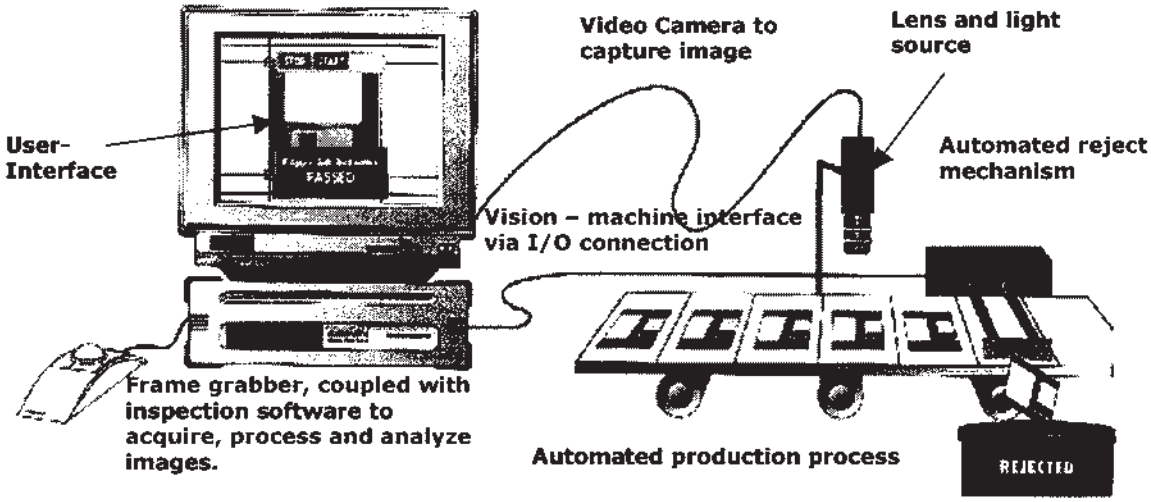
6. BUSINESS OVERVIEW

6.1 PRODUCTS, SERVICES AND OPERATIONS

The ViTrox Group offers a wide range of machine vision solutions to its customers, with a current focus on the design and production of automated machine vision inspection system for the back-end semiconductor processes. The array of products produced by the Group ranges from low cost machine vision inspection system to perform simple presence and absence check to high end and high accuracy 3D lead and package vision inspection systems. In addition, the Group also provides value added services and after-sale supports to OEMs and MNCs to resolve their equipment or manufacturing process problems such as upgrades of their existing machine vision system, cameras and light sources.

A typical ViTrox's machine vision inspection system can be depicted as follows:

Main Components of a Typical Machine Vision Inspection System

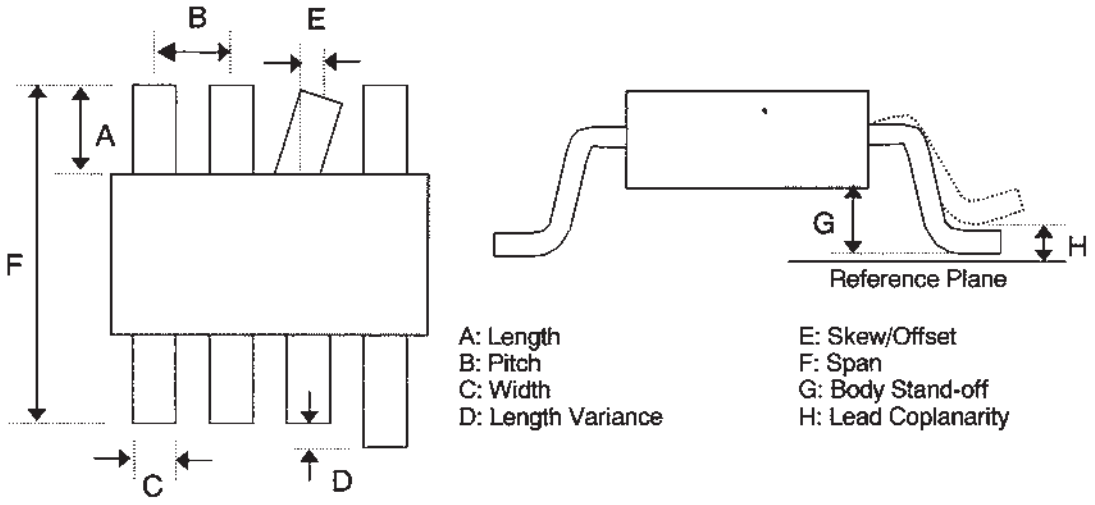


6.1.1 Standard End of Line ("EOL") Machine Vision Inspection Systems

The Group's machine vision inspection systems are designed and developed specifically for inspection work in the EOL production process of the semiconductor industry. Specifically, the Company's machine vision systems are used in the following areas of the EOL production process:

(i) **2D and 3D lead, pad and ball inspection**
The measurement of the position of the contact leads, pads or balls in 2D or 3D dimensions; this inspection detect malformed, bent leads or damaged leads, incorrect located pads or balls. 3D inspection is critically important because the device may not be able to connect properly to printed circuit board if the contacts are not on the same horizontal plane, resulting in defective electronics devices. Typically this vision system inspects for the lead length, lead pitch, lead width, lead offset, lead co-planarity, body stand-off of various semiconductor packages including SOT, SC70, SC79, SOIC, DPAK, PREDIP and QFP. The diagram below illustrates the inspected criteria for 2D and 3D lead inspection.

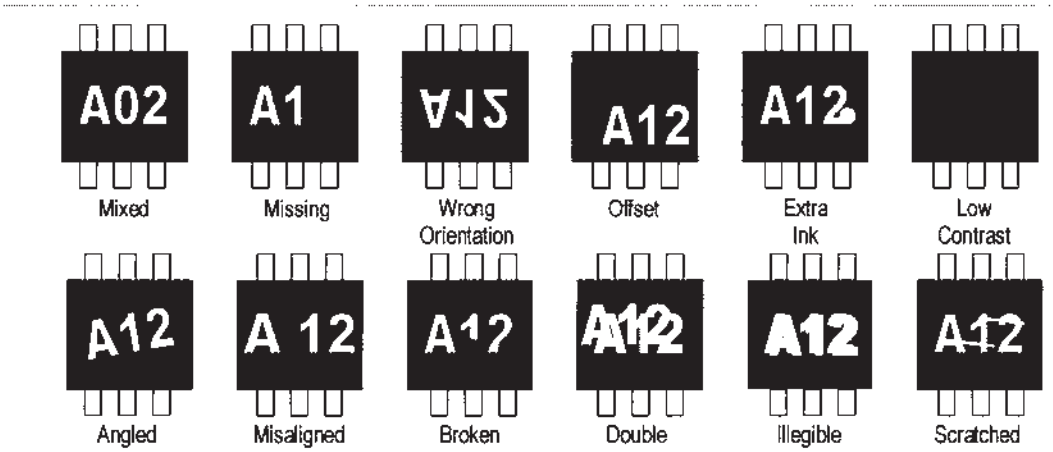
Inspection Criteria for 2D and 3D Lead Inspection System



(ii) **Mark inspection**

The inspection of the ink or laser marks which are inscribed on the IC packages. These inscriptions contain information such as part number, company logo, etc. These systems inspects missing mark, mixed mark, angled mark, mis-aligned mark, wrong oriented mark, broken mark and extra ink. The diagram below illustrates the inspected criteria of mark vision inspection system:

Inspection Criteria for Mark Inspection System

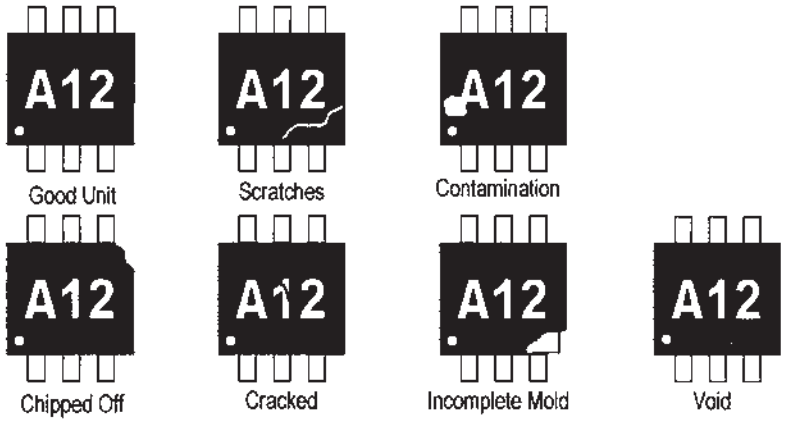


6. BUSINESS OVERVIEW *(Cont'd)*

(iii) **Package inspection**

The inspection on the IC packages for scratches, contamination, incomplete molding, incomplete plating, mold chipped-offs, cracks and exposed wires as shown in the diagram below:

Inspection Criteria for Package Inspection



(iv) **Orientation inspection**

The inspection of the orientation of the object by using either pattern matching techniques or edge finding techniques. After the orientation of the object is determined, the machine vision system provides orientation information feedbacks to the machine for further action, such as to rotate the object to certain angle prior to the insertion of the said object into a shipping medium or test station.

