

VITROX CORPORATION BERHAD

**INTERIM FINANCIAL REPORT
FOR THE SECOND
QUARTER ENDED 30 JUNE 2011**

ViTrox Corporation Berhad

(Company No. 649966-K)

(Incorporated in Malaysia)



Quarterly report on results for the Second Quarter ended 30 June 2011 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current period quarter Jun 30, 11 RM'000	Preceding year corresponding quarter Jun 30, 10 RM'000	Current period to date Jun 30, 11 RM'000	Preceding year corresponding period Jun 30, 10 RM'000
Revenue	27,105	26,120	48,793	39,104
Other operating income	889	180	1,052	345
Operating expenses	(19,198)	(16,223)	(34,484)	(24,875)
Profit before tax	<u>8,796</u>	<u>10,077</u>	<u>15,361</u>	<u>14,574</u>
Tax expense	(109)	(203)	(249)	(305)
Net profit for the period	<u><u>8,687</u></u>	<u><u>9,874</u></u>	<u><u>15,112</u></u>	<u><u>14,269</u></u>
Other comprehensive income: Currency translation of differences for foreign operations	1	0	0	0
Total comprehensive income for the period	<u><u>8,688</u></u>	<u><u>9,874</u></u>	<u><u>15,112</u></u>	<u><u>14,269</u></u>
Earnings Per Ordinary Share attributable to ordinary equity holders of the Company (sen)				
- Basic	<u><u>5.60</u></u> *	<u><u>6.48</u></u>	<u><u>9.75</u></u>	<u><u>9.36</u></u>
- Diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

* Basic EPS is calculated based on weighted average number of 155,000,000 ordinary shares (before the bonus issue at 1:2 completed on 18 July 2011).

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statement.

ViTrox Corporation Berhad

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Quarterly report on results for the Second Quarter ended 30 June 2011 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at Jun 30, 11 RM'000	Audited As at Dec 31, 10 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	18,181	13,412
Investment properties	600	600
Investments in club membership - at cost	91	91
Development expenditure	3,765	3,941
	<u>22,637</u>	<u>18,044</u>
Current assets		
Inventories	17,773	14,053
Trade and other receivables	33,862	18,134
Prepayments	689	311
Current tax assets	0	21
Cash and cash equivalents	37,096	43,403
	<u>89,420</u>	<u>75,922</u>
TOTAL ASSETS	<u>112,057</u>	<u>93,966</u>
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the Company		
Share capital	15,500	15,500
Less: Treasury shares, at cost	0	-1,022
Reserves	76,931	61,806
Total equity	<u>92,431</u>	<u>76,284</u>
Non-current liabilities		
Deferred tax liabilities	450	450
Deferred Income	816	523
Total non-current liabilities	<u>1,266</u>	<u>973</u>
Current liabilities		
Trade and other payables	12,642	11,275
Financial liabilities at fair value through profit or loss	441	0
Advance payment from customers	498	696
Current tax liabilities	129	169
Dividend payable	4,650	4,569
Total current liabilities	<u>18,360</u>	<u>16,709</u>
Total liabilities	<u>19,626</u>	<u>17,682</u>
TOTAL EQUITY AND LIABILITIES	<u>112,057</u>	<u>93,966</u>
Net assets value per share attributable to ordinary equity holders of the parent (sen)*	<u>59.63</u> *	<u>50.09</u>

* Net assets value is calculated based on 155,000,000 ordinary shares (before the bonus issue at 1:2 completed on 18 July 2011).

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly report on results for the Second Quarter ended 30 June 2011 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Currency Translation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Period ended 30 June 2011						
Balance as at 1 January 2011	15,500	-1,022	1,222	-4	60,588	76,284
Purchase of own shares	0	-250	0	0	0	-250
Reissue of treasury shares	0	1,272	4,663	0	0	5,935
Dividends	0	0	0	0	-4,650	-4,650
Total comprehensive income for the period	0	0	0	0	15,112	15,112
Balance as at 30 June 2011	<u>15,500</u>	<u>0</u>	<u>5,885</u>	<u>-4</u>	<u>71,050</u>	<u>92,431</u>
Period ended 30 June 2010						
Balance as at 1 January 2010	15,500	-853	1,222	-3	33,344	49,210
Purchase of own shares	0	0	0	0	0	-169
Total comprehensive income for the period	0	0	0	0	14,269	14,269
Balance as at 30 June 2010	<u>15,500</u>	<u>-853</u>	<u>1,222</u>	<u>-3</u>	<u>47,613</u>	<u>63,310</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly report on results for the Second Quarter ended 30 June 2011 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(The figures have not been audited)

	Period ended Jun 30, 11 RM'000	Period ended Jun 30, 10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	15,361	14,574
Adjustments for :		
Amortisation of deferred income	-245	-5
Amortisation of development expenditure	251	285
Depreciation of property, plant and equipment	500	440
Interest income	-349	-266
Unrealised loss on financial instruments at fair value through profit or loss	441	0
Unrealised loss/(gain) on foreign exchange	184	-57
Operating profit before working capital changes	16,143	14,971
Changes in:		
Inventories and receivables	-19,971	-22,904
Payables and advance payments	1,155	11,678
Cash (absorbed by)/generated from operations	-2,673	3,745
Income tax paid	-268	-75
Net cash (used in)/from operating activities	-2,941	3,670
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of development expenditure	-75	-2,320
Grant received	517	0
Interest received	345	266
Proceed from disposal of property, plant and equipment	0	3
Purchase of property, plant and equipment	-5,269	-164
Net cash used in investing activities	-4,482	-2,215
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-4,569	0
Purchase of own shares	-250	-169
Reissue of treasury shares	5,935	0
Net cash from/(used in) financing activities	1,116	-169
Currency translation differences	0	0
Net (decrease)/increase in cash and cash equivalents	-6,307	1,286
Cash and cash equivalents at beginning of period	43,403	27,683
Cash and cash equivalents at end of period	37,096	28,969
<u>Cash and cash equivalents consist of:</u>		
Highly liquid investments	3,393	2,322
Term deposits with licensed banks	27,135	22,508
Cash and bank balances	6,568	4,139
	37,096	28,969

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly report on results for the Second Quarter ended 30 June 2011

A NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation of Interim Financial Report

The interim financial report is unaudited and has been prepared in compliance with FRS 134, "Interim Financial Reporting", issued by the Malaysian Accounting Standards Board ("MASB") and the disclosure requirements as set out in Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market ("Main Market Listing Requirements").

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2010. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted by the Group in the audited financial statements for the year ended 31 December 2010, except for the adoption of the following new Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Interpretations") effective for the financial period beginning on or after 1 March 2010 :-

FRS	Effective for financial periods beginning on or after
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1 Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7 Improving Disclosure about Financial Instruments	1 January 2011
Amendments to FRS 132 Financial Instruments: Presentation	1 March 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to FRSs contained in the document entitled "improvements to FRSs (2010)"	1 January 2011
FRS 1 First-time Adoption of Financial Reporting Standards (revised in 2010)	1 July 2010
FRS 3 Business Combinations (revised in 2010)	1 July 2010
FRS 127 Consolidated and Separate Financial Statements (revised in 2010)	1 July 2010
IC Interpretation 4 Determining and Separate Financial Statements	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfer of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The adoption of the new FRS and interpretation does not have significant impact on the financial statements.

A2 Seasonal or cyclical factors

The Group's operations is dependent on the cyclical trend of the semiconductors and electronics industries.

A3 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the period under review.

A4 Material changes in estimates

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

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A NOTES TO THE INTERIM FINANCIAL REPORT

A5 Debt and equity securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayment of debts and equity securities in the Company during the period under review:

VCB has on 9 October 2008 announced its proposal to purchase up to a maximum of ten percent (10%) of its own total and paid-up share capital, in accordance with Section 67A of the Companies Act, 1965 and the requirements of the Bursa Malaysia Securities Berhad and/or any other relevant authority. This proposal requires approval from the shareholders in a general meeting.

The Proposal above was approved by the shareholders at the Extraordinary General Meeting ("EGM") duly convened and held on 21 November 2008.

During the current quarter, the Company resold 2,912,600 shares at an average price of RM2.04 per share. The difference of RM4.663 million between the sales consideration and the carrying amount of the shares has been credited to the Share Premium Account.

A6 Dividend paid

No dividend was paid by the Company in the current quarter under review.

A7 Segment reporting

No segment reporting has been prepared as the Group is principally engaged in development and production of machine vision inspection products.

A8 Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment during the period under review or prior periods.

A9 Valuation of investment properties

In line with the adoption of the fair value model, the investment properties are stated at fair values which are assessed on yearly basis.

A10 Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current reporting period that have not been reflected in the financial statements for the said period.

A11 Changes in the composition of the Group

There were no material changes in the composition of the Group during the period under review.

A12 Contingent assets or contingent liabilities

There were no contingent assets or liabilities for the Group since the previous financial year ended 31 December 2010 to the date of this report.

A13 Capital commitments

Authorised contracted capital commitments not provided for in the interim financial statements as at 30 June 2011 is RM8,429,178.

A14 Significant related party transactions

There were no significant related party transactions during the period under review.

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Quarterly report on results for the Second Quarter ended 30 June 2011

DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B1 Review of performance

The Group achieved a revenue of RM27.11 million for the period under review against RM26.12 million in the corresponding period of preceding year, representing an increase of 4%. The slight increase in revenue against the same quarter last year was mainly attributed to the higher sales recorded from automated board inspection (ABI). The increase in sales recorded are mainly due to high demand of our new Advanced X-ray Inspection system from new customers in the US market. The Group achieved a profit before tax of RM8.80 million against profit before tax of RM10.08 million in the corresponding quarter, representing an decrease of 13%, were mainly due to change in sales mix, increase in research and development expenditure and depreciation in USD. Correspondingly, the Group recorded a profit after tax of RM8.69 million against profit after tax of RM9.87 million in the corresponding quarter, representing an decrease of 12%.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM27.11 million and RM8.80 million respectively for the current quarter under review against revenue and profit before tax of RM21.69 million and RM6.57 million respectively for the immediate preceding quarter. These represent an increase of 25% in revenue and 34% in profit against the revenue and profit of the immediate preceding quarter. The increase in revenue and profit were attributed to increase in sales recorded for MVS as a result of increase in customer demand.

B3 Prospects for the remaining quarters of current final financial year ending 31 December 2011

Demand for machine vision system, automated board inspection and electronics communication system from the leading test and inspection equipment manufacturers and major electronics manufacturing services providers will ensure that our products remain the mainstay of the Group's earnings. In addition, the success of the Advanced X-ray Inspection system in gaining commercial acceptance by our worldwide customers will add depth and breadth to the Group's business. Barring any unforeseen circumstances, the Board is cautiously optimistic on the financial performance of the Group for the remaining quarters.

B4 Profit forecast, profit guarantee and internal targets

The Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcements made.

B5 Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-11 RM'000	Preceding year corresponding quarter 30-Jun-10 RM'000	Current period to date 30-Jun-11 RM'000	Preceding year corresponding period 30-Jun-10 RM'000
Income tax based on the results for the period under review	109	203	249	305

ViTrox Corporation Berhad ("VCB") is a MSC status company and enjoys pioneer status/tax exempt incentive for certain qualifying products granted by the Ministry of International Trade and Industry ("MITI") for a period of 5 years commencing from 25 January 2005 to 24 January 2010. VCB has applied another extension 5 years of pioneer status from Multimedia Development Corporation Sdn Bhd ("MDec") and MITI. On 22 September 2010, VTSB has been granted another extension 5 years of pioneer status by MDec and MITI from 25 January 2010 to 25 January 2015.

A wholly-owned subsidiary of VCB, ViTrox Technologies Sdn. Bhd. ("VTSB") has been granted pioneer status by MITI for a period of 5 years for the development and production of digital automated vision inspection equipment and modules. The incentive commenced from 1 April 2005 to 31 March 2010 (extendable for further 5 years). The current provision of income tax is in respect of certain non-business income and non-tax exempted income generated from non-pioneer products of VTSB. On 29 July 2010, VTSB has been granted another extension 5 years of pioneer status by MITI from 1 April 2010 to 31 March 2015.

Another wholly-owned subsidiary of VCB, ViE Technologies Sdn Bhd ("ViE") has also been granted pioneer status by MITI for a period of 5 years to undertake activities relating to design, development and manufacture of printed circuit board assemblies for microprocessor applications. It is the intention of the Group that ViE will spearhead the production and sales of the ECS product. ViE has submitted an application to MITI for the determination of the pioneer status period and MITI has confirmed that the pioneer period would commence from 1 April 2007 to 31 March 2012.

B6 Sales of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties during the quarter under review and financial period-to-date.

B7 Purchase and Sale of Quoted Securities

There was no purchase or sale of quoted securities during the quarter under review and financial period-to-date.

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DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B8 Status of corporate proposals announced

Save as disclosed below, there were no Corporate Proposal announced and not completed as at the date of this report:-

On 20 May 2011, HwangDBS Investment Bank Berhad ("HwangDBS"), on behalf of the Board of Directors of ViTrox, was pleased to announce that Bursa Malaysia Securities Berhad ("Bursa Securities") has, vide its letter dated 19 May 2011 (which was received 20 May 2011) approved the listing of and quotation for up to 77,500,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

The shareholders approved the proposal during the EGM on 24 June 2011. The proposal was completed on 15 July 2011 when the ex-date took effect while the crediting of the bonus shares and additional warrants to the entitled shareholders were completed on 18 July 2011.

B9 Group Borrowings

There was no bank borrowings during the quarter under review and financial period-to-date.

B10 Financial instruments

As at 30 June 2011, the outstanding forward foreign exchange contracts are as follows:-

Type of derivative	Contract value RM'000	Fair value RM'000
Forward foreign exchange contracts		
- Less than 1 year	1,820	-8
- 1 year to 3 years	13,279	-433
	<u>15,099</u>	<u>-441</u>

Forward foreign exchange contract is used as a hedging tool to minimise the Group's exposure to changes in fair value of its commitment, conducted in the ordinary course of business, as a result of fluctuation in exchange rate. There is minimal credit and market risk because the contracts are hedged with reputable banks.

Foreign currency exchange contract was recognised on the contract date, measured at fair value and the changes in the fair value has been recognised in profit or loss.

B11 Breakdown of Realised and Unrealised Profits or Losses of the Group

	As at 30-Jun-11 RM'000	As at 31-Mar-11 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	77,770	73,628
- Unrealised	-1,035	-925
	<u>76,735</u>	<u>72,703</u>
Less : Consolidation adjustments	-5,685	-5,689
Total group retained profits as per consolidated accounts	<u>71,050</u>	<u>67,014</u>

B12 Material litigation

As the date of this announcement, the Group is not engaged in any material litigation and the Board of Directors do not have any knowledge of any proceedings pending or threatened against the Group.

B13 Dividends

On 24 June 2011, the shareholders approved the proposed special dividend of 2.5 sen tax exempt amounting to RM3,875,000 and final dividend of 0.5 sen per share tax exempt amounting to RM775,000 for the financial year ended 31 December 2010 to be payable to the shareholders on 28 July 2011 whose names appeared in the Record of Depositors at the close of business on 30 June 2011.

B14 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-11	Preceding year corresponding quarter 30-Jun-10	Current period to date 30-Jun-11	Preceding year corresponding period 30-Jun-10
Net profit attributable to shareholders (RM'000)	8,687	9,874	15,112	14,269
Weighted average number of ordinary shares in issue ('000)	155,000	152,372	155,000	152,372
Basic earnings per share (sen)	<u>5.60</u>	<u>6.48</u>	<u>9.75</u>	<u>9.36</u>

Diluted earnings per share has not been calculated as the Company does not have any dilutive potential shares.

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DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B15 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2010 was not subject to any qualification.

B16 Authorisation for issue

The interim financial statements are authorised for issue by the Board of Directors on 19 August 2011.

By Order of the Board

Chu Jenn Weng
Managing Director

Penang

Date: **19-Aug-11**