 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 2008 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 FY2008, the Internal Auditors have assisted the Committee to undertake the following:

- plan the conduct of internal audit for FY2008
- review the risk management and the state of internal control of certain operating cycles within the Group
- presented the internal audit report to the Audit Committee

The cost incurred for the internal audit function in FY2008 amounted to RM11,405.



# 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’ investments 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. The cost incurred for the internal audit function in FY2008 and amounted to RM11,405.

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 14 May 2009.



## 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 14 May 2009.

## Additional Compliance Information

VITROX CORPORATION BERHAD  
[649966-K]

### 1. Utilization of Proceeds

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

### 2. Share Buy-backs

The Company obtained the approval to purchase its own shares at the Extraordinary General Meeting held on 21 November 2008. However, the Company did not carry out any share buy-back transactions during the year 2008.

### 3. Options, Warrants or Convertible Securities

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

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

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

### 5. Imposition of Sanctions and/or Penalties

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

### 6. Non-Audit Fees

Non-audit fees amounting to RM7,900 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](http://www.bursamalaysia.com) on 20 February 2009.

### 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 in 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 major shareholders' interests either still subsisting as at 31 December 2008 or entered into since the end of the previous financial year.

### 12. Corporate Social Responsibility ("CSR")

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



# Financial Statements

For The Financial Year Ended 31 December 2008



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 2008.

### 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

|                                   | <b>The Group<br/>RM</b> | <b>The Company<br/>RM</b> |
|-----------------------------------|-------------------------|---------------------------|
| Net profit for the financial year | 8,323,929               | 4,057,211                 |

### DIVIDENDS

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

|  | <b>RM</b>        |
|--|------------------|
| 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          |
| Special dividend of 1.5 sen per share (tax exempt) in respect of financial year ended 31 December 2007 paid in July 2008             | 2,325,000        |
| Final dividend of 0.5 sen per share (tax exempt) in respect of financial year ended 31 December 2007 paid in July 2008               | 775,000          |
| Special interim dividend of 0.7 sen per share (tax exempt) in respect of financial year ended 31 December 2008 paid in February 2009 | 1,085,000        |
|  | <u>4,960,000</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]

### **PURCHASE OF OWN SHARES**

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 21 November 2008, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders. The Company has yet to purchase any of its own shares as at 31 December 2008.

The mandate given by the shareholders at the abovementioned Extraordinary General Meeting will expire at the forthcoming Annual General Meeting at which a resolution will be tabled for shareholders to grant a fresh mandate for another year.

### **BAD AND DOUBTFUL DEBTS**

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

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

### **CURRENT ASSETS**

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

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

### **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.

## Directors' Report

VITROX CORPORATION BERHAD  
[649966-K]

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

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

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

### DIRECTORS OF THE COMPANY

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

Dato' Seri Kiew Kwong Sen  
Prof. 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<br>31.12.2008 |
|---|--|---------|----------|--------------------------|
|   | Balance at<br>1.1.2008                   | 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                           | 52,710,003                               | 257,100 | (41,600) | 52,925,503               |
| Siaw Kok Tong                           | 37,908,943                               | 68,700  | (4,700)  | 37,972,943               |
| Yeoh Shih Hoong                         | 19,729,279                               | 212,800 | (37,600) | 19,904,479               |
| 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' Report

VITROX CORPORATION BERHAD  
[649966-K]

### **DIRECTORS' BENEFITS**

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

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

### **AUDITORS**

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 30 MARCH 2009**

**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 43 to 70 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 30 MARCH 2009**

**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 43 to 70 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 30 March 2009

**Chu Jenn Weng**

Before me

**Karupayee Kamalam A/P R. Mottai**  
Commissioner for Oaths



# Independent Auditors' Report

**Members Of ViTrox Corporation Berhad**

(Incorporated in Malaysia)

Company No : 649966-K

## **Report on the Financial Statements**

We have audited the financial statements of ViTrox Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 70.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia ("the Act"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Act so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

# Independent Auditors' Report

**Members Of ViTrox Corporation Berhad (Cont'd)**

(Incorporated in Malaysia)

Company No : 649966-K

## **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Act, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act 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 Act.
- (b) 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.
- (c) 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.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## **Other Matters**

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

### **Horwath**

Firm No: AF 1018

Chartered Accountants

Penang

30 March 2009

### **Eddy Chan Wai Hun**

Approval No: 2182/10/09 (J)

Partner

## Consolidated Balance Sheet

VITROX CORPORATION BERHAD  
[649966-K]

As At 31 December 2008

|   | Note | 2008<br>RM | 2007<br>RM |
|---|------|------------|------------|
| <b>NON-CURRENT ASSETS</b>                   |      |            |            |
| Property, plant and equipment               | 4    | 8,407,282  | 8,757,403  |
| Investment property                         | 5    | 600,000    | 600,000    |
| Prepaid lease payments                      | 6    | 2,779,957  | 2,829,060  |
| Development expenditure                     | 7    | 1,994,366  | 1,177,822  |
| Investment in club memberships - at cost    |      | 91,250     | 91,250     |
|   |      | 13,872,855 | 13,455,535 |
| <b>CURRENT ASSETS</b>                       |      |            |            |
| Inventories                                 | 9    | 4,073,514  | 4,910,187  |
| Trade receivables                           | 10   | 4,654,000  | 12,081,413 |
| Other receivables, deposits and prepayments |      | 574,008    | 282,224    |
| Current tax assets                          |      | 431,468    | 410,698    |
| Cash and cash equivalents                   | 11   | 28,783,273 | 19,392,986 |
|   |      | 38,516,263 | 37,077,508 |
| <b>CURRENT LIABILITIES</b>                  |      |            |            |
| Trade payables                              | 12   | 453,239    | 2,286,635  |
| Other payables and accruals                 |      | 1,814,491  | 2,598,809  |
| Dividend payable                            |      | 0          | 775,000    |
| Current tax liabilities                     |      | 3,326      | 4,613      |
|   |      | 2,271,056  | 5,665,057  |
| <b>NET CURRENT ASSETS</b>                   |      | 36,245,207 | 31,412,451 |
| <b>NON-CURRENT LIABILITIES</b>              |      |            |            |
| Deferred tax liabilities                    | 13   | 298,000    | 280,000    |
| <b>NET ASSETS</b>                           |      | 49,820,062 | 44,587,986 |
| <b>FINANCED BY:-</b>                        |      |            |            |
| Share capital                               | 14   | 15,500,000 | 15,500,000 |
| Share premium                               |      | 1,222,055  | 1,222,055  |
| Currency translation reserve                |      | 125        | (8,022)    |
| Retained profits                            |      | 33,097,882 | 27,873,953 |
| <b>SHAREHOLDERS' EQUITY</b>                 |      | 49,820,062 | 44,587,986 |

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 2008

|  | Note | 2008<br>RM  | 2007<br>RM   |
|--|------|-------------|--------------|
| Revenue  | 15   | 26,412,782  | 36,169,095   |
| Other income                                   |      | 993,491     | 562,245      |
| Amortisation of development expenditure        |      | (192,260)   | (136,929)    |
| Amortisation of prepaid lease payments         |      | (49,103)    | (49,103)     |
| Changes in work-in-progress and finished goods |      | (691,258)   | (427,881)    |
| Depreciation of property, plant and equipment  |      | (978,008)   | (890,896)    |
| Directors' remuneration                        | 16   | (731,374)   | (871,353)    |
| Employee benefits expense                      | 17   | (5,597,737) | (5,700,995)  |
| Interest expense                               |      | 0           | (2,457)      |
| Raw materials consumed                         |      | (6,393,967) | (10,078,858) |
| Other expenses                                 |      | (4,173,455) | (3,705,649)  |
| Profit before tax                              | 18   | 8,599,111   | 14,867,219   |
| Tax expense                                    | 19   | (275,182)   | (440,028)    |
| Net profit for the year                        |      | 8,323,929   | 14,427,191   |
| Earnings per share (sen)                       | 20   |             |              |
| - Basic  |      | 5.37        | 9.31         |
| - Diluted                                      |      | 5.37        | 9.31         |

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 2008

|                                     | <u>Non-distributable</u>        |                                 |  | <u>Distributable</u>               | <b>Total<br/>RM</b> |
|-------------------------------------|---------------------------------|---------------------------------|--|------------------------------------|---------------------|
|                                     | <b>Share<br/>capital<br/>RM</b> | <b>Share<br/>premium<br/>RM</b> | <b>Currency<br/>translation<br/>reserve<br/>RM</b> | <b>Retained<br/>profits<br/>RM</b> |                     |
| Balance at 1 January 2007           | 15,500,000                      | 1,222,055                       | (3,146)  | 16,546,762                         | 33,265,671          |
| Dividends (Note 21)                 | 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          |
| Dividends (Note 21)                 | 0                               | 0                               | 0  | (3,100,000)                        | (3,100,000)         |
| Exchange translation differences    | 0                               | 0                               | 8,147  | 0                                  | 8,147               |
| Net profit for the year             | 0                               | 0                               | 0  | 8,323,929                          | 8,323,929           |
| Total recognised income and expense | 0                               | 0                               | 8,147  | 8,323,929                          | 8,332,076           |
| Balance at 31 December 2008         | 15,500,000                      | 1,222,055                       | 125  | 33,097,882                         | 49,820,062          |

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 2008

|   | Note | 2008<br>RM  | 2007<br>RM  |
|---|------|-------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |      |             |             |
| Profit before tax                                       |      | 8,599,111   | 14,867,219  |
| Adjustments for:-                                       |      |             |             |
| Allowance for doubtful debts                            |      | 745,827     | 0           |
| Allowance for slow moving inventories                   |      | 273,666     | 516,568     |
| Amortisation and depreciation                           |      | 1,219,371   | 1,076,928   |
| Gain on disposal of property, plant and equipment       |      | 0           | (156,356)   |
| Interest expense  |      | 0           | 2,457       |
| Interest income   |      | (596,973)   | (301,302)   |
| Property, plant and equipment written-off               |      | 0           | 4,215       |
| Unrealised loss on foreign exchange                     |      | 39,474      | 98,202      |
| Operating profit before working capital changes         |      | 10,280,476  | 16,107,931  |
| Decrease/(Increase) in inventories                      |      | 563,007     | (1,194,601) |
| Decrease/(Increase) in trade and other receivables      |      | 6,479,232   | (2,348,489) |
| (Decrease)/Increase in trade and other payables         |      | (2,629,430) | 1,938,235   |
| Cash generated from operations                          |      | 14,693,285  | 14,503,076  |
| Tax paid  |      | (404,405)   | (470,429)   |
| Tax refunded  |      | 125,166     | 0           |
| Net cash from operating activities                      |      | 14,414,046  | 14,032,647  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |      |             |             |
| Increase in capitalised development expenditure         |      | (1,008,804) | (548,745)   |
| Interest received                                       |      | 591,659     | 264,879     |
| Proceeds from disposal of property, plant and equipment |      | 0           | 351,000     |
| Purchase of property, plant and equipment               |      | (626,693)   | (689,231)   |
| Net cash used in investing activities                   |      | (1,043,838) | (622,097)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |      |             |             |
| Dividends paid  |      | (3,875,000) | (2,325,000) |
| Interest paid   |      | 0           | (2,457)     |
| Repayment of hire purchase obligations                  |      | 0           | (261,605)   |
| Repayment of term loans                                 |      | 0           | (23,763)    |
| Net cash used in financing activities                   |      | (3,875,000) | (2,612,825) |
| Effect of exchange rate changes                         |      | (104,921)   | (4,876)     |
| Net increase in cash and cash equivalents               |      | 9,390,287   | 10,792,849  |
| Cash and cash equivalents brought forward               |      | 19,392,986  | 8,600,137   |
| Cash and cash equivalents carried forward               | 11   | 28,783,273  | 19,392,986  |

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

## Balance Sheet

VITROX CORPORATION BERHAD  
[649966-K]

As At 31 December 2008

|   | Note | 2008<br>RM        | 2007<br>RM        |
|---|------|-------------------|-------------------|
| <b>NON-CURRENT ASSETS</b>                   |      |                   |                   |
| Investments in subsidiaries                 | 8    | 8,542,012         | 8,542,012         |
| <b>CURRENT ASSETS</b>                       |      |                   |                   |
| Amounts owing by subsidiaries               | 8    | 8,978,249         | 8,219,596         |
| Other receivables, deposits and prepayments |      | 3,180             | 3,000             |
| Dividend receivable                         |      | 0                 | 775,000           |
| Current tax assets                          |      | 3,468             | 0                 |
| Cash and cash equivalents                   | 11   | 2,140,491         | 2,080,041         |
|   |      | <b>11,125,388</b> | <b>11,077,637</b> |
| <b>CURRENT LIABILITIES</b>                  |      |                   |                   |
| Non-trade payables and accruals             |      | 206,540           | 338,860           |
| Dividend payable                            |      | 0                 | 775,000           |
| Current tax liabilities                     |      | 0                 | 2,140             |
|   |      | <b>206,540</b>    | <b>1,116,000</b>  |
| <b>NET CURRENT ASSETS</b>                   |      | <b>10,918,848</b> | <b>9,961,637</b>  |
| <b>NET ASSETS</b>                           |      | <b>19,460,860</b> | <b>18,503,649</b> |
| <b>FINANCED BY:-</b>                        |      |                   |                   |
| Share capital                               | 14   | 15,500,000        | 15,500,000        |
| Share premium                               |      | 1,222,055         | 1,222,055         |
| Retained profits                            |      | 2,738,805         | 1,781,594         |
| <b>SHAREHOLDERS' EQUITY</b>                 |      | <b>19,460,860</b> | <b>18,503,649</b> |

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 2008

|                           | <b>Note</b> | <b>2008<br/>RM</b> | <b>2007<br/>RM</b> |
|---------------------------|-------------|--------------------|--------------------|
| Revenue                   | 15          | 4,960,530          | 4,066,804          |
| Other income              |             | 60,854             | 103,982            |
| Directors' remuneration   | 16          | (351,167)          | (423,812)          |
| Employee benefits expense | 17          | (351,604)          | (426,593)          |
| Other expenses            |             | (248,878)          | (349,691)          |
| Profit before tax         | 18          | 4,069,735          | 2,970,690          |
| Tax expense               | 19          | (12,524)           | (15,809)           |
| Net profit for the year   |             | 4,057,211          | 2,954,881          |

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 2008

|                             | <b>Share<br/>capital<br/>RM</b> | <b><u>Non-distributable</u><br/>Share<br/>premium<br/>RM</b> | <b><u>Distributable</u><br/>Retained<br/>profits<br/>RM</b> | <b>Total<br/>RM</b> |
|-----------------------------|---------------------------------|--|---|---------------------|
| Balance at 1 January 2007   | 15,500,000                      | 1,222,055  | 1,926,713   | 18,648,768          |
| Dividends (Note 21)         | 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          |
| Dividends (Note 21)         | 0                               | 0  | (3,100,000)   | (3,100,000)         |
| Net profit for the year     | 0                               | 0  | 4,057,211   | 4,057,211           |
| Balance at 31 December 2008 | 15,500,000                      | 1,222,055  | 2,738,805   | 19,460,860          |

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 2008

|  | Note | 2008<br>RM  | 2007<br>RM  |
|--|------|-------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |      |             |             |
| Profit before tax                                    |      | 4,069,735   | 2,970,690   |
| Adjustments for:-                                    |      |             |             |
| Dividend income                                      |      | (4,185,000) | (3,100,000) |
| Interest income                                      |      | (60,854)    | (103,982)   |
| Operating loss before working capital changes        |      | (176,119)   | (233,292)   |
| <br>   |      |             |             |
| (Increase)/Decrease in amount owing by a subsidiary  |      | (775,530)   | 798,602     |
| Increase in other receivables                        |      | (180)       | (1,142)     |
| (Decrease)/Increase in non-trade payables            |      | (132,320)   | 142,903     |
| Cash (absorbed by)/generated from operations         |      | (1,084,149) | 707,071     |
| <br>   |      |             |             |
| Tax paid   |      | (18,132)    | (7,929)     |
| Net cash (used in)/from operating activities         |      | (1,102,281) | 699,142     |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |      |             |             |
| Decrease/(Increase) in amounts owing by subsidiaries |      | 16,877      | (2,238,170) |
| Dividends received                                   |      | 4,960,000   | 2,325,000   |
| Interest received                                    |      | 60,854      | 103,982     |
| Net cash from investing activities                   |      | 5,037,731   | 190,812     |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITY</b>        |      |             |             |
| Dividends paid                                       |      | (3,875,000) | (2,325,000) |
| Net cash used in financing activity                  |      | (3,875,000) | (2,325,000) |
| <br>   |      |             |             |
| Net increase/(decrease) in cash and cash equivalents |      | 60,450      | (1,435,046) |
| <br>   |      |             |             |
| Cash and cash equivalents brought forward            |      | 2,080,041   | 3,515,087   |
| <br>   |      |             |             |
| Cash and cash equivalents carried forward            | 11   | 2,140,491   | 2,080,041   |

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 2008

## 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 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 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 consolidated financial statements set out on pages 43 to 46 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 47 to 50 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 30 March 2009.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

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

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

On 1 January 2008, the Group and the Company adopted the following revised FRSs which are relevant to their operations and effective for financial periods beginning on or after 1 July 2007:-

FRS 107 Cash Flow Statements  
FRS 112 Income Taxes  
FRS 118 Revenue  
FRS 134 Interim Financial Reporting  
FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of these revised FRSs did not result in any significant changes in the accounting policies of the Group and the Company.

# Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

| Standard/Interpretation   | Effective for financial periods<br>beginning on or after |
|---|--|
| FRS 4 Insurance Contracts                                       | 1 January 2010   |
| FRS 7 Financial Instruments: Disclosures                        | 1 January 2010   |
| FRS 8 Operating Segments  | 1 July 2009  |
| FRS 139 Financial Instruments: Recognition and Measurement      | 1 January 2010   |
| IC Interpretation 9 Reassessment of Embedded Derivatives        | 1 January 2010   |
| IC Interpretation 10 Interim Financial Reporting and Impairment | 1 January 2010   |

FRS 4 and IC Interpretation 9 will not be applicable to the Group and the Company. The adoption of FRS 8 and IC Interpretation 10 is not expected to have any significant impacts on the financial statements. By virtue of the exemptions given by FRS 7 and FRS 139, the impacts on the financial statements upon initial application of these FRSs 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 24 to the financial statements.



# Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

## 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.

# Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 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.

#### 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, financial assets within the scope of FRS 139 Financial Instruments: Recognition and Measurement and investment property stated at fair value, 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.



# Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 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.

#### 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.



# Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 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.

### 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 substantively 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 substantively 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.



# Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 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.

## 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.

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
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For The Financial Year Ended 31 December 2008

### 3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (Cont'd)

#### Key Sources of Estimation Uncertainty (Cont'd)

##### (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.

### 4. PROPERTY, PLANT AND EQUIPMENT

#### The Group

|                                  | Buildings<br>RM | Furniture,<br>fittings and<br>equipment<br>RM | Motor<br>vehicles<br>RM | Renovation<br>and<br>electrical<br>installation<br>RM | Total<br>RM |
|----------------------------------|-----------------|---|-------------------------|---|-------------|
| <b>At Cost</b>                   |                 |   |                         |   |             |
| Balance at 1 January 2007        | 7,221,386       | 2,634,382                                     | 499,093                 | 7,936   | 10,362,797  |
| Additions                        | 0               | 620,552                                       | 0                       | 68,679  | 689,231     |
| Disposals/Write-off              | 0               | (6,151)                                       | (490,697)               | 0   | (496,848)   |
| Balance at 31 December 2007      | 7,221,386       | 3,248,783                                     | 8,396                   | 76,615  | 10,555,180  |
| Additions                        | 0               | 626,693                                       | 0                       | 0   | 626,693     |
| Exchange translation differences | 0               | 1,707   | 0                       | 0   | 1,707       |
| Balance at 31 December 2008      | 7,221,386       | 3,877,183                                     | 8,396                   | 76,615  | 11,183,580  |
| <b>Accumulated Depreciation</b>  |                 |   |                         |   |             |
| Balance at 1 January 2007        | 141,257         | 757,022                                       | 304,449                 | 2,142   | 1,204,870   |
| Depreciation                     | 146,393         | 733,802                                       | 0                       | 10,701  | 890,896     |
| Disposals/Write-off              | 0               | (1,936)                                       | (296,053)               | 0   | (297,989)   |
| Balance at 31 December 2007      | 287,650         | 1,488,888                                     | 8,396                   | 12,843  | 1,797,777   |
| Depreciation                     | 146,393         | 812,880                                       | 0                       | 18,735  | 978,008     |
| Exchange translation differences | 0               | 513   | 0                       | 0   | 513         |
| Balance at 31 December 2008      | 434,043         | 2,302,281                                     | 8,396                   | 31,578  | 2,776,298   |
| <b>Carrying Amount</b>           |                 |   |                         |   |             |
| Balance at 1 January 2007        | 7,080,129       | 1,877,360                                     | 194,644                 | 5,794   | 9,157,927   |
| Balance at 31 December 2007      | 6,933,736       | 1,759,895                                     | 0                       | 63,772  | 8,757,403   |
| Balance at 31 December 2008      | 6,787,343       | 1,574,902                                     | 0                       | 45,037  | 8,407,282   |

A building with a carrying amount of RM6,059,087 (2007 : RM6,187,718) has been pledged to a bank for banking facilities granted to the Group.



## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

### 5. INVESTMENT PROPERTY

#### The Group

| Fair Value                  | Shoplots<br>RM |
|-----------------------------|----------------|
| Balance at 1 January 2007   | 600,000        |
| Movement during the year    | 0              |
| Balance at 31 December 2007 | <u>600,000</u> |
| Movement during the year    | 0              |
| Balance at 31 December 2008 | <u>600,000</u> |

The fair value of investment property was determined based on management's estimate by reference to market information.

### 6. PREPAID LEASE PAYMENTS

#### The Group

| At Cost                         | Long-term<br>leasehold land<br>RM |
|---------------------------------|-----------------------------------|
| Balance at 1 January 2007       | 2,946,205                         |
| Movement during the year        | 0                                 |
| Balance at 31 December 2007     | <u>2,946,205</u>                  |
| Movement during the year        | 0                                 |
| Balance at 31 December 2008     | <u>2,946,205</u>                  |
| <b>Accumulated Amortisation</b> |                                   |
| Balance at 1 January 2007       | 68,042                            |
| Amortisation                    | 49,103                            |
| Balance at 31 December 2007     | <u>117,145</u>                    |
| Amortisation                    | 49,103                            |
| Balance at 31 December 2008     | <u>166,248</u>                    |
| <b>Carrying Amount</b>          |                                   |
| Balance at 1 January 2007       | <u>2,878,163</u>                  |
| Balance at 31 December 2007     | <u>2,829,060</u>                  |
| Balance at 31 December 2008     | <u>2,779,957</u>                  |

Leasehold land with carrying amount of RM2,560,286 (2007 : RM2,605,138) has been pledged to a bank for banking facilities granted to the Group.

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

### 7. DEVELOPMENT EXPENDITURE

#### The Group

|                                  | RM               |
|----------------------------------|------------------|
| <b>At Cost</b>                   |                  |
| Balance at 1 January 2007        | 766,006          |
| Additions - internal development | <u>548,745</u>   |
| Balance at 31 December 2007      | 1,314,751        |
| Additions - internal development | <u>1,008,804</u> |
| Balance at 31 December 2008      | <u>2,323,555</u> |
| <b>Accumulated Amortisation</b>  |                  |
| Balance at 1 January 2007        | 0                |
| Amortisation                     | <u>136,929</u>   |
| Balance at 31 December 2007      | 136,929          |
| Amortisation                     | <u>192,260</u>   |
| Balance at 31 December 2008      | <u>329,189</u>   |
| <b>Carrying Amount</b>           |                  |
| Balance at 1 January 2007        | <u>766,006</u>   |
| Balance at 31 December 2007      | <u>1,177,822</u> |
| Balance at 31 December 2008      | <u>1,994,366</u> |

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

|                              | 2008<br>RM     | 2007<br>RM     |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 436,690        | 429,440        |
| Defined contribution plans   | <u>54,271</u>  | <u>56,426</u>  |
|                              | <u>490,961</u> | <u>485,866</u> |

### 8. INVESTMENTS IN SUBSIDIARIES

#### The Company

|                          | 2008<br>RM       | 2007<br>RM       |
|--------------------------|------------------|------------------|
| Unquoted shares, at cost | <u>8,542,012</u> | <u>8,542,012</u> |

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

### 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   |
|---|--------------------------|-------------------------|--------|--|
|   |                          | 2008                    | 2007   |  |
| 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 Owning By Subsidiaries

|           | 2008<br>RM       | 2007<br>RM       |
|-----------|------------------|------------------|
| Trade     | 2,496,956        | 1,721,426        |
| Non-trade | 6,481,293        | 6,498,170        |
|           | <u>8,978,249</u> | <u>8,219,596</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.

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
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For The Financial Year Ended 31 December 2008

### 9. INVENTORIES

#### The Group

|                                       | 2008<br>RM       | 2007<br>RM       |
|---------------------------------------|------------------|------------------|
| Raw materials                         | 3,302,790        | 3,286,455        |
| Allowance for slow moving inventories | (161,750)        | 0                |
|                                       | <u>3,141,040</u> | <u>3,286,455</u> |
| Finished goods                        | 1,230,156        | 1,857,867        |
| Allowance for slow moving inventories | (628,484)        | (516,568)        |
|                                       | <u>601,672</u>   | <u>1,341,299</u> |
| Work-in-progress                      | 330,802          | 282,433          |
|                                       | <u>4,073,514</u> | <u>4,910,187</u> |

### 10. TRADE RECEIVABLES

#### The Group

|                              | 2008<br>RM       | 2007<br>RM        |
|------------------------------|------------------|-------------------|
| Trade receivables            | 5,421,107        | 12,102,693        |
| Allowance for doubtful debts | (767,107)        | (21,280)          |
|                              | <u>4,654,000</u> | <u>12,081,413</u> |

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

|                  | 2008<br>RM       | 2007<br>RM        |
|------------------|------------------|-------------------|
| Ringgit Malaysia | 2,938,914        | 8,280,292         |
| US Dollar        | 1,715,086        | 3,801,121         |
|                  | <u>4,654,000</u> | <u>12,081,413</u> |

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

### 11. CASH AND CASH EQUIVALENTS

|                                    | The Group         |                   | The Company      |                  |
|------------------------------------|-------------------|-------------------|------------------|------------------|
|                                    | 2008<br>RM        | 2007<br>RM        | 2008<br>RM       | 2007<br>RM       |
| Fixed deposits with licensed banks | 25,038,662        | 16,297,581        | 125,000          | 0                |
| Short-term funds                   | 2,236,760         | 2,168,904         | 2,000,009        | 1,939,335        |
| Cash and bank balances             | 1,507,851         | 926,501           | 15,482           | 140,706          |
|                                    | <u>28,783,273</u> | <u>19,392,986</u> | <u>2,140,491</u> | <u>2,080,041</u> |

The effective interest rates of fixed deposits range from 0.3% to 3.7% (2007 : 2.55% to 4.6%) per annum. Short-term funds represent highly liquid investments in fixed income instruments.

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
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For The Financial Year Ended 31 December 2008

### 11. CASH AND CASH EQUIVALENTS (Cont'd)

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

|                  | The Group         |                   | The Company      |                  |
|------------------|-------------------|-------------------|------------------|------------------|
|                  | 2008<br>RM        | 2007<br>RM        | 2008<br>RM       | 2007<br>RM       |
| Ringgit Malaysia | 26,290,480        | 18,125,001        | 2,140,491        | 2,080,041        |
| US Dollar        | 2,471,996         | 1,074,335         | 0                | 0                |
| Renminbi         | 20,797            | 193,650           | 0                | 0                |
|                  | <u>28,783,273</u> | <u>19,392,986</u> | <u>2,140,491</u> | <u>2,080,041</u> |

A fixed deposit amounting to RM79,621 (2007 : RM77,123) has been pledged to a bank for bank guarantee facility granted to the Group and hence, is not freely available for use.

### 12. TRADE PAYABLES

#### The Group

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

|                  | 2008<br>RM     | 2007<br>RM       |
|------------------|----------------|------------------|
| Ringgit Malaysia | 152,610        | 1,253,894        |
| US Dollar        | 294,304        | 958,231          |
| Singapore Dollar | 6,325          | 74,510           |
|                  | <u>453,239</u> | <u>2,286,635</u> |

The credit terms of trade payables range from 30 to 90 days.

### 13. DEFERRED TAX LIABILITIES

#### The Group

|  | 2008<br>RM     | 2007<br>RM     |
|--|----------------|----------------|
| Balance at 1 January   | 280,000        | 0              |
| Deferred tax expense relating to origination and reversal of temporary differences | 18,000         | 18,000         |
| Deferred tax liabilities underprovided in prior year                               | 0              | 262,000        |
| Balance at 31 December   | <u>298,000</u> | <u>280,000</u> |

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

### 13. DEFERRED TAX LIABILITIES (Cont'd)

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

|                                    | 2008<br>RM | 2007<br>RM |
|------------------------------------|------------|------------|
| Taxable temporary differences of:- |            |            |
| - property, plant and equipment    | 248,000    | 230,000    |
| - investment property              | 50,000     | 50,000     |
|                                    | 298,000    | 280,000    |

### 14. SHARE CAPITAL

|  | 2008<br>RM | 2007<br>RM |
|--|------------|------------|
| Authorised:-                               |            |            |
| 250,000,000 ordinary shares of RM0.10 each | 25,000,000 | 25,000,000 |
| Issued and fully paid-up:-                 |            |            |
| 155,000,000 ordinary shares of RM0.10 each | 15,500,000 | 15,500,000 |

### 15. REVENUE

|                                   | The Group  |            | The Company |            |
|-----------------------------------|------------|------------|-------------|------------|
|                                   | 2008<br>RM | 2007<br>RM | 2008<br>RM  | 2007<br>RM |
| Income from sale of goods         | 26,412,782 | 36,169,095 | 775,530     | 966,804    |
| Gross dividends from subsidiaries | 0          | 0          | 4,185,000   | 3,100,000  |
|                                   | 26,412,782 | 36,169,095 | 4,960,530   | 4,066,804  |

### 16. DIRECTORS' REMUNERATION

|                              | The Group  |            | The Company |            |
|------------------------------|------------|------------|-------------|------------|
|                              | 2008<br>RM | 2007<br>RM | 2008<br>RM  | 2007<br>RM |
| Fees                         | 108,000    | 108,000    | 108,000     | 108,000    |
| Short-term employee benefits | 493,674    | 581,323    | 188,661     | 239,668    |
| Defined contribution plans   | 129,700    | 182,030    | 54,506      | 76,144     |
|                              | 731,374    | 871,353    | 351,167     | 423,812    |

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.

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

### 17. EMPLOYEE BENEFITS EXPENSE

|                              | The Group        |                  | The Company    |                |
|------------------------------|------------------|------------------|----------------|----------------|
|                              | 2008<br>RM       | 2007<br>RM       | 2008<br>RM     | 2007<br>RM     |
| Short-term employee benefits | 5,000,695        | 5,157,519        | 316,772        | 385,655        |
| Defined contribution plans   | 597,042          | 543,476          | 34,832         | 40,938         |
|                              | <u>5,597,737</u> | <u>5,700,995</u> | <u>351,604</u> | <u>426,593</u> |

### 18. PROFIT BEFORE TAX

|  | The Group  |            | The Company |            |
|--|------------|------------|-------------|------------|
|  | 2008<br>RM | 2007<br>RM | 2008<br>RM  | 2007<br>RM |
| Profit before tax is arrived at after charging:-                             |            |            |             |            |
| Allowance for doubtful debts   | 745,827    | 0          | 0           | 0          |
| Allowance for slow moving inventories  | 273,666    | 516,568    | 0           | 0          |
| Auditors' remuneration   |            |            |             |            |
| - current year   | 33,761     | 34,890     | 9,500       | 9,500      |
| - prior year   | 2,800      | 0          | 0           | (2,500)    |
| Direct operating expenditure on investment property generating rental income | 6,915      | 1,351      | 0           | 0          |
| Loss on foreign exchange   |            |            |             |            |
| - realised   | 11,691     | 118,075    | 0           | 0          |
| - unrealised   | 39,474     | 98,202     | 0           | 0          |
| Property, plant and equipment written-off                                    | 0          | 4,215      | 0           | 0          |
| Rental of premises   | 85,735     | 72,999     | 0           | 0          |
| Research and development expenditure   | 2,263,939  | 1,445,838  | 0           | 0          |
| and crediting:-  |            |            |             |            |
| Gain on disposal of property, plant and equipment                            | 0          | 156,356    | 0           | 0          |
| Interest income  | 596,973    | 301,302    | 60,854      | 103,982    |
| Realised gain on foreign exchange  | 287,956    | 603        | 0           | 0          |
| Rental income  |            |            |             |            |
| - investment property  | 38,400     | 38,400     | 0           | 0          |
| - others   | 56,000     | 48,000     | 0           | 0          |



## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
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For The Financial Year Ended 31 December 2008

### 19. TAX EXPENSE

|   | The Group      |                | The Company   |               |
|---|----------------|----------------|---------------|---------------|
|   | 2008<br>RM     | 2007<br>RM     | 2008<br>RM    | 2007<br>RM    |
| Tax based on results for the year:-       |                |                |               |               |
| Malaysian income tax                      | 223,934        | 188,995        | 11,187        | 10,045        |
| Deferred tax                              | 18,000         | 18,000         | 0             | 0             |
|   | <u>241,934</u> | <u>206,995</u> | <u>11,187</u> | <u>10,045</u> |
| Tax under/(over) provided in prior year:- |                |                |               |               |
| Malaysian income tax                      | 33,248         | (28,967)       | 1,337         | 5,764         |
| Deferred tax                              | 0              | 262,000        | 0             | 0             |
|   | <u>275,182</u> | <u>440,028</u> | <u>12,524</u> | <u>15,809</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 |             |
|----------------------------|-------------|-------------|-------------|-------------|
|                            | 2008<br>%   | 2007<br>%   | 2008<br>%   | 2007<br>%   |
| Applicable tax rate        | 26.00       | 27.00       | 26.00       | 27.00       |
| Non-deductible expenses    | 1.96        | 1.29        | 0.98        | 2.05        |
| Non-taxable income         | (0.07)      | (0.31)      | (26.83)     | (28.71)     |
| Pioneer income exempted    | (24.90)     | (26.29)     | 0.00        | 0.00        |
| Effect of lower tax rate   | (0.18)      | (0.30)      | 0.12        | 0.00        |
| Average effective tax rate | <u>2.81</u> | <u>1.39</u> | <u>0.27</u> | <u>0.34</u> |

Pursuant to the Finance Act 2007 (Act 683) gazetted on 28 December 2007, the statutory income tax rate has been reduced from 27% to 26% for the financial year under review.

As at 31 December 2008, 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.

#### 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.

# Notes To The Financial Statements

VITROX CORPORATION BERHAD  
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## 19. TAX EXPENSE (Cont'd)

### 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.

## 20. EARNINGS PER SHARE

### The Group

The basic earnings per share is calculated by dividing the Group's net profit for the financial year of RM8,323,929 (2007 : RM14,427,191) by the weighted average number of ordinary shares in issue during the financial year of 155,000,000 (2007 : 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.

## 21. DIVIDENDS

The Group and the Company

|  | 2008<br>RM | 2007<br>RM |
|--|------------|------------|
| Special interim dividend of 1 sen per share (tax exempt) in respect of financial year ended 31 December 2006 paid in February 2007   | 0          | 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               | 0          | 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 | 0          | 775,000    |
| Special dividend of 1.5 sen per share (tax exempt) in respect of financial year ended 31 December 2007 paid in July 2008             | 2,325,000  | 0          |
| Final dividend of 0.5 sen per share (tax exempt) in respect of financial year ended 31 December 2007 paid in July 2008               | 775,000    | 0          |
|  | 3,100,000  | 3,100,000  |

After the balance sheet date, the Company declared and paid a special interim dividend of 0.7 sen per share (tax exempt) amounting to RM1,085,000 in respect of the financial year ended 31 December 2008.

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
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For The Financial Year Ended 31 December 2008

### 22. RELATED PARTY DISCLOSURES

Other than the directors' remuneration as disclosed in Note 16 to the financial statements, significant transactions with related parties during the financial year are as follows:-

|   | The Group  |            | The Company |            |
|---|------------|------------|-------------|------------|
|   | 2008<br>RM | 2007<br>RM | 2008<br>RM  | 2007<br>RM |
| Disposal of motor vehicles to certain directors | 0          | 187,200    | 0           | 0          |
| Dividends declared from subsidiaries            | 0          | 0          | 4,185,000   | 3,100,000  |
| Sale of goods to subsidiary                     | 0          | 0          | 775,530     | 966,804    |

### 23. 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:-

|              | 2008<br>RM        | 2007<br>RM        |
|--------------|-------------------|-------------------|
| Malaysia     | 22,132,426        | 28,347,255        |
| Asia Pacific | 4,280,356         | 7,820,087         |
| Others       | 0                 | 1,753             |
|              | <u>26,412,782</u> | <u>36,169,095</u> |



## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

### 24. 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.

### 25. 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 24 to the financial statements.

#### Fair Values

The carrying amounts of financial assets and liabilities of the Group and the Company as at 31 December 2008 and 2007 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.

### 26. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including currency 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.

## Notes To The Financial Statements

VITROX CORPORATION BERHAD  
[649966-K]

For The Financial Year Ended 31 December 2008

### 26. FINANCIAL RISK MANAGEMENT (Cont'd)

#### Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. 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.

#### 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 75% 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 2008 RM | Year of Valuation / Acquisition             |
|----|---|--|--|------------------------------------|--|---|
| 1. | <i>VITrox Technologies Sdn. Bhd.</i><br>HSD 10203, Lot No. PT 4952,<br>Mukim 12, Daerah Barat Daya, Pulau Pinang<br><br>Bearing Postal Address<br>No. 5, Lintang Bayan Lepas 2, Bayan Lepas<br>Industrial Park,<br>Phase 4, Bayan Lepas, 11900 Penang   | 6 years / 60 years<br>lease expiring on<br>January 6, 2058   | Semi-detached<br>factory cum<br>office | 1,529 / 544                        | 947,926                                  | September 27, 2000<br>(Date of Acquisition) |
| 2. | <i>VITrox Technologies Sdn. Bhd.</i><br>HSD 21704, Lot No. PT 5286, Mukim 12,<br>Daerah Barat Daya, Pulau Pinang<br><br>Bearing Postal Address<br>No. 85A, Lintang Bayan Lepas 11<br>Bayan Lepas Industrial Park<br>Phase IV, 11900 Bayan Lepas, Penang | 3 years / 60 years<br>lease expiring on<br>December 26, 2066 | <i>VITrox</i><br>Innovation<br>Centre  | 12,152 / 2,900                     | 8,619,374                                | July 27, 2004<br>(Date of Acquisition)      |
| 3. | <i>VITrox Technologies Sdn. Bhd.</i><br>Lot 1241, Mukim 12, Daerah Barat Daya,<br>Pulau Pinang<br><br>Bearing Postal Address<br>Level No. 04, Unit No. 20,<br>Kristal Point II, Lebuah Bukit Kecil 6,<br>11900 Bayan Lepas, Penang                      | 5 years / 99 years<br>lease upon issuance<br>of strata title | Shoplot for<br>investment<br>purposes  | - / 96                             | 300,000                                  | December 31, 2007<br>(Date of Valuation)    |
| 4. | <i>VITrox Technologies Sdn. Bhd.</i><br>Lot 1241, Mukim 12, Daerah Barat Daya,<br>Pulau Pinang<br><br>Bearing Postal Address<br>Level No. 04, Unit No. 21,<br>Kristal Point II, Lebuah Bukit Kecil 6,<br>11900 Bayan Lepas, Penang                      | 5 years / 99 years<br>lease upon issuance<br>of strata title | Shoplot for<br>investment<br>purposes  | - / 96                             | 300,000                                  | December 31, 2007<br>(Date of Valuation)    |



## Statistics Of Shareholdings

VITROX CORPORATION BERHAD  
[649966-K]

### SHARE CAPITAL AS AT 28 APRIL 2009

Authorised Capital : RM25,000,000.00  
 Issued and Paid-up Capital : RM15,251,340.00\*  
 Class of Shares : Ordinary Shares of RM0.10 each  
 Voting Rights : One voting right for one ordinary share  
 \* Excluding 2,486,600 Ordinary Shares held as Treasury Shares

### DISTRIBUTION OF SHAREHOLDERS AS AT 28 APRIL 2009

| Size of Holdings    | No. of Holders | No. of Shares      | %             |
|---------------------|----------------|--------------------|---------------|
| 1 – 99              | 14             | 700                | 0.00          |
| 100 – 1,000         | 631            | 150,947            | 0.10          |
| 1,001 – 10,000      | 263            | 1,258,695          | 0.83          |
| 10,001 – 100,000    | 147            | 4,940,016          | 3.24          |
| 100,001 – 7,625,669 | 40             | 35,259,006         | 23.12         |
| 7,625,670 and above | 3              | 110,904,036        | 72.72         |
| <b>Total</b>        | <b>1,098</b>   | <b>152,513,400</b> | <b>100.00</b> |

### THIRTY LARGEST SECURITIES HOLDERS AS AT 28 APRIL 2009

| No. | Name  | Shareholdings | %     |
|-----|---|---------------|-------|
| 1   | Chu Jenn Weng   | 52,925,503    | 34.70 |
| 2   | Siaw Kok Tong   | 37,947,343    | 24.88 |
| 3   | Yeoh Shih Hoong   | 20,005,590    | 13.12 |
| 4   | Sim Ah Yoong  | 4,009,233     | 2.63  |
| 5   | Teng Soo Fong   | 4,005,466     | 2.63  |
| 6   | Tan Booi Charn  | 3,170,700     | 2.08  |
| 7   | Tan Hong Soon   | 3,000,000     | 1.97  |
| 8   | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Qualifier: Exempt an for Kumpulan Sentiasa Cemerlang Sdn. Bhd.<br>(TSTAC/CLNT) | 2,626,700     | 1.72  |
| 9   | Chang Mun Kee   | 1,666,666     | 1.09  |
| 10  | Ooi Lay Hoe   | 1,529,585     | 1.00  |
| 11  | Chua Siew Kim   | 1,357,166     | 0.89  |
| 12  | Su Peik Hoon  | 1,066,744     | 0.70  |
| 13  | Ang Nya @ Ang Ah Nya  | 1,000,000     | 0.66  |
| 14  | Kiew Kwong Sen  | 1,000,000     | 0.66  |
| 15  | Foo Wen Pok   | 943,895       | 0.62  |
| 16  | Wong Ting Lik   | 693,066       | 0.45  |
| 17  | Koay Soo Ming   | 623,930       | 0.41  |
| 18  | Wong Ting Lik   | 623,930       | 0.41  |
| 19  | Chong Kok Cheng   | 575,000       | 0.38  |
| 20  | Che Kausa Binti Mamat @ Mohd Nor  | 524,333       | 0.34  |
| 21  | Ahmad Fadzil Bin Mohamad Hani   | 500,000       | 0.33  |
| 22  | Goh Siew Eng  | 500,000       | 0.33  |
| 23  | Cheng Ming Hann   | 466,333       | 0.30  |
| 24  | Koay Soo Ming   | 432,599       | 0.28  |
| 25  | Ooi Chek Siah   | 333,163       | 0.22  |
| 26  | Pang Kin Wai  | 332,067       | 0.22  |
| 27  | Vincent Leong Wai Shun  | 331,033       | 0.22  |
| 28  | Tan Bee Kian  | 320,000       | 0.21  |

## Statistics Of Shareholdings

VITROX CORPORATION BERHAD  
[649966-K]

### THIRTY LARGEST SECURITIES HOLDERS AS AT 28 APRIL 2009 (Cont'd)

| No. | Name  | Shareholdings      | %            |
|-----|---|--------------------|--------------|
| 29  | Lean Teik Chooi   | 291,000            | 0.19         |
| 30  | EB Nominees (Tempatan) Sendirian Berhad<br>Qualifier: Pledged Securities Account for Wong Yoke Fong @<br>Wong Nyok Fing (BSR) | 250,000            | 0.16         |
|     | <b>TOTAL</b>  | <b>143,051,045</b> | <b>93.80</b> |

### SUBSTANTIAL SHAREHOLDERS AS AT 28 APRIL 2009

| Name            | Direct Shareholding | %     | Indirect Shareholding | % |
|-----------------|---------------------|-------|-----------------------|---|
| Chu Jenn Weng   | 52,925,503          | 34.70 | -                     | - |
| Siaw Kok Tong   | 37,972,943          | 24.90 | -                     | - |
| Yeoh Shih Hoong | 20,005,590          | 13.12 | -                     | - |

### DIRECTORS' SHAREHOLDING AS AT 28 APRIL 2009

| Name                                    | Direct Shareholding | %     | Indirect Shareholding | % |
|---|---------------------|-------|-----------------------|---|
| Chu Jenn Weng                           | 52,925,503          | 34.70 | -                     | - |
| Siaw Kok Tong                           | 37,972,943          | 24.90 | -                     | - |
| Yeoh Shih Hoong                         | 20,005,590          | 13.12 | -                     | - |
| Dato' Seri Kiew Kwong Sen               | 1,000,000           | 0.66  | -                     | - |
| Prof. Dr. Ahmad Fadzil Bin Mohamad Hani | 500,000             | 0.33  | -                     | - |
| Chuah Poay Ngee                         | 10,000              | 0.01  | -                     | - |

# Share Buy-Back Statement

VITROX CORPORATION BERHAD  
[649966-K]

## 1. Disclaimer Statement

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

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

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

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

## 3. Retained Profits and Share Premium

Based on the audited financial statements of ViTrox as at 31 December 2008, the retained profits and share premium of the Company stood at RM2,738,805 and RM1,222,055 respectively.

## 4. Funding for the Proposed Share Buy-Back

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back as the Company has net cash and cash equivalent balance of approximately of RM2.14 million based on the audited financial statements of ViTrox as at 31 December 2008. The fund utilised by the Company for the Proposed Share Buy-Back will reduce the resources available to ViTrox for its operations by a corresponding amount for shares bought back.

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

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

# Share Buy-Back Statement

VITROX CORPORATION BERHAD  
[649966-K]

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

Based on the Register of Directors and Register of substantial Shareholders of ViTrox as at 28 April 2009 and assuming that ViTrox implements the Proposed Shares Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors and substantial shareholders of ViTrox as follows:-

|   | As at 28 April 2009 <sup>(a)</sup> |       |               |   | After Proposed Share Buy-Back <sup>(b)</sup> |       |               |   |
|---|------------------------------------|-------|---------------|---|--|-------|---------------|---|
|   | Direct                             |       | Indirect      |   | Direct                                       |       | Indirect      |   |
|   | No. of Shares                      | %     | No. of Shares | % | No. of Shares                                | %     | No. of Shares | % |
| <b>Directors and Substantial Shareholders</b>                               |                                    |       |               |   |  |       |               |   |
| Chu Jenn Weng   | 52,925,503                         | 34.70 | -             | - | 52,925,503                                   | 37.94 | -             | - |
| Siaw Kok Tong   | 37,972,943                         | 24.90 | -             | - | 37,972,943                                   | 27.22 | -             | - |
| Yeoh Shih Hoong   | 20,005,590                         | 13.12 | -             | - | 20,005,590                                   | 14.34 | -             | - |
| <b>Directors</b>  |                                    |       |               |   |  |       |               |   |
| Dato' Seri Kiew Kwong Sen   | 1,000,000                          | 0.66  | -             | - | 1,000,000                                    | 0.72  | -             | - |
| Prof Dr Ahmad Fadzil Bin Mohamad Hani                                       | 500,000                            | 0.33  | -             | - | 500,000                                      | 0.36  | -             | - |
| Chuah Poay Ngee   | 10,000                             | 0.01  | -             | - | 10,000                                       | 0.01  | -             | - |
| <b>Persons Connected with the Directors and/or Substantial Shareholders</b> |                                    |       |               |   |  |       |               |   |
| Su Pek Fuen   | 271,566                            | 0.17  | -             | - | 271,566                                      | 0.17  | -             | - |

Notes:-

- (a) Based on the existing issued and paid-up share capital of 152,513,400 Ordinary Shares excluding 2,486,600 Ordinary Shares held as treasury shares from the total issued and paid-up capital of 155,000,000 Ordinary Shares of RM0.10 each.
- (b) Based on the issued and paid-up share capital of 139,500,000 Ordinary Shares after the Proposed Share Buy-Back is carried out in full and all the shares purchased are held as treasury shares.

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

### 6.1 Potential Advantages of the Proposed Share Buy-Back

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

### 6.2 Potential Disadvantages of the Proposed Share Buy-Back

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

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



# Share Buy-Back Statement

VITROX CORPORATION BERHAD  
[649966-K]

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

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

### a. Share Capital

As at 28 April 2009, the issued and paid-up capital of ViTrox was RM15,500,000 comprising 155,000,000 Shares including 2,486,600 shares held as treasury shares. As ViTrox has complied with the prescribed minimum share capital requirement for a MESDAQ company at RM2,000,000 at all times, therefore the maximum number of Purchased Shares that can be cancelled by ViTrox, pursuant to the Proposed Share Buy-Back is 15,500,000. Under this scenario, the issued and paid-up share capital of ViTrox will be diminished from RM15,500,000 comprising 155,000,000 Shares as at 28 April 2009 to RM13,950,000 comprising 139,500,000 Shares.

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

### b. Earnings

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

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

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

### c. NTA

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

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

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



## Share Buy-Back Statement

VITROX CORPORATION BERHAD  
[649966-K]

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

#### d. Working Capital

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

#### e. Substantial Shareholders

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

#### f. Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of ViTrox (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2009 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

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

### 8. Implication of the Proposed Share Buy-Back Relating to the Malaysian Code on Take-Overs and Mergers, 1998 (The "Code")

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder and/or persons acting in concert with him holding more than 33% of the voting shares of the Company, pursuant to the Code, the affected Substantial Shareholder and/or persons acting in concert with him will be obliged to make a mandatory offer for the remaining Shares not held by him.

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder and/or persons acting in concert with him who already holds more than 33% of the voting shares of the Company increasing by more than 2% in any six (6) months period, pursuant to the Code, the affected Substantial Shareholder and/or persons acting in concert with him will be obligated to make a mandatory offer for the remaining Shares not held by him.

However, the affected Substantial Shareholder and/or persons acting in concert with him may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under Practice Note 2.9.10 of the Code.

### 9. Purchases made by the Company of its own shares in financial year ended 31 December 2008

The Company has not purchased any of its own Shares, retained its Shares as treasury shares or resale its treasury shares or cancelled its Shares during the financial year ended 31 December 2008.

# Share Buy-Back Statement

VITROX CORPORATION BERHAD  
[649966-K]

## 10. Public Shareholding Spread

As at 28 April 2009, the Record of Depositors of ViTrox showed that 38,611,769 Shares representing approximately 25.32% of the issued and paid-up share capital were held by 1,076 public shareholders holding not less than 100 Shares each. The Board undertakes that the Proposed Share Buy-Back will be conducted in accordance with the laws and regulations prevailing at the time of the purchase including compliance with the public shareholding spread requirements as stipulated in Rule 8.15 (1) of the Bursa Securities Listing Requirements for the MESDAQ Market (MMLR), and ensuring that the issued and paid-up share capital of the Company does not fall below the prescribed minimum share capital provided under Rule 3.04 of the MMLR or such other amount as may be determined by Bursa Securities from time to time.

## 11. Directors' Statement

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

## 12. Directors' Recommendation

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

## 13. Further Information

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



## Notice Of Annual General Meeting

VITROX CORPORATION BERHAD  
[649966-K]

NOTICE IS HEREBY GIVEN that the Fifth 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 Thursday, 25 June 2009 at 10.00 a.m. for the following purposes:-

### AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2008 together with the reports of the Directors and Auditors thereon. (Please refer to Note A)
2. To declare a Final Dividend of 0.4 sen per share exempt from Income Tax for the year ended 31 December 2008. (Resolution 1)
3. To approve the payment of Directors' Fees of RM78,000 for the financial year ending 31 December 2009 and payment of such Fees to the Directors of the Company. (Resolution 2)
4. 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) Dato' Seri Kiew Kwong Sen Article 85 (Resolution 3)
  - b) Prof. Dr. Ahmad Fadzil Bin Mohamad Hani Article 85 (Resolution 4)
5. To re-appoint Messrs. Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. (Resolution 5)

### 6. AS SPECIAL BUSINESSES

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

- a) Authority to Issue Shares (Resolution 6)

"That pursuant to Section 132D of the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") 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."

- b) Renewal of Authority to Purchase its own Shares (Resolution 7)

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

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



## Notice Of Annual General Meeting

VITROX CORPORATION BERHAD  
[649966-K]

### 6. AS SPECIAL BUSINESSES (Cont'd)

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

- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits and share premium account of the Company. As at the latest financial year ended 31 December 2008, the audited retained profits and share premium account of the Company stood at RM2,738,805 and RM1,222,055 respectively;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution; and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
  - to cancel the shares so purchased; or
  - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
  - retain part of the shares so purchased as treasury shares and cancel the remainder.

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

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

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

Penang  
Date : 3 June 2009



# 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, the proxy 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. Resolution pursuant to the Authority to issue Shares**

The proposed Resolution No. 6 [Item No. 6(a)], 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.

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

The proposed Resolution No. 7 [Item 6(b)], if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.



## Notice Of Dividend Entitlement And Payment

VITROX CORPORATION BERHAD  
[649966-K]

NOTICE IS HEREBY GIVEN that a Final Dividend of 0.4 sen per share exempt from Income Tax for the year ended 31 December 2008, if approved, will be paid on 15 July 2009 to depositors registered in the Records of Depositors on 2 July 2009.

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 2009 in respect of transfers; and
- b) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Listing Requirements of Bursa Securities for the MESDAQ Market.

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

Penang  
Date : 3 June 2009

## 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 4 to 6 of the Annual Report 2008. The details of their respective interests in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 73 of the Annual Report 2008.

# VITROX CORPORATION BERHAD

Company No. 649966-K  
(Incorporated in Malaysia)



## Proxy Form

|                            |
|----------------------------|
| 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 Fifth 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 Thursday, 25 June 2009 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 |
|---|-----|---------|
| 1. To declare a Final Dividend of 0.4 sen per share exempt from Income Tax for the year ended 31 December 2008.   |     |         |
| 2. To approve the payment of Directors' Fees of RM78,000 for the financial year ending 31 December 2009 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:-                                      |     |         |
| 3. Dato' Seri Kiew Kwong Sen (Article 85);  |     |         |
| 4. Prof. Dr. Ahmad Fadzil Bin Mohamad Hani (Article 85)   |     |         |
| 5. 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 :-  |     |         |
| <b>Ordinary Resolution</b>  |     |         |
| 6. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.   |     |         |
| 7. Renewal of Authority to Purchase its own Shares.   |     |         |

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

Signature of Shareholder(s).....

Signed this..... day of....., 2009.

### 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

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Stamp

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

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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**

No. 58, Xing Hai Street,  
Jia Cheng Garden, Building 11,  
Room 2001, Section A, Industrial Park,  
215021 Suzhou, 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](mailto:enquiry@vitrox.com)