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6. BUSINESS OVERVIEW *(Cont'd)*

In addressing the semiconductor industry's needs for the types of inspections as highlighted previously, ViTrox Group has developed innovative machine vision solutions to complement the EOL manufacturing processes. The array of machine vision inspection systems developed by the ViTrox Group is as follows:

ViTrox Machine Vision Products

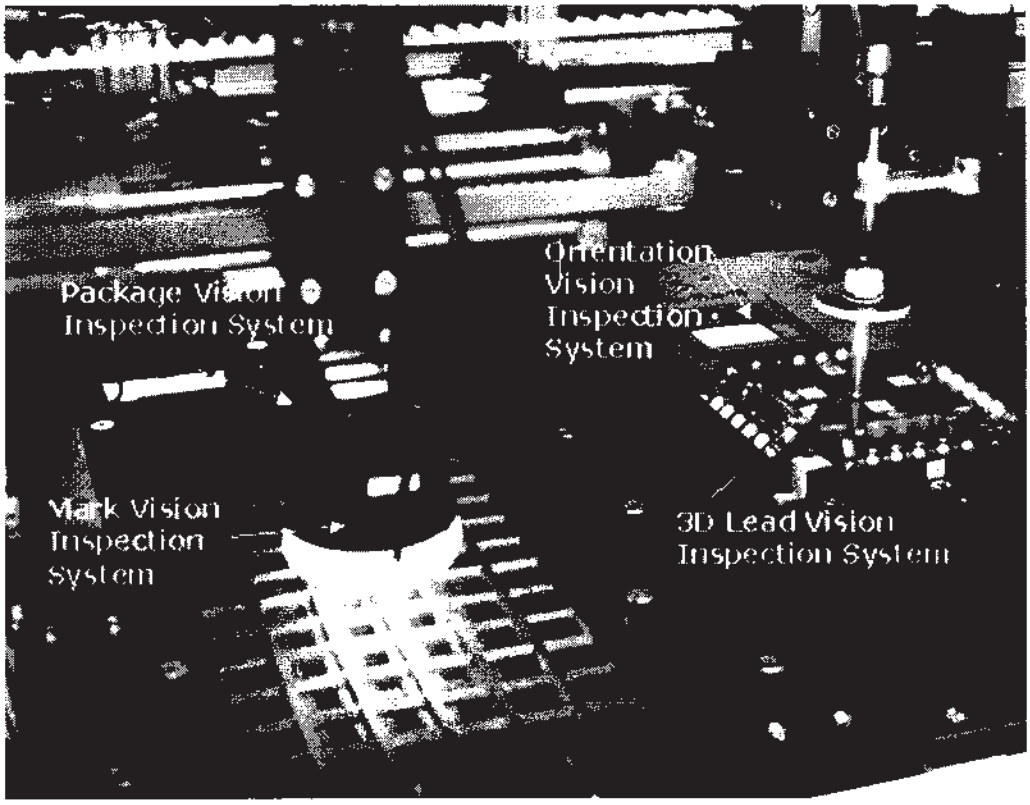
		Product Category	Types of MachineVision System	Lead	Mark	Pad	Pack-age	Ball	Orienta-tion
Application Market	Semiconductor Back End Processing, EOL	2D Vision System	2D Mark Lead Inspection System	X	X				
			2D In pocket Inspection System	X	X				
			2D Mark Orientation Vision Inspection System		X				X
			2D Mark Vision Inspection System		X				
			2D Mark Package Vision Inspection System		X		X		
			2D BGA Vision Inspection System					X	
			2D Pad Vision Inspection System			X			
			2D Orientation Vision Inspection System						X
		3D Vision System	3D Lead Coplanarity Vision Inspection System	X					
			3D MLP Pad Vision Inspection System			X			
			4 in 1 Integrated Inspection System (Leaded package)	X	X		X		X
			4 in 1 Integrated Inspection System (Leadless package)		X	X	X		X

All the products listed above will have the capabilities of inspecting IC packages which are different in sizes, pitch, height etc. The machine vision systems can be customised to meet the demands of the various packages and tolerance level specified by the customers.

6.1.2 Integrated Machine Vision Inspection Systems

ViTrox's systems are capable of inspecting a wide range of IC packages including leadframe packages such as SOT, SC70, SC79, SOIC, DPAK, QFP, MLP and QFN as well as advanced packages such as BGA and Chip Scale Package (CSP). ViTrox's machine vision inspection systems are available as standard generic units or can be customised to cater to the customers' specifications. In its pioneer effort in 2001, ViTrox developed an innovative "integrated system" that is capable of supporting up to four (4) applications such as integration of orientation vision system, mark vision system, lead vision system and in-pocket inspection system which is named the 4-in-1 Integrated Vision Inspection System. Such integrated systems are beneficial to the customers as they provide cost-savings solutions in terms of floor space, maintenance, cabling and licensing.

ViTrox 4-in-1 Integrated Vision Inspection System



6.1.3 Customisation Services

In line with the aim of providing total machine vision solutions to its customers, the ViTrox Group provides software and hardware customisation services as a value added service which complements its provision of standard machine vision systems. These customisation services include providing leadframe inspection for machine vision inspection system, keypad inspection, LCD inspection, connector dimension inspection, providing customisation on standard machine vision system in area such as machine I/O interface, special user interface, reporting format and other specific inspection requirements.

The Group is committed in providing quality machine vision solutions that consistently meet or exceed customer requirements through the continual improvement of its products and services, prevention of non-conformity and its strict quality management system ("QMS") that complies with the international standard ISO9001:2000. In May 2004, the Group has been awarded the coveted ISO9001:2000 ceritification. In order to be ISO9001:2000 certified, ViTrox has established the required QMS and demonstrated its ability to consistently provide products that meet customer specifications and applicable regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer specifications and applicable regulatory requirements.

The Group is aware that quality control is essential to ensure customer satisfaction. Stringent quality control standards and procedures are developed and applied throughout the entire production process under the supervision of qualified technical engineers. The Group aspires to become a leading-edge machine vision inspection systems provider, offering high quality products and services to its customers throughout the Asian region as well as the US and European Union countries.

6. BUSINESS OVERVIEW *(Cont'd)*

6.2 COMPETITION AND COMPETITIVE ADVANTAGES
(Source: Infocredit D&B Report)

The Malaysian machine vision industry is an emerging industry and most players are involved in a wide spectrum of manufacturing non-specialised factory automation and tests equipments for the semiconductor and electronics industry. ViTrox Group is one of the few leading pure-play machine vision solutions providers in Malaysia and thus allowing the Group the advantage of full resources commitment and the pioneer market advantage.

In the international market, there are two prominent players namely ICOS Vision System Corporation (Belgium) and Cognex Corporation (US), which are the leading developer and supplier of machine vision inspection equipment primarily for use in the backend semiconductor manufacturing. The strong earnings of both companies in the recent years indicate the continued potentials in the international market for machine vision systems. In competing with these established players, ViTrox Group believes that it would have the distinct advantage of lower cost structure and thus, a competitive pricing capability, in addition to its ISO 9001:2000 certified products and services.

In Asia (ex-Japan), the machine vision industry is estimated to be worth between US$1.0 billion and US$1.2 billion in 2003 which is a very large industry for the local machine vision players to explore. The growth potential in countries like China, Taiwan and South East Asia is very promising. Compared to international companies in USA or Europe, Malaysian companies have the distinct advantage in penetrating this region due to cultural and language similarities.

6.2.1 Competitive Advantages of ViTrox Group

High Performance/Accuracy, Low Cost and Complete Support Services

The machine vision system from ViTrox are more price competitive as compared to a system from overseas which could cost three times more, for similar product. In addition ViTrox not only intends to compete in pricing alone but also on quality and the level of support which can be provided by its team of technical support staff. ViTrox is able to provide high performance and high accuracy machine vision systems for its customer. For example, ViTrox's machine vision system is able to achieve high accuracy measurements of 7.5 microns or less. ViTrox's success in the provision of high performance and high accuracy machine vision systems is evidenced by the shipment of its machine vision systems to companies in Japan which have very stringent requirements in the semiconductor industry.

In addition, it has been able to provide complete support service either by itself or through its network of sales agents/representatives. As at 31 July 2005, the Group has a team of 48 staff consisting engineers, production staff and service staff. This suggests the level of commitment that the Group is willing to contribute to the sales of its products to ensure timely response to its customers' needs regardless of where they are located.

Customised Services and In-House R&D Team

One of ViTrox other competitive advantage is in its ability to provide customised services in terms of software as well as hardware. Presently the customisation services are provided as a complementary service to its machine vision systems. The R&D team will be able to customise all the machine vision systems developed by ViTrox. In addition with ViTrox's in-house R&D team, it will be able to conduct continuous R&D activities to improve on its products in order to comply with the latest types of IC packages and increased standards in terms of accuracy and speed.

6. BUSINESS OVERVIEW *(Cont'd)*

Proprietary Technology

As part of ViTrox's strategy to be a total machine vision solutions provider, its R&D team has developed four (4) proprietary technologies namely the ViTrox Standard Component Library (VSCL2), ViTrox Illumination System, 3D Optical Design and Integrated Vision System. VSCL2 is a Windows-based proprietary image-processing platform comprises a comprehensive suite of functions for image acquisition, enhancement, segmentation, processing, feature extraction, analysis and standard user interface. This technology also provides a distinct advantage to ViTrox as it reduces the cost of future product development, shorten the product development cycle, and standardization of all its vision systems. The ViTrox Illumination System includes light source controller and various light sources. The light source controller is an embedded electronics device which controls light uniformity and intensity. This controlled light is critical to ensure that appearance of the object is visually enhanced before image of the object is captured and processed. ViTrox's proprietary 3D Optical Design enables its vision systems to achieve high accuracy measurements of 7.5 microns or less in 3D lead or ball vision inspection system. The ViTrox Integrated Vision System provides a cost effective and user-friendly machine vision system for end-user that required multiple vision inspection capability. The integrated vision system is built on top of a centralized control panel that monitor and control all I/O communication between vision systems and external device as well as to display overall inspection result and yield in a single screen panel.

6.2.2 Barriers To Entry in the Machine Vision Industry

Requirement for High Technical Knowledge

The machine vision system requires a combination of highly sophisticated hardware and software as well as in-depth technical knowledge of the various components within the system. The challenge in producing a machine vision system lies in the combining the in-depth technical knowledge of components with the experience in developing an optimal solution that conforms to customers' requirements and exceed their expectations. ViTrox Group relies on its experienced staff headed by its Executive Chairman/Managing Director, Mr. Chu to ensure that the design of the systems are robust enough to withstand the strenuous environment of the IC fabrication process while maintaining its sensitivity in detecting the various defects. The design of a machine vision system requires high technical knowledge in optical technology, software design and hardware configurations. This technical knowledge would have been acquired through many years of exposure to the machine vision system industry. Although the industry is relatively new, the technology has been moving very fast thus will be very challenging for the new entrants to learn on the job.

High R&D Investment

The industry requires high initial capital outlay in capital expenditure and continuous investments into R&D in order to be able to introduce new, improved and innovative products within a short period of time. Due to the rapid advancement of technology, there are many innovative IC packages which are getting smaller, requiring more precise visual inspection machines. Companies like the ViTrox Group needs to invest continuously into R&D activities in order to compete with many foreign companies. For new entrants, the ability to provide for investments in terms of both capital expenditures and R&D activities will be very taxing on resources. New entrants will also need to have ample resources to ride through the gestation period while the company concentrates on R&D activities before production of the machines. Both this issues will be a barrier of entry to new comers to the industry.

Established Network of Clientele Base

The long period of time required in establishing a strong track record in terms of building up relationships with clients, especially with MNCs and established machine makers, can prove daunting to newcomers. It is mutually beneficial for both customers and suppliers to form long-standing relationships once the quality of services are accepted and recognised. As the consumers of the semiconductor industry demand for higher quality end products, semiconductor manufacturers are more incline to turn to machine vision system to deliver the level of quality control to their assembly process. However, with time being the essence for many semiconductor manufacturers, they will prefer

to look for machine vision systems which have a proven record. At the same time, ViTrox is slowly building up its end-user clientele in the overseas market.

6.3 PRINCIPAL MARKETS AND MODES OF MARKETING

The major customers of the ViTrox Group are categorised into OEMs being the machine makers; end-users being the semiconductor manufacturers and direct sales agents/representatives ("SAR"). In line with the norms of the machine vision industry and similar to many of its competitors, ViTrox Group's business which complements those of the machine makers, is primarily derived from the OEMs. For the financial year ended 31 December 2004 and five (5) months financial period ended 31 May 2005, the Group exported 31.8% and 16.1% of its products, respectively. Further details on the revenue breakdown of the ViTrox Group are set out in Section 10.2.1 of this Prospectus.

The Group has adopted a two-pronged marketing strategy, separately targeting the domestic and international market place. Domestically, the Group sources for new clientele through the deployment of its internal sales force as well as organisation of road shows for the Group's products and services. At the same time, the Group plans to speed up the development of its overseas sales through the establishment regional offices. In addition, ViTrox has been using a network of SAR to penetrate overseas market such as China and Taiwan. ViTrox will continue to deploy its network of SAR to make in-roads into new markets like in Europe and expand existing international markets in China, Taiwan, Japan, US and South East Asia.

ViTrox has been a constant participant of the annual semiconductor exhibitions and has participated in numerous local and overseas trade shows organised annually, especially in Singapore and China. These trade shows serves as an important marketing avenue for ViTrox to establish its overseas clientele, historically and in the future.

6.4 MAJOR CUSTOMERS

The details on the ViTrox Group's top ten (10) customers based on the financial year ended 31 December 2004 are as follow:

No.	Customer	Country	% of the Group's FYE 2004 Revenue	Length of Relationship (Years)
1.	SRM Tech	Malaysia	61.9	5
2.	Tripod Technology Corporation	Taiwan	14.8	2
3.	Innovator Electronic Engineering	Hong Kong	9.3	2
4.	Arthur Corporation	Japan	3.8	5
5.	Aetrium Incorporated	US	3.3	2
6.	Renesas Semiconductor (Kedah) Sdn Bhd	Malaysia	2.2	5
7.	Daitron (Malaysia) Sdn Bhd	Malaysia	0.9	3
8.	Silitech Technology Corporation	Malaysia	0.6	3
9.	Sowa Mechatronics Corporation	Japan	0.6	2
10.	Carsem (Malaysia) Sdn Bhd	Malaysia	0.5	5
		TOTAL	98.4	

The details on the possible risk of dependency on SRM Tech, being the historical major customer of the Group, are set out in Section 3.1.2 of this Prospectus.

6. BUSINESS OVERVIEW *(Cont'd)*

6.5 MAJOR SUPPLIERS

The Group sources its components in the production of its machine vision products from local agents as well as overseas, primarily from Belgium and Japan.

The following are the details on the ViTrox Group's top ten (10) suppliers based on the Group's total purchases for the financial year ended 31 December 2004.

No.	Name of Supplier	Country	% of Group's Total FYE 2004 Purchase	Length of Relationship (Years)
1.	MID Mechatronic Sdn Bhd	Malaysia	17.4	3
2.	Euresys S.A.	Belgium	14.2	5
3.	Western Dynamics Resources Co.	Malaysia	11.6	3
4.	Gaotec Sdn Bhd	Malaysia	11.1	5
5.	Planet Technology (M) Sdn Bhd	Malaysia	8.4	3
6.	Kyoto Denkiki Co., Ltd	Japan	4.3	5
7.	Dell Asia Pacific Sdn	Malaysia	2.8	3
8.	Advance Ultravision Sdn Bhd	Malaysia	2.4	5
9.	Wen Yi Enterprise	Malaysia	2.4	2
10.	General Computers (M) Sdn Bhd	Malaysia	2.2	4
		TOTAL	76.8	

These components are easily available from numerous suppliers locally and globally. Hence, the Group is not dependent on a single supplier and the management of ViTrox believes that it will not face difficulty in sourcing for those components.

6.6 LOCATIONS OF OPERATIONS

The ViTrox Group's operations is currently located in No. 5, Lintang Bayan Lepas 2, Bayan Lepas Industrial Park, Phase 4, 11900 Bayan Lepas, Penang with a total land area of approximately 1,533 sq. metres and a built-up area of 544 sq. metres whereby the production area occupies approximately 57.6 sq. metres. The Group plans to shift to its proposed new three double-storey office-cum-factory buildings located within the Bayan Lepas Industrial Zone with a total land area of approximately 12,152 sq. metres with an initial planned built-up area of 2,787 sq. metres. About half of the total land area will be reserved for future expansion. The proposed office-cum-factory is expected to be completed by the first quarter of 2006. The office-cum-factory expansion is necessitated by the Group's current operating constraints whereby shortage of space has limited R&D activities on new products and shall expand the production capacity of the Group in line with business expansion plan of the Group.

6.7 TECHNOLOGY AND PATENT AND TRADEMARKS

6.7.1 Technology

Machine vision is a multi-disciplinary technology. Multi-disciplinary knowledge and technical expertise are required to design these components to form a complete, effective machine vision inspection system that best suits the needs of the application. Over the years, the Group has built up the capabilities to design and develop critical components of machine vision system such as the proprietary light source, proprietary optical module, programmable light source controller, imaging software, and electronics controlled and triggering devices for high speed application, as summarized in the followings paragraphs.

6. BUSINESS OVERVIEW *(Cont'd)*

Artificial Intelligence (AI)

AI is one of the key technologies which is incorporated into ViTrox's products. This technology involves the development of algorithms that enable machine vision systems to make intelligent decisions, or act as if possessing intelligence of a human capacity. AI is used to analyse scenes by computing a symbolic representation of the scene contents after the images have been processed to obtain features. Machine vision is often considered a subfield of AI. An AI based machine vision system is a system which has decision-making capabilities which incorporate fuzzy logics or neural network. Fuzzy logic is a type of logic that recognises more than simple true and false values while a neural network is a processing function which can be executed through specific algorithms in embedded hardware or computer which has "training" rules. Machine vision systems with AI will include functions which will enable the system to acquire the ability to learn based on samples of variation and make accurate judgement.

ViTrox Standard Component Library (VSCL2)

ViTrox's R&D team has developed a Windows-based proprietary vision software platform that comprises a comprehensive suite of functions for image acquisition, segmentation, processing, feature extraction, analysis and standard user interface and reporting features, networking modules and I/O interface module, motion control modules and light source controlled modules as well as multi-application controlled modules. VSCL2 has the advantage of being flexible thus enabling a next generation development platform for various machine vision applications – a platform consists of modules like user interface module e.g. Human Machine Interface (HMI), I/O communication module, image processing modules, reporting module (which consist of a summary of statistical inspection results), user manager modules, on-line help module/interactive help module, networking modules, video signal acquisition module, lighting control and triggering modules.

The platform utilises Inline assembly codes, Multimedia Extension (MMX) and HyperThreading (HT) technology from Pentium IV and above to improve the processing speed of various computational intensive image processing algorithms. In addition, the VSCL2 will also utilised the .NET technology from Microsoft to shorten the development cycle of vision application and library and also to ensure that the codes can be maintained and expanded in the future. By developing its own in-house library, ViTrox will have the flexibility to enhance and customise various image processing functions to suit various application needs. In the long run, the Group will be able to save on monetary resources for the procurement of off-the-shelf imaging libraries. In addition, it will reduce dependency on off-the-shelf imaging library which require frequent updates from the software developers. VSCL2 is also the standard machine vision software platform which can be leveraged upon for future development of machine vision systems thus shortening the development cycle of ViTrox's new products.

Very High-speed Hardware Description Language (VHDL)

VHDL is the IEEE standard hardware description programming language downloaded into an IC chip to carry out certain tasks such as describing digital electronic systems to address issues. This language is currently being used in the development of the light source control, and has potential to be used in a smart camera in the future (where a frame grabber and PC are not required for image processing). VHDL is not just a description language, but also a design methodology and environment. It is intended to provide a tool that can be used by the digital systems community to distribute their designs in a standard format, thus establishing uniformity and standards

Human Machine Interface (HMI)

Human machine interface has become an integral component of many, if not all, of the machine vision inspection systems as it is built around knowledge representation and interactive visualisation software. It allows operators to interact with the machine vision system by presenting vast quantities of data in formats that make sense to humans. In this aspect, the HMI development also includes all kind of reporting formats, user manager development as well as the image layout organisation and planning for the entire software platform.

6. BUSINESS OVERVIEW *(Cont'd)*

Hardware

The 2D and 3D vision inspection systems utilise in-house proprietary lighting/illumination techniques, which were customized to suite specific application needs, to minimize unwanted reflection (noise) from captured images. The purpose of having controlled illumination is to ensure that the object is illuminated at the right direction and with the right amount of intensity, in which the object of interest is visually enhanced. As a result, it's flaws, defects, and other features can be highlighted for identification and classification by the vision system. Good image quality is the combined result of proper illumination, lens selection, camera and lens placement and object positioning.

In addition, the use of high-speed cameras with high-speed frame grabbers can also reduce inspection cycle time. Some of the factors to be considered when selecting these devices include pixel jitter, video bandwidth, data bits, light sensitivity and signal to noise ratio (SNR). The optimal frame grabber with the lowest pixel jitter and most accurate digitisation of images plus a camera that sends a pixel clock to the frame grabber will usually give the best results. Pixel clock indicates the time taken for frame grabber to clock in pixels. With the advancement in camera technology, machine vision system is now evolved to be faster and more accuracy.

In order to increase the processing power of the PC, technologies such as Multimedia Extension (MMX) and HyperThreading (HT) from Intel are being used. MMX allows bytes of data, or instructions, to be packed together into a single register and operated as one set of data, therefore reducing the amount of work that the chip has to do and allowing it to do more. HT technology enables the multi-tasking in computers to be a lot easier and faster. In addition, dedicated DSP boards can be used to improve the processing speed of machine vision systems when required. The Microsoft .NET platform provides a common and powerful platform for software development that is very efficient and easy to be adopted by most programmers in the region.

6.7.2 Patent and Trademarks

Currently, the Group does not have any trademark or patent with the Malaysian authorities. Nevertheless, processes undertaken by the Group, such as proprietary lighting source controller and customization of softwares are not easily replicable. The Group relies upon a combination of trade secrets, non-disclosure and other contractual agreements to attempt to protect its proprietary rights. The ViTrox Group is also protected by the general copyright laws in Malaysia for its proprietary processes and know-how. Going forward, the Group intends to protect its intellectual property rights by registering trademarks over some of its products and solutions it has developed and patenting some of its aforementioned proprietary technologies.

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6. BUSINESS OVERVIEW *(Cont'd)*

6.8 RESEARCH AND DEVELOPMENT

6.8.1 R&D Policy and Process

The R&D objectives that the Group intends to achieve for all its future R&D into machine vision applications are summarised into the focus areas as follows:

i) **High Accuracy Vision**
The Company will continue to develop high accuracy 3D measurement vision systems (6 microns or less). This translates to better performance systems to exceed customers' stringent production needs.

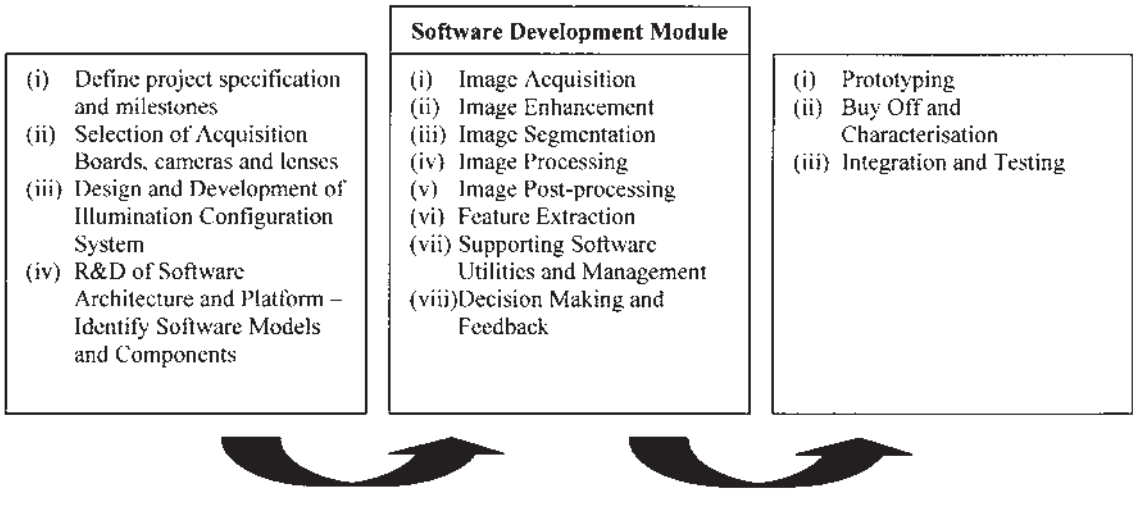
ii) **High Speed Vision**
The Group will continue to conduct R&D to incorporate the latest hardware technologies and image processing algorithms to develop high-speed vision inspection systems. This will enable ViTrox Group's customers to have a high throughput system, thus ensuring rapid profitability to their investments.

iii) **Integrated Systems**
The Group will continue to produce innovative and fully integrated machine vision inspection systems to allow maximum cost-savings in terms of maintenance, floor space, cabling and licensing. All applications will run simultaneously on one controller in a multi-tasking manner, giving ViTrox Group's customers unprecedented cost-savings and user-friendliness for multiple vision system implementation.

iv) **Technology Forefront**
The Group will continue to develop systems that operate on the proven and industrial-standard Windows NT/XP platform hence providing ViTrox Group's customers with a stable and robust operating environment, ensuring no system downtime caused by operating platform instability. Furthermore, this platform assures continuity in support, thus minimising platform obsolescence; protecting the customers' valuable investment.

The R&D team of ViTrox Group undertakes R&D, engineering, product testing and software development activities guided by the R&D process as follows:

R&D Process Flow



6. BUSINESS OVERVIEW *(Cont'd)*

6.8.2 R&D Personnel and Facilities

As at 31 July 2005, the ViTrox Group's R&D and technical team comprises twenty nine (29) personnel, headed by Mr. Chu Jenn Weng and assisted by Mr. Yeoh Shih Hoong and is supported by a team of specialists and senior engineers. The R&D facilities of the Group are housed in the Group's headquarters at Bayan Lepas Industrial Park, Penang, where all the operations and employees of the Group are currently based.

6.8.3 R&D Expenditure

The R&D expenditure incurred by the Group on over the last three (3) financial years ended 31 December 2004 is as follows:

	Financial Year Ended 31 December		
	2002	**2003**	**2004**
R&D Expenditure (RM'000)	317	279	462
R&D Expenditure as a percentage of revenue	7.9%	4.2%	3.4%

6.8.4 Achievements in R&D

The road map of achievements in R&D attained by the ViTrox Group to date are as follows:-

Year	Technology/Product	Description
2000	IC Mark Lead	First generation of 2D Mark Lead Vision Inspection System
	IC Co-Planarity	First generation of 3D Lead Vision Inspection System
2001	4-in-1 Integrated Vision	Integration of 2D and 3D Vision inspection for IC
	OTF Hi-Speed Inspection	'On-the-fly' high speed vision system for 2D and 3D vision inspection system. Designed based on latest CCD (Coupled Charged Device) technologies.
2002	SOT-3D Vision	2nd Generation of true backlit 3D Vision Inspection System for IC packages (Better accuracy and reliability as compared to the 1st generation)
	MLP – 5S Vision	3D Vision inspection system for leadless packages
2003	QFP 3D Lead	3D Vision inspection for high lead count packages such as QFP and BGA
	Light Source Controller	Designed and built in-house SOC technology for software controllable light source.
	Cosmetic Inspection	Package inspection capability for all IC packages (lead and leadless packages)
2004	Line-Scan Capability	Prototyping on line scan technology
	VSCL-2 Platform	Developed more user friendly and highly modular platform for vision applications.
	Optics Development	Further improve 3D optical design capability for all IC packages
	Digital Imaging	Successfully developed the first digital imaging system using 'camera link' technology, which provide higher image quality and speed.
	Imaging Library	Successfully develop in-house imaging library to replace off-the-shelf image library.

6. BUSINESS OVERVIEW *(Cont'd)*

Year	Technology/Product	Description
2004 (Cont'd)	Light Source Controller	2nd generation light source controller with multi-level triggering and low cost
	Vs Series for Mark Vision, 3D Lead Vision, Pad Vision, 5S Vision and In-pocket Vision Systems	Built based on VSCL2 platform with better user-friendliness and performance that run on Windows 2000 and XP
	MLP 5S Vision Inspection System (Vs Series)	3D pad and package vision inspection system that is capable to detect defects up to 15um accuracy
	Line Scan Mark Vision System	On-the-fly mark inspection system on tray
2005	High-Speed Line-Scan Vision System	On-the-fly inspection for circuits defect detection

6.8.5 Present Status of R&D

The R&D team of ViTrox Group is currently conducting R&D in the following areas:

No.	Details	Estimated Year of Completion
(i)	Ultra high speed inspection system using advanced digital technologies for IC mark, lead, pad and package checking. The new platform is capable to perform inspection on handler running up to 50,000 units per hour (UPH) as compared with the current prevailing throughput of up to 30,000 UPH;	2005-2006
(ii)	On-the-fly line scanning system for tray mark and package inspection. This new product will able to perform inspection on multiple ICs in single scan; and	2006
(iii)	Next generation 3D Lead/Pad vision inspection system that utilises high accuracy optical design and robust algorithms that caters for different IC package type and size. The new system will be able to minimise conversion time between IC types and hence improve machine throughput.	2006

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6. BUSINESS OVERVIEW *(Cont'd)*

6.9 EMPLOYEES

As at 31 July 2005, the Group has a total of full-time forty eight (48) employees (including three (3) Executive Directors) that make up those of managerial positions as well as skilled employees. A breakdown of the employees is depicted as follows:

Categories	< 1 year	1 – 5 years	Total	% of Total
Director & Management	0	3	3	6%
Human Resources/ Accounts/ Administration/ Sales/ MIS/ Store	4	7	11	23%
Engineer/ Production/ Service/Quality Assurance	12	14	26	54%
R&D Engineer	5	3	8	17%
Total	21	27	48	100%

The ViTrox Group promotes empowerment within its employees in order to create a conducive environment for creativity and product innovation. The employees of the ViTrox Group are not members of any trade union. There has not been any material dispute to date between management and these employees. In addition, the present staff force enjoys a cordial relationship with the management of the ViTrox Group.

It is also the intention of the ViTrox Group to recruit additional employees, particularly business development and R&D activities in line with its business expansion.

The Group provides a series of continuous training and development programmes for its employees, which includes in-house workships to update all the employees on the new developments in the Group. The employees receive technical and production training from the Group's in-house and external experts. The main objective of its training and development programme is to keep its staff informed about recent developments in the machine vision and semiconductor industries, and to further encourage overall efficiency and productivity.

In addition, the Group also engages external training centers and associations to conduct seminars and workshops to identify, evaluate and manage risks, to enhance management quality and increase the competency level of its employees. The types of external programmes that the staff will participate includes management courses, engineering courses, information technology courses, language classes and sales/marketing courses.

6.10 INTERRUPTIONS TO BUSINESS DURING THE PAST TWELVE (12) MONTHS

There has not been any material interruption to the businesses of the ViTrox Group during the twelve (12) months preceding the date of this Prospectus.

6. BUSINESS OVERVIEW *(Cont'd)*

6.11 DEVELOPMENT MILESTONES

The significant milestones for the Group are as described below:-

Year	Events
June 2000	First Generation of 2D Mark Lead Vision Inspection System
September 2000	VTSB was awarded Pioneer Status by Malaysian Industry Development Authority (MIDA)
March 2001	Moved to existing factory in Penang Free Trade Zone Phase 4
May 2001	4-in-1 Integrated Systems for 2D and 3D vision inspection for IC
May 2002	Participated for the first time in the Semicon Show in Singapore
June 2002	Participated for the first time in Nepcon Show in Penang, Malaysia
November 2002	Obtained License Manufacturing Warehouse status from the Royal Malaysian Customs
December 2002	2nd Generation of true backlit 3D Vision Inspection System for IC packages (Breakthrough in system accuracy and reliability)
March 2003	3D Vision inspection system for leadless packages and high lead count IC
March 2003	Participated for the first time in the Semicon Show in China
June 2003	Designed and built in-house System-On-Chip devices for software controllable light source.
July-November 2003	Made first breakthrough into the China, Taiwan and USA market
December 2003	Package inspection capability for all IC packages (lead and leadless packages)
January 2004	First prototype of high resolution (8,000 pixels) and digital imaging vision system using line scan technology
May 2004	Obtained approval for the ISO 9001:2000 certification by SIRIM
August 2004	Granted the MSC status from MDC
September 2004	Awarded the Top Ten of the Malaysia 100 Outstanding Small & Medium Enterprises under the Golden Bull Award 2004 (4th Place) as organised by Nanyang Siang Pau and Ernst & Young Awarded the Enterprise 50 Award (2nd Place) by Small and Medium Industries Development Corporation (SMIDEC) and Accenture. The award recognises the achievements of Malaysia's enterprising homegrown companies, which are well positioned for the future
October 2004	Awarded the Best of Industrial Application Award and the Prime Minister's "Best of the Best"Award (Overall Winner) by MDC under the MSC-Asia Pacific ICT Awards (MSC-APICTA) 2004

6. BUSINESS OVERVIEW *(Cont'd)*

Year	Events
October 2004	The founder of the Group, Mr. Chu Jenn Weng, was awarded the Young Most Promising Entrepreneur Award under the Business Excellence Award 2004 by the Malaysian Canadian Business Council
December 2004	Awarded the SMI Best Overall Award 2004 by SMI Association of Malaysia
	Awarded the Best of Industrial Application award in the APICTA International 2004 (Hong Kong)
	Awarded the Deloitte Technology Fast 500 Asia Pacific Award
January 2005	Awarded the Global Golden Rim Award 2005 by the Chinese Enterprise Development Association of Taiwan

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7. INDUSTRY OVERVIEW

7.1 THE GLOBAL ECONOMY

(Source: Infocredit D&B Report)

In 2004, the global economy expanded at its fastest pace since 1984, registering 5.0% growth. The expansion was led by the US, strong growth in the Asian region and a revival of growth in Japan and Europe. Above average growths in the first half of 2004 reflected the strong rebound from the lower base of 2003 as a result of economic uncertainties related to the war in Iraq and the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in Asia. In the second half-year, despite the dampening effects of sharply higher oil prices and the increase in interest rates, the growth momentum was sustained, reflecting sustained strong consumer spending and the revival in private investments. Overall, the global economy exhibited greater resilience to energy shocks.

Robust global expansion was reflected in significant improvements in both international trade and financial flows. Global trade expanded by 8.8% in 2004, mainly due to the global electronics up-cycle, higher commodity prices and rising import demand, notably in the US and China. In the Asian region, these developments which are in tandem with stronger domestic demand contributed to further expansion in intra-regional trade. In the financial markets, major equity market indices increased strongly, buoyed by improved investor optimism amidst higher corporate earnings. In the foreign exchange markets, growing concerns on the large and widening US current account imbalances, and the sustainability of capital inflows to finance the fiscal deficit led to the depreciation of the US dollar against the other key currencies.

The outlook for 2005 remains favourable. Both global output and global trade are projected to expand at 4.0% and 5.8%, respectively, in 2005. The pace of slowdown in the US and to a smaller extent, China is expected to be modest, on the basis that adjustments of the imbalances in these economies would be gradual. In addition, as crude oil prices recede from its peak as the supply and demand forces reach equilibrium, inflationary pressures are expected to remain manageable. This would provide flexibility for gradual increases in interest rates and in return, dampens the slowdown in consumer expenditure in the US. Monetary conditions are therefore, expected to remain supportive of growth. Meanwhile, China is expected to manage some softening of the economy so as to lessen its impact on the unemployment front. On the global inflation front, price increases are forecast to rise gradually, stemming mainly from the pass-through effects of higher commodity prices. However, the rise in inflation is expected to be gradual as labour productivity continues to exceed real wage growth. The consensus is that the global expansion, while still solid, will therefore likely be somewhat weaker than earlier expected. The balance of risks has shifted to the downside with further oil price volatility a particular concern. On the policy side, interest rates will need to rise further as the economic recovery proceeds, although the pace and timing vary considerably across countries, depending on their relative cyclical positions.

Global Gross Domestic Product, 1997-2005 (Real Growth)

Growth (%)	1996	1997	1998	1999	2000	2001	2002	2003	2004e	2005f
World GDP	4.1	4.2	2.8	3.7	4.7	2.4	3.0	3.9	5.0	4.3
Advanced Economies	3.0	3.4	2.7	3.5	3.9	1.2	1.6	2.1	3.6	2.9
U.S.A.	3.7	4.5	4.2	4.4	3.7	0.8	1.9	3.0	4.3	3.5
Japan	3.5	1.8	-1.2	0.2	2.8	0.4	-0.3	2.5	4.4	2.3
Euro area *	**1.4**	**2.3**	**2.9**	**2.8**	**3.5**	**1.6**	**0.8**	**0.5**	**2.2**	**2.2**
China	9.6	8.8	7.8	7.1	8.0	7.5	8.3	9.1	9.0	7.5

Notes:

** = Indicates member countries of the Euro area (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom)*

e=estimate

f = forecast

7. INDUSTRY OVERVIEW *(Cont'd)*

7.2 MALAYSIAN ECONOMY

(Source: Infocredit D&B Report)

With the more robust growth in global trade and domestic demand, the momentum of economic expansion in Malaysia, which began in the second half of 2003, gathered steam in 2004. Real GDP increased by 7.1% in 2004, registering the fastest growth since 2000. The economy benefited from the rapid growth of global trade in manufactured products and higher prices for primary commodities. Although global growth moderated somewhat in the second half of the year, the Malaysian economy remained resilient with stronger domestic demand providing the impetus for sustained expansion. The private sector was the main force of economic expansion, while the government continued with fiscal consolidation.

The prospects for the Malaysian economy in 2005 remain sound with real GDP expected to grow by at least 5.0% to 6%. The sustained global growth, the modest downturn in the global semiconductor industry as well as relatively favourable prices for primary commodities are expected to provide support for exports. While the global electronics industry is beginning to consolidate after reaching a peak in mid-2004, the cyclical downturn is forecast to be modest in view of the strong Asian demand, fast product life cycle and the relatively rapid inventory adjustments. In the domestic economy, the private sector would remain as the main driver of growth, as the government remains committed to optimising expenditure in order to strengthen the fiscal position. Both household consumption and business outlays are projected to remain resilient, thereby cushioning some of the effects of lower public investment spending arising from the government's gradual fiscal consolidation programme.

As a small net oil exporter, Malaysia benefits to a degree from higher world oil prices as crude oil accounts for around 5.0% of exports. Since the 2001 economic slowdown, most industrial countries, but notably the US, have pursued highly expansionary macroeconomic policies. As a result, world interest rates are close to historical lows and many countries have high fiscal deficits. Low interest rates have fuelled housing and asset price rises, at the same time supporting consumption and leading to a sharp deterioration in the current account in the US. As global GDP accelerated over the past year, inflationary pressure started to mount, albeit remaining very mild. However, higher oil prices, if sustained over a long period of time, will feed inflationary pressures, possibly forcing interest rates to rise faster than expected. This could trigger a sudden reversal in consumption and savings behaviour, leading to a substantial slowdown in world economic growth and affecting, in particular, non-oil exports from the Asian economies, including Malaysia. A slowdown in the US economy would have both heavy direct and indirect negative effects on exports, since the US is by far Malaysia's biggest export market. The signing of a Malaysia-US Trade and Investment Framework Agreement in May 2004 may help to mitigate this.

Inflation is likely to nudge up in 2005, as budgetary consolidation may lead the government to reduce its subsidies on consumer energy. Due to a slowdown in exports, particularly electronics and electrical products, private consumption is expected to remain the main source of GDP growth. The 2005 budget targets a modest reduction in the deficit to 3.8% of GDP. Going forward, the government's plan for a new broad-based goods and services tax in 2007 adds credibility to its commitment to fiscal balance, and may pave the way for a long-anticipated cut in business income taxes, which is critical in attracting more direct foreign investments.

Annual Change in Real GDP by Sector (1987=100)

Main Indicators (%)	1996	1997	1998	1999	2000	2001	2002	2003	2004p	2005f
Sectors	8.6	7.7	-7.4	5.8	8.3	0.3	4.1	5.3	7.1	6.0
Agriculture	4.5	0.7	-3.3	3.8	6.1	-0.6	2.6	5.7	5.0	3.3
Manufacturing	18.2	10.1	-13.4	13.5	18.3	-5.9	4.1	8.3	9.8	4.5
Mining and quarrying	2.9	1.9	0.8	-3.1	0.3	-1.5	4.0	5.9	4.1	5.0
Construction	16.2	10.6	-23.0	-5.6	0.6	2.1	2.3	1.9	-1.9	-1.0
Services	8.9	9.9	-0.7	3.3	6.7	6.0	6.4	4.4	6.7	5.7

Note:
p=preliminary
f = forecast

7. INDUSTRY OVERVIEW *(Cont'd)*

7.3 MALAYSIAN MANUFACTURING INDUSTRY

(Source: Infocredit D&B Report)

The manufacturing sector grew at 9.8% in 2004 compared to 8.3% in 2003 underpinned by double-digit expansion. Robust growth in the manufacturing was mainly driven by strong demand for electronics which is in line with global pick-up of the semiconductor industry. This is in tandem with developments in the global electronics industry, in which Malaysia is a major exporter. The manufacturing sector continued to be an important contributor to the national economy, accounting for 31.6% of GDP in 2004. As an export-led economy, manufactured exports took up 78.4% of the country's total exports. The manufacturing industries have widespread linkages to the rest of the economy. The diversified base would assist to moderate the impact of the ongoing consolidation in the global electronics industry. With the export-oriented industries facing a slowdown, the domestic-oriented industries are expected to sustain their growth in the manufacturing sector.

The country's manufacturing business is largely concentrated on production, with limited upstream activities as well as downstream activities, where a major portion of the value added can be derived. In light of the keen competition for foreign direct investments from the other emerging economies, the manufacturing sector is venturing into industry deepening, defined as a process of increasing technological capability within a particular industry. This is achieved by increasing the capability to undertake more complex and demanding tasks through the development of new processes, systems and methods, adaptation of best practices, design, engineering development and innovation within the current technology that is used. Industry deepening can lead to a more widespread diffusion on technology, more product differentiation, higher added value and a greater use of local resources. It can also enhance the ability to respond more effectively to changes in market conditions.

Industry deepening is especially applicable to the small and medium enterprises ("SMEs"). Rapid technological advancements as well as trade liberalisation and globalisation have placed a severe strain on the SMEs. In promoting the industry deepening process, a core element is the supporting industries, which are mostly SMEs. Having a strong supporting industry base enables less reliance on foreign imports. It can also create additional employment as well as provide linkages between the large companies and SMEs. A strong supporting industry can also assist the growth of SMEs through subcontracting arrangements and lead to further developments of local entrepreneurs, resulting in a higher utilisation of domestic resources. Recognising the SMEs as an endogenous engine of growth, the government's current development focus is on SMEs that have the capability to manufacture products with higher intellectual property content with the requisite human capital.

7.4 THE ICT INDUSTRY IN MALAYSIA

(Source: Infocredit D&B Report)

The Government has been promoting ICT since the early 1990s. The country's ICT was fuelled by the public and private sectors' commitment to develop the country's ICT infrastructure with the latest technology, including the development of the Internet infrastructure. The Government's most significant emphasis and support was the establishment of the Multimedia Super Corridor ("MSC") in 1996 that provides world-class facilities to foster the development of high technology and innovations for both domestic and foreign companies.

The effort is followed by the rollout of the second phase of MSC in Kulim and Bayan Lepas as the hub of development for the northern region in Peninsular Malaysia. The MSC was established for the sole purpose of moving Malaysia towards a fully developed nation with a knowledge-rich and technology-savvy society by 2020.

As part of the strategy to achieve this vision, Malaysia embarked on a plan to leapfrog into the information age by providing intellectual and strategic leadership. This meant investing in an environment that encourages creativity and innovation, helping companies, both Malaysian and International, to reach new technology frontiers, partnering global IT players and providing the opportunities for mutual enrichment and success. In addition, special cyberlaws, policies and practices were set up to further facilitate the infrastructure.

7. INDUSTRY OVERVIEW *(Cont'd)*

Data in the past few years showed that the Malaysian ICT industry has recovered from the economic downturn in 1998. Market billings have stabilised and are expected to grow higher in tandem with the economic revival in a number of service-centric sectors. The Malaysian ICT industry revenue from 1997 to 2004 is highlighted as follows:

Malaysian ICT Industry Revenue, 1997 - 2004

Year	ICT Industry Domestic Billings (RM million)
1997	5,380
1998	4,840
1999	5,230
2000	5,910
2001	6,510
2002	7,151
2003	7,866
2004*	9,050

** projection*

7.5 KNOWLEDGE-BASED ECONOMY

(Source: Infocredit D&B Report)

Over the past few decades, Malaysia has enjoyed phenomenal economic development. The challenges of technological advancements, globalisation and heightened competition are the main factors that necessitate a paradigm shift for Malaysia to reengineer herself for sustainable growth to take place. Recognising such critical need, the Government has embarked on the transformation from a production-based economy to a knowledge-based economy ("K-based"), which is productivity-driven and competitiveness-driven, supported by knowledge intensive efforts.

The Government launched the Knowledge-based Economy Master Plan (the "Master Plan") under the auspices of the Malaysian Ministry of Finance. The Master Plan provides a strategic framework outlining the changes to the fundamentals of the economy. It is the blueprint guiding the transforming and migration of the country into a K-based economy. The key is to move up the value chain by engaging in original and innovative design, improving quality, enhancing productivity and competitiveness in all sectors. Educated and skilled knowledge workers, or human capital, are the most valuable asset. K-based economy is also characterised by high investment in R&D, high literacy, high tertiary education enrolments, good technology-related capacity and skills, strength in innovation, high ICT penetration and Internet usage.

In providing the infrastructure support for the development of a K-based economy and ICT industries, the development of MSC has covered further grounds. As at 15 March 2005, a total of 1208 companies have been awarded with the MSC status of which 928 companies are in operation. The Multimedia Development Corporation estimated that the MSC companies employ more than 23,000 people in 2005 as compared to about 19,000 in 2003 and about 22,000 in 2004. In terms of total expenditure, the MSC-status companies' total expenditure in 2003 and 2004 were RM4.6 billion and RM4.5 billion respectively as compared to 2002 expenditure of RM3.6 billion.

7. INDUSTRY OVERVIEW *(Cont'd)*

7.6 MACHINE VISION INDUSTRY
(Source: Infocredit D&B Report)

7.6.1 Industry Outlook

Globally, the machine vision systems are used in many industries such as the semiconductor, food, automotive and pharmaceutical. It is a multi-billion industry registering revenues of up to US$6.6 billion in 2003. Within the semiconductor industry, machine vision system market can be categorised into two main segments namely the OEM and the factory floor. The factory floor segment comprises the systems integrators and the end-users.

OEMs are identified as companies that build standard products sold as capital equipment. They will posses the technical expertise to build the machine vision systems directly into their products or source the machine vision systems from developers. These value-added products are then re-sold to the end users in the various industries. OEMs may be involved in a variety of activities and not all their products will incorporate a machine vision system. System integrators or total machine vision solutions providers are companies that specialise in the development of total machine vision solutions and provide system integration services to meet the requirements of end-users. They will utilise a combination of proprietary technologies and components from different vendors. End-users are usually technology users who are involved in the manufacturing of a variety of products. They are usually companies which do not specialise in the machine vision system. The end-users market is not only confined to the semiconductor industry but also the electronics industry, the automotive industry, the food manufacturing industry etc. Total machine vision solutions providers can service a wide spectrum of these segments whether it is the OEMs or end-users.

7.6.1 Global machine vision systems market estimates

In the year 2002, the global machine vision industry saw a decline of 4% from the previous year. The global market size stood at US$5.2 billion in 2002 as estimated by Nello Zuech, President of Vision Systems International. This estimate covers the entire machine vision industry in various application markets including electronics industry, automotive industry, food industry etc. Based on the latest report from Automated Imaging Association (AIA), the total world market for all types of machine vision system is estimated at US$6.6 billion in 2003 which represents an increase of 13.5% from the previous year. Based on the revenue analysis of 2003, Japan has the largest market at 35%, followed by North America at 24%, Europe at 23% and the rest of the world has about 18% of the global market. It is estimated that the global machine vision industry, in terms of revenue will be worth more than US$10 billion by 2008 with a compound annual growth rate (CAGR) of 8.8% per annum between 2003 and 2008. Below is worldwide projected growth of the machine vision industry:

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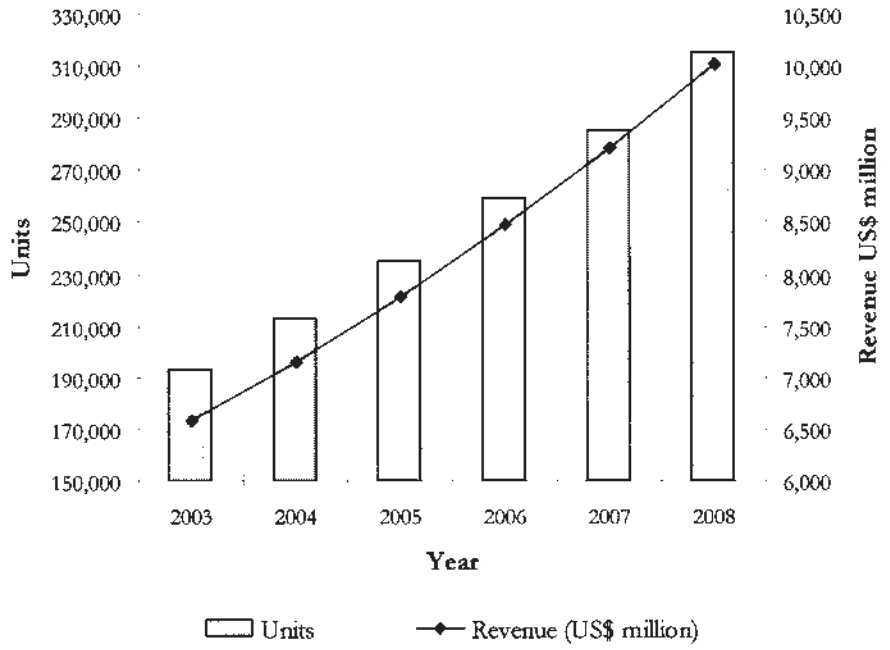
Projected Worldwide Market for Machine Vision



7.6.2 Machine vision systems in the semiconductor industry

The machine vision system industry is relatively dependent on the semiconductor industry as its main market driver. This can be clearly seen from the decline in revenue in the machine vision industry in 2002 when the semiconductor industry took a large beating in sales in the same year. According to Semiconductor Equipment Materials International (SEMI) the assembly and packaging equipment will be leading the way, in the recovery of the semiconductor equipments in the next two years. Advanced packaging like BGAs and CSPs including QFNs and other leadless package will be in high demand within the semiconductor industry. In North America, the semiconductor industry contributes 31.5% to the overall revenue of machine vision system in 2003.

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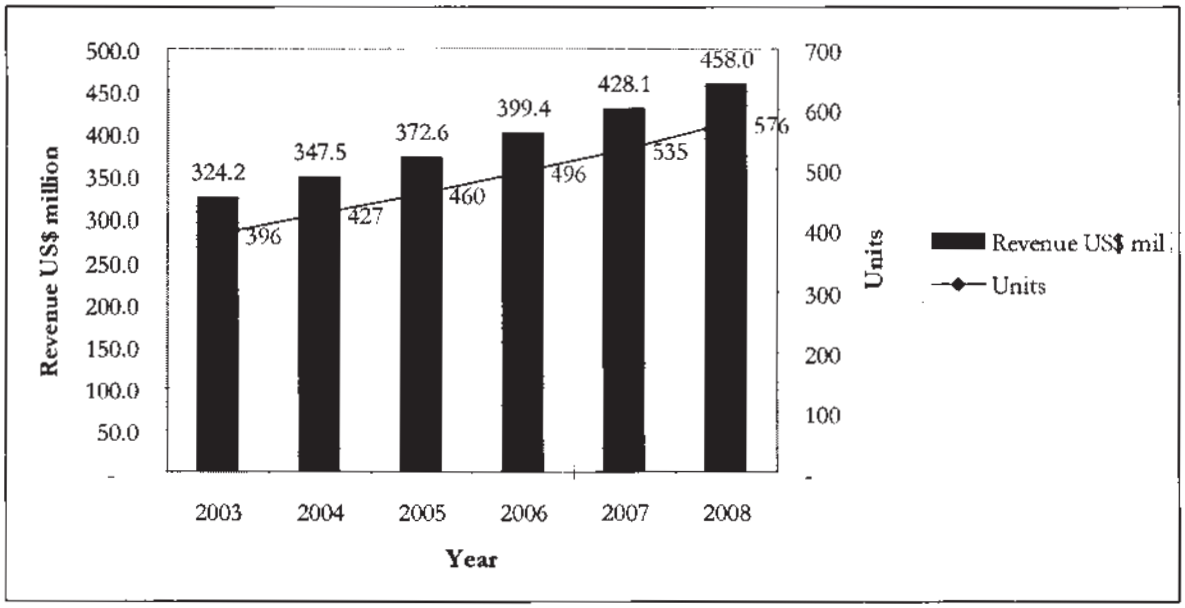
7. INDUSTRY OVERVIEW *(Cont'd)*

Projected World Wide Machine Vision Systems Sold to North America Semiconductor Market



7.7 GOVERNMENT LEGISLATION, POLICIES AND INCENTIVES

(Source: Infocredit D&B Report)

Malaysia is one of the leading sites for the semiconductor assembling, testing and packing industry in the world as it houses the world largest industry players like Intel, Motorola, Agilent, Fairchild, Hitachi etc. They are mainly involve in the assembly and testing of semiconductor devices which include microprocessors, memory chips, power ICs, linear ICs, optics devices and other logic and discrete devices. Export of semiconductors in 2002 amounted to RM89.3 billion which is about 39.8% of the electronics industry. In the 1970's, the Government promoted the country to be one with inexpensive labour but today the Government is shifting its focus from being merely having cost competitiveness but also possesses advance technology to support this industry. Some of the government related bodies which are focus in this area is listed below:

7.7.1 Intellectual Property Protection

Malaysia is a member of the World Property Intellectual Property Organisation (WIPO), the Berne Convention for Protection of Literacy and Artistry Works and signatory to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). WIPO is one of the 16 specialised organisations of the United Nations, which administers 23 international treaties dealing with different aspects of intellectual property protection.

A brief description of some of the key Malaysian legislation for intellectual property protection and the ICT industry is as follows:

(i) The Trade Marks Act 1976. This piece of legislation provides for a registration system for marks (for example, logos, brands, signs) used in relation to goods and services. The registration of a mark in relation to specified goods or services is valid for ten (10) years from the date of filing and is renewable for subsequent periods of ten (10) years each. The registered proprietor is entitled to commence infringement action against others who use his mark without consent or lodge a complaint under the Trade Description Act 1972.

(ii) The Patents Act 1983, provides for a system for registration of patents and utility innovations. Upon grant, a patent is valid for twenty (20) years from the date of application. The owner of a

patent has the exclusive rights to exploit the patentable invention, assign or transmit the patent and to conclude licence contracts, and to make claims where there is an infringement of its rights.

(iii) The Copyright Act 1987, gives the exclusive right to the owner of a copyright for a specific period. There is no system of registration for copyright in Malaysia. Literary works, musical works, artistic works, films, sound recordings, broadcasts and derivative works is protected automatically if sufficient effort has been expended to make the work original in character; the work has been written down, recorded or otherwise reduced to a material form. The Copyright Act 1987 also specifies the circumstances amounting to and remedies for infringements and offences. The Copyright (Amendment) Act 1997 which amended the Copyright Act 1987 provides for unauthorised transmission of copyright works over the Internet as an infringement of copyright. It is also an infringement of copyright to circumvent any effective technological measures aimed at restricting access to copyright works.

(iii) The Industrial Designs Act 1996, implements a system for the registration of an "industrial design" in Malaysia, which are "the features of shape, configuration, pattern or ornament applied to an article by any industrial process" being features which in the finished article, appeal to and are judged by the eye. The registration is valid for five (5) years and is renewable for two (2) further periods of five (5) years each. The Industrial Designs Act 1996 further specifies the extent of rights granted to the owner and what amounts to infringement.

(v) The Layout Designs of Integrated Circuits Act 2000 sets out the criteria for the protection of the layout design of integrated circuits and the extent of protection conferred upon the right holder. A layout design is valid for ten (10) years from the date it is first commercially exploited.

(vi) The Digital Signature Act 1997. This is an enabling legislation which allows for the development of, amongst others, e-commerce by providing a method for secure on-line transactions through the use of digital signatures.

(vii) The Communications and Multimedia Act 1998, provides a regulatory framework to cater for the convergence of the telecommunications, broadcasting and computing industries in Malaysia. It includes the formation of The Malaysian Communications and Multimedia Commission as the sole regulator of the new regulatory regime.

(viii) The Computer Crimes Act 1997, creates several offences relating to the misuse of computers, such as unauthorised access to computer material, unauthorised access with intent to commit other offences and unauthorised modification of computer contents.

7.7.2 Ministry of Science Technology and Innovation (MOSTI)

The Ministry of Science Technology and Innovation (MOSTI) was established in 1973 as the Ministry of Technology, Research and Local Government and assumed the name of Ministry of Science, Technology and Environment in 1976. In April of 2004, the ministry was split and assumed the name of Ministry of Science, Technology and Innovation (MOSTI). The all encompassing mission of the ministry is to promote science and technology competence in order to maintain international competitiveness while ensuring environmental conservation and sustainable development. Since 1988, the Government has implemented a centralised grant system of financing science and technology (S&T) research in public institutions and research agencies. The MOSTI is charged with the responsibility of managing the fund and the implementation of S&T research and development (R&D) programmes in the country. During the Eighth Malaysian Plan (2001-2005), a total of RM1,622.8 million was originally allocated for R&D but the amount was later revised upwards to RM1,922.8 million. Of this amount, RM1,363 million has been specifically allocated for R&D funds in the following areas:

(i) IRPA (allocation of RM840 million) which provides funding for applied, strategic and prioritised research are more industry-related and with greater potential for commercialisation;

(ii) Biotechnology Research and Development Fund (BRDF) (allocation of RM103 million) established under the BIOTEK;

(iii) Industry Research and Development Grant Scheme (IGS) (allocation of RM230 million) which will enable private sector companies to collaborate with public universities and research institutions to conduct R&D especially in areas of advanced manufacturing, electronics, photonics as well as machinery and equipment;

(iv) MSC Research and Development Grant Schemes (MGS) (allocation of RM100 million) which enable MSC status companies to undertake research in the area of ICT; and

(v) Demonstrator Application Grant Scheme (DAGS) (allocation of RM90 million) to foster wider participation of the community in using ICT.

7.7.3 MSC Status

MSC status is one of the key initiatives of the Government to facilitate ICT growth in Malaysia and to spearhead Malaysia's Vision 2020. MSC physically occupies a 15 kilometres by 15 kilometres garden corridor located close to the region's largest international airport, Kuala Lumpur International Airport, the administrative capital of Malaysia, Putrajaya and a world-class intelligent city, Cyberjaya. It is also an integrated logistics hub with express rail links to Kuala Lumpur. The MSC is also supported by a world-class high-capacity global telecommunications and logistics network built on a 2.5 – 10 gigabits digital fibre optic backbone.

In order to drive the development and growth of the MSC, seven (7) MSC Flagship Applications were launched, namely, e-Government, multipurpose card, smart schools, tele-health, R&D cluster, e-business and technopreneur development. Together, these Flagship Applications will push ahead the development of MSC and will provide business opportunities for ICT companies, the ultimate effect of which will be to transform the Malaysian society into a knowledge society.

To attract participants to the MSC, it has offered a ten (10) point Bill of Guarantee, that is:

(i) Provide a world-class physical and information infrastructure;

(ii) Allow unrestricted employment of local and foreign knowledge workers;

(iii) Ensure freedom of ownership by exempting companies with MSC Status from local ownership requirements;

(iv) Give the freedom to source capital globally for MSC infrastructure, and the right to borrow funds globally;

(v) Provide competitive financial incentives, including no income tax for up to ten (10) years or an investment, tax allowance, and no duties on import of multimedia equipment;

(vi) Become a regional leader in intellectual property protection and cyberlaws;

(vii) Ensure no Internet censorship;

(viii) Provide globally competitive telecommunications tariffs;

(ix) Tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub; and

(x) Provide an effective one-stop agency - MDC.

7. INDUSTRY OVERVIEW *(Cont'd)*

7.8 PROSPECTS AND INDUSTRY OUTLOOK

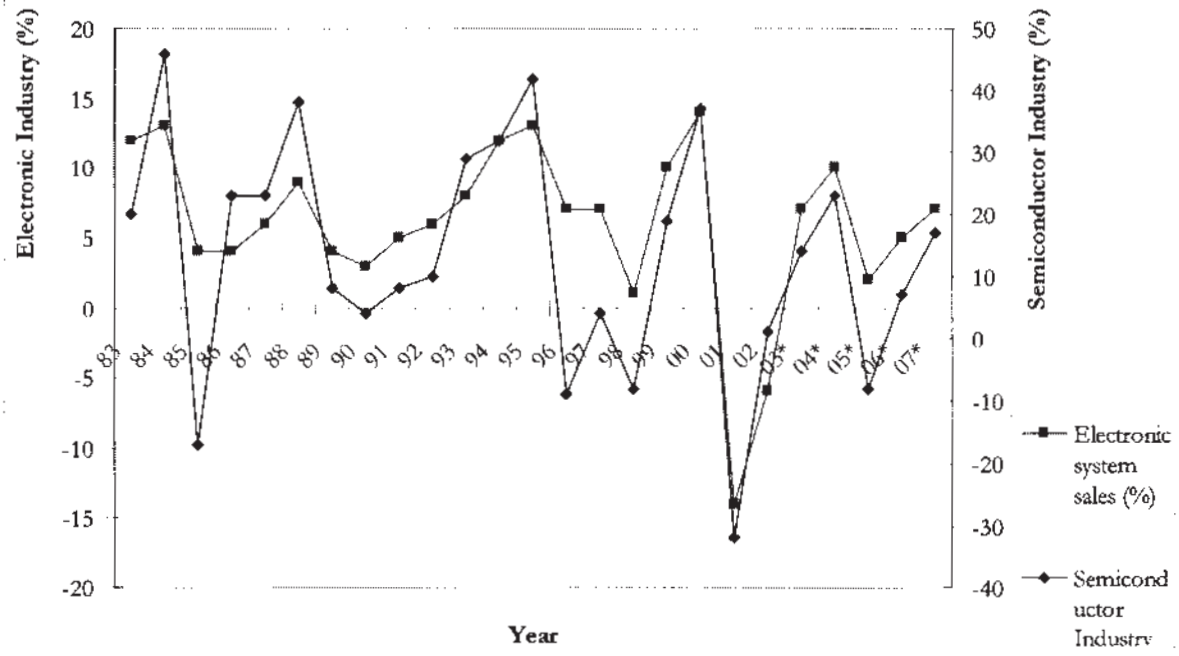
(Source: Infocredit D&B Report)

The prospects and outlook of the machine vision industry will largely depend on the demand from the electronic industry which will then spur the semiconductor industry. The electronics industry is forecasted to gain momentum due to increased consumer demand for wireless products and higher corporate spending for IT infrastructures. Both these segments are expected to drive the demand for the semiconductor industry in the coming years.

7.8.1 Electronics Industry

The second largest application market for machine vision systems, after the semiconductor industry, is the electronics industry. It has been estimated that as at 2002, 17.1% of any electronic systems are made up of semiconductor. Over the past few years production trends had indicated that the semiconductor industry had closely mirror the trends of the electronic industry. This can be clearly seen from the graph below:

Worldwide Electronic System Production vs Worldwide Semiconductor Growth (1983-2007 (f))



*Note: * Forecast*

Within the electronics industry, machine vision systems can be used during the printed circuit board (PCB) assembly process. Machine vision system are being used to detect solder paste presence, coplanarity, component leads, verify presence and position for components and pattern position during board assembly process. Machine vision systems are also being used to inspect flat panel displays. With the increasing demand for flat panel displays, this is another industry which will significantly impact the sales of machine vision system. Within the electronic industry, the higher demand for machine vision system seems to be driven by the ever-smaller components, increased components per square inch, finer pitch density etc. The trend seems to be moving into 3D machine vision system used to measure solder paste volume and X-ray based systems used to inspect soldered boards. In North America, there was an increase of 21.2% (2002: US$21.2 million; 2003: US$25.7 million) in 3D machine vision systems in 2003 compared to 2002.

7. INDUSTRY OVERVIEW *(Cont'd)*

7.8.2 Semiconductor industry in Asia

The machine vision system has been predominantly utilised in the semiconductor industry. Thus the prospect of growth in the machine vision system will be dependent on the semiconductor.

The semiconductor industry has played a significant role in the development of many countries in Asia. Countries like Malaysia, Singapore, Philippines and Thailand have benefited from the outsourcing of many semiconductor manufacturing companies to this region. With the emergence of China in the international market, Asia has been a focus of many semiconductor companies. In 2004, the semiconductor industry in Asia Pacific has grown 42.5% compared to 2003 in terms of total shipments.

Malaysia
The semiconductor industry in Malaysia has been primarily focused on the production of linear and digital ICs, memory, microprocessors, opto-electronics, discrete devices, hybrids and arrays. