

VITROX CORPORATION BERHAD

INTERIM FINANCIAL REPORT
FOR THE FOURTH
QUARTER ENDED 31 DECEMBER 2009

ViTrox Corporation Berhad

(Company No. 649966-K)
(Incorporated in Malaysia)



Quarterly report on results for the 4th Quarter ended 31 December 2009 CONDENSED CONSOLIDATED INCOME STATEMENTS

(The figures have not been audited)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|---|--|--|
| | Current year quarter 31-Dec-09 RM'000 | Preceding year corresponding quarter 31-Dec-08 RM'000 | Current year to date 31-Dec-09 RM'000 | Preceding year corresponding year 31-Dec-08 RM'000 |
| Revenue | 6,054 | 4,022 | 18,134 | 26,413 |
| Other operating income | 721 | 270 | 1,204 | 993 |
| Operating expenses | (5,495) | (3,901) | (17,268) | (18,807) |
| Profit before tax | <u>1,280</u> | <u>391</u> | <u>2,070</u> | <u>8,599</u> |
| Tax expense | (126) | (108) | (129) | (275) |
| Net profit for the period / year | <u><u>1,154</u></u> | <u><u>283</u></u> | <u><u>1,941</u></u> | <u><u>8,324</u></u> |
| Earnings Per Ordinary Share attributable to ordinary equity holders of the Company (sen) | | | | |
| - Basic | <u><u>0.75</u></u> | <u><u>0.18</u></u> | <u><u>1.27</u></u> | <u><u>5.37</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> |

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

ViTrox Corporation Berhad



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Quarterly report on results for the 4th Quarter ended 31 December 2009

CONDENSED CONSOLIDATED BALANCE SHEET

| | Unaudited As at 31-Dec-09 RM'000 | Audited As at 31-Dec-08 RM'000 |
|---|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 7,948 | 8,407 |
| Prepaid land lease payments | 2,731 | 2,780 |
| Investment properties | 600 | 600 |
| Investments | 91 | 91 |
| Development cost | 2,964 | 1,994 |
| | <u>14,334</u> | <u>13,872</u> |
| Current assets | | |
| Inventories | 4,500 | 4,074 |
| Trade and other receivables | 5,744 | 5,228 |
| Current tax assets | 502 | 432 |
| Cash and cash equivalents | 27,683 | 28,783 |
| | <u>38,429</u> | <u>38,517</u> |
| TOTAL ASSETS | <u>52,763</u> | <u>52,389</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 | (853) | - |
| Reserves | 34,563 | 34,320 |
| Total equity | <u>49,210</u> | <u>49,820</u> |
| Non-current liabilities | | |
| Deferred tax liabilities | 316 | 298 |
| Deferred Income | 270 | - |
| Current liabilities | | |
| Trade and other payables | 2,964 | 2,268 |
| Current tax liabilities | 3 | 3 |
| Dividend payable | - | - |
| Total current liabilities | <u>2,967</u> | <u>2,271</u> |
| Total liabilities | <u>3,553</u> | <u>2,569</u> |
| TOTAL EQUITY AND LIABILITIES | <u>52,763</u> | <u>52,389</u> |
| Net assets value per share attributable to ordinary equity holders of the parent (sen) | <u>32.27</u> | <u>32.14</u> |

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly report on results for the 4th Quarter ended 31 December 2009 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

| | Share Capital RM'000 | Share Premium RM'000 | Treasury Share RM'000 | Foreign Exchange Translation Reserve RM'000 | Retained Earnings RM'000 | Total Equity RM'000 |
|------------------------------------|----------------------------|----------------------------|-----------------------------|---|--------------------------------|---------------------------|
| Year ended 31 December 2009 | | | | | | |
| Balance as at 1 January 2009 | 15,500 | 1,222 | - | - | 33,098 | 49,820 |
| Net profit for the year | - | - | - | - | 1,941 | 1,941 |
| Exchange difference on translation | - | - | - | (3) | - | (3) |
| Total recognised income | - | - | - | (3) | 1,941 | 1,938 |
| Dividend | - | - | - | - | (1,695) | (1,695) |
| Repurchase of Shares | - | - | (853) | - | - | (853) |
| Balance as at 31 December 2009 | 15,500 | 1,222 | (853) | (3) | 33,344 | 49,210 |
| Year ended 31 December 2008 | | | | | | |
| Balance as at 1 January 2008 | 15,500 | 1,222 | - | (8) | 27,874 | 44,588 |
| Net profit for the year | - | - | - | - | 8,324 | 8,324 |
| Exchange difference on translation | - | - | - | 8 | - | 8 |
| Total recognised income | - | - | - | 8 | 8,324 | 8,332 |
| Dividend | - | - | - | - | (3,100) | (3,100) |
| Balance as at 31 December 2008 | 15,500 | 1,222 | - | - | 33,098 | 49,820 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

| | Period ended 31-Dec-09 RM'000 | Period ended 31-Dec-08 RM'000 |
|---|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 2,070 | 8,599 |
| Adjustments for : | | |
| Allowance for doubtful debts | 197 | 746 |
| Allowance for doubtful debts no longer required | (134) | - |
| Allowance for slow moving inventories | 635 | 273 |
| Amortisation of development expenditure | 510 | 192 |
| Amortisation of prepaid land lease payments | 49 | 49 |
| Depreciation of property, plant and equipment | 985 | 978 |
| Development expenditure written off | 5 | - |
| Deferred income released | (10) | - |
| Interest income | (555) | (597) |
| Unrealised (gain)/ loss on foreign exchange | (20) | 39 |
| Operating profit before working capital changes | 3,732 | 10,279 |
| Changes in working capital: | | |
| (Decrease) / Increase in inventories and receivables | (1,319) | 7,042 |
| Increase / (Decrease) in payables | 695 | (2,629) |
| Cash generated from operating activities | 3,108 | 14,692 |
| Income tax refunded | - | 125 |
| Income tax paid | (181) | (404) |
| Net cash generated from operating activities | 2,927 | 14,413 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 521 | 592 |
| Payment of capitalised development expenditure | (1,485) | (1,009) |
| Purchase of property, plant and equipment | (527) | (626) |
| Net cash used in investing activities | (1,491) | (1,043) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (1,695) | (3,875) |
| Repurchase of treasury shares | (853) | - |
| Net cash used in financing activities | (2,548) | (3,875) |
| Net (decrease)/ increase in cash and cash equivalents | (1,112) | 9,495 |
| Effects from foreign exchange | 12 | (105) |
| Cash and cash equivalents at beginning of year | 28,783 | 19,393 |
| Cash and cash equivalents at end of year | 27,683 | 28,783 |
| <u>Cash and cash equivalents consist of:</u> | | |
| Fixed deposits with licenced banks | 24,021 | 25,038 |
| Short-term funds | 2,293 | 2,237 |
| Cash and bank balances | 1,369 | 1,508 |
| | 27,683 | 28,783 |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly report on results for the 4th Quarter ended 31 December 2009

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 2008. 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 2008.

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 2008.

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.

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 period ended December 31, 2009, the Company purchased 2,486,600 of its issued share capital from the open market for an average price of RM0.34 per share. The purchase transactions were funded by the internally generated funds. The shares purchases are being held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965.

A6 Dividend paid

A special interim tax exempt dividend of 0.7 sen per share amounting to RM1,085,000 for the year ended 31 December 2008 was paid on 10 February 2009. A final tax exempt dividend of 0.4 sen per share amounting to RM610,053 for the year ended 31 December 2008 were paid on 15 July 2009.

A7 Segment reporting

No segment reporting has been prepared as the Group is principally engaged in a single business segment, namely the development and production of machine vision inspection products and the Group operates predominantly in Malaysia.

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 liabilities

Save as disclosed in Note B11, there were no contingent assets or liabilities for the Group since the previous financial year ended 31 December 2008 to the date of this report.

A13 Capital commitments

There were no material capital commitments for the Group as at the date of this report.

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A NOTES TO THE INTERIM FINANCIAL REPORT

A14 Significant related party transactions

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

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B 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 RM6.05 million for the period under review against RM4.02 million in the corresponding period of preceding year, representing an increase of 50.5%. The increase in revenue was mainly on higher sales recorded for the machine vision inspections system (MVS), electronics communication system (ECS) and automated optical inspection system (AOI) due to strong in demand and recovery from semiconductors and electronics industries as compared to the same quarter last year. On the back of this revenue, the Group achieved a profit before tax of RM1.28 million against profit before tax of RM0.39 million in the corresponding quarter, attributable mainly to higher sales recorded in the current quarter under review. Correspondingly, the Group recorded a profit after tax of RM1.15 million against profit after tax of RM0.28 million in the corresponding quarter.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM6.05 million and RM1.28 million respectively for the current quarter under review as compared to revenue and profit before tax of RM5.97 million and RM1.76 million respectively for the immediate preceding quarter. The increase in revenue was attributable to higher sales recorded for MVS and AOI as a result of effective execution of our business strategies. However, the decrease in profit before tax was mainly due to allowance for doubtful debt and allowance for slow moving inventories under current quarter.

B3 Prospects for the final financial year ending 31 December 2010

For the past quarters, the Group has been able to consistently deliver commendable sets of results in spite of tough business conditions. Going into new financial year, it is expected that demand for Group's products will be sustainable. In FY2010, the Group will continue to stay focus in research and development on selected core and high value proposition products in order to remain in the forefront of the technologies and in preparation for the market upturn. Barring any unforeseen circumstances, the Board is confident that along with another year of increase in revenue and profitability, the performance of the Group will continue to grow favourably as the Group successfully maintains its position during the challenging times in FY2009.

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 31-Dec-09 RM'000 | Preceding year corresponding quarter 31-Dec-08 RM'000 | Current year to date 31-Dec-09 RM'000 | Preceding year corresponding year 31-Dec-08 RM'000 |
| Income tax based on the results for the period under review | 126 | 108 | 129 | 275 |

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. However, the application is pending for approval.

A wholly-owned subsidiary of VCB, ViTrox Technologies Sdn. Bhd. ("VTSB") has been granted pioneer status by MITI for a period of five (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. 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.

Another wholly-owned subsidiary of VCB, ViE Technologies Sdn Bhd ("ViE") has also been granted pioneer status by MITI for a period of five (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 year-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 year-to-date.

B8 Status of corporate proposals announced

On 19 June 2009, ViTrox Corporation Berhad (VCB) announced that proposed transfer listing and quotation for its entire issued and paid-up of VCB from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad.

Further to the announcement dated 19 June 2009, VCB has submitted the applications to the Securities Commission (SC) and Bursa Malaysia Securities Berhad in respect of the Proposed Transfer on 17 July 2009 and 27 July 2009 respectively.

Further to the announcement dated 17 July 2009, the Securities Commission ("SC") had vide its letter dated 3 September 2009 (which was received on 4 September 2009) granted its approval for the Proposed Transfer, subject to the following conditions:-

- (i) the Company achieving profitable cumulative results for the nine (9)-month period ending 30 September 2009;
- (ii) HwangDBS and VCB to fully comply with all the relevant requirements pertaining to the implementation of the Proposed Transfer as stipulated in the Guidelines on the Offering of Equity and Equity-linked Securities; and
- (iii) HwangDBS / VCB to inform the SC upon completion of the Proposed Transfer.

Further to the announcement dated 27 July 2009, the Bursa Malaysia Securities Berhad ("Bursa Securities") had vide its letter dated 14 September 2009 approved-in-principle the transfer of VCB's entire issued and paid-up share capital of RM15,500,000 comprising 155,000,000 ordinary shares of RM0.10 each from the ACE Market to the Main Market of Bursa Securities.

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

Further to the announcement dated 9 November 2009, the Proposed Transfer has been completed on the even date.

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

B9 Group Borrowings

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

B10 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet as at 16 February 2010 (being the latest practicable date which shall not be earlier than 7 days from the date of this report).

B11 Material litigation

(a) ViTrox Technologies Sdn Bhd ("VTSB") vs Tan Hwang Kiat (NRIC No : 730726-02-5333) ("First Defendant") and ACA Vision Technology Sdn Bhd (Company No. : 618197-K) ("Second Defendant")

The First Defendant was an engineer previously employed by VTSB. He was suspected to have copies of VTSB's source codes and produced automated vision inspection system to be sold through the Second Defendant.

VTSB was granted an Anton Pillar order on 22 October 2003 and conducted a raid at the Second Defendant's office and the First Defendant's residence on 29 October 2003. It is VTSB's case that the said ViTrox's source codes were discovered in the computers at the said office but nothing was found at the residence.

Based on the results of the raid, VTSB has applied for injunction on 24 November 2003. The application for the injunction together with 2 separate applications by the Defendants to set aside the Anton Pillar order and application by the First Defendant to challenge an affidavit of a witness for VTSB is pending fixing of date from the court for hearing. One of the grounds put forward by the Defendants in their application is that the source codes discovered in the computers do not belong to VTSB.

Based on the advice of the solicitors, the Directors of VTSB are confident that the Court is likely to allow VTSB's claim. VTSB will be entitled to all earnings the First Defendant and Second Defendant made as a result of the unauthorised use of VTSB's source code and costs including the investigation fees.

Notwithstanding the above, in the event that VTSB's claim is not successful and assuming that both the Defendants continue with the business, the Directors of VTSB believes that VTSB would only be minimally affected, if any, in view of the fact that the affected source codes are of the older version. In line with the dynamic environment of the machine vision industry, VTSB has since upgraded the source codes which are of higher accuracy and speed. As such, the current product lines of VTSB are independent of the affected source codes and thus, the sales of VTSB's products should not be affected by products arising from the use of affected sources codes, if any.

The decision for Enclosure 57 (the Defendant's application to expunge certain affidavits of the Plaintiff) came up on 9 November 2006 where the Court dismissed the Defendant's application. Therefore, the Plaintiff is entitled to rely on all the affidavits. However, the Court informed the Defendant's solicitors that they are at liberty to file an application to cross examine the deponent/s of the relevant affidavits as provided for in the Rules of the High Court.

Having delivered the said decision on 9 November 2006, the Court then fixed Enclosures 15 (the First Defendant's application to set aside the Anton Piller Order), 17 (the Plaintiff's application for further injunction) and 19 (the Second Defendant's application for return of the items seized) for hearing on 10 November 2006.

On 10 November 2006, all counsels applied for an adjournment on the basis that more time is needed to fully prepare for hearing of the said 3 enclosures. The Court allowed the application for an adjournment and fixed the said 3 enclosures for hearing on 8 December 2006. The Court had instructed the Second Defendant to file its Submission and fixed 12 August 2009 for mention. Thereafter, the Court had on 12 August 2009 further fixed 10 November 2009 for a decision in relation to the Second Defendant's interlocutory application for leave to cross examine one deponent. Subsequently, the next date of hearing has been fixed on 23 February 2010.

(b) Tan Hwang Kiat vs ViTrox Technologies Sdn Bhd

Tan Hwang Kiat ("the Plaintiff") commenced action against ViTrox Technologies Sdn Bhd ("the Subsidiary"), a wholly-owned subsidiary of ViTrox Corporation Berhad.

In the statement of claim endorsed on the writ of summons that was served on 6 March 2006 on the Subsidiary, the Plaintiff alleges that the Subsidiary had in the Subsidiary's directory under the file - ViTrox-Corp Directory-Inform Summary-Risk Factors-published in the Bursa website, www.bursamalaysia.com. under the heading of Information Summary and in the sub-heading entitled Material Litigation published a statement that is defamatory of the Plaintiff.

The Plaintiff did not specify any specific quantum of damages in the aforementioned writ of summons. At this stage, the quantum of damages of the suit cannot be determined as damages (if any) that is to be awarded in a defamation action is to be assessed by the Court having the benefit of evidence adduced during trial. In accordance, the Company is not able to assess the financial damages (if any) and the suit is not expected to have any other financial impact on the Group. The suit is also not expected to have any operational impact on the Group.

As the Plaintiff's claim is founded on the allegation of the tort of defamation, it is not liquidated claim that can be quantified. The Plaintiff had therefore claimed the interest rate on the judgment sum which is to be assessed in the event that the Plaintiff is successful in his claim. In such an event, the Plaintiff is entitled to claim interest of 8% per annum on the judgment sum from the judgment date until the full settlement of the said sum.

The Subsidiary, having consulted its solicitors has been advised that it has good defence to the action commenced by the Plaintiff and has instructed its solicitors to do the necessary to defend the said action.

The hearing date on 29 August 2006 for the hearing of the Plaintiff's application for interim injunction in the action commenced by him against VTSB was adjourned to 7 December 2006.

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Subsequently, following a few adjournments, the next date of hearing has been fixed on 24 March 2010.

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B12 Dividends

On 14 January 2009, the Company declared a special interim tax exempt dividend of 0.7 sen per share amounting to RM1,085,000 for the financial year ended 31 December 2008 which was paid to all holders of ordinary shares on 10 February 2009 whose names appeared in the Record of Depositors at the close of business on 3 February 2009.

On 25 June 2009, the Company declared a final tax exempt dividend of 0.4 sen per share amounting to RM610,053 for the financial year ended 31 December 2008 which was paid to all holders of ordinary shares on 15 July 2009 whose names appeared in the Record of Depositors at the close of business on 2 July 2009.

The total to date dividend for the financial year ended 31 December 2009 is Nil (2008: 1.1 sen per share)

B13 Earnings per share

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--------------------------------------|---|--------------------------------------|--|
| | Current year quarter 31-Dec-09 | Preceding year corresponding quarter 31-Dec-08 | Current year to date 31-Dec-09 | Preceding year corresponding year 31-Dec-08 |
| Net profit attributable to shareholders (RM'000) | 1,154 | 283 | 1,941 | 8,324 |
| Weighted average number of ordinary shares in issue ('000) | 152,851 | 155,000 | 152,851 | 155,000 |
| Basic earnings per share (sen) | <u>0.75</u> | <u>0.18</u> | <u>1.27</u> | <u>5.37</u> |

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

B14 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2008 was not subject to any qualification.

B15 Authorisation for issue

The interim financial statements are authorised for issue by the Board of Directors on 23 February 2010.

By Order of the Board

Chu Jenn Weng
Managing Director

Penang

Date: **23-Feb-10**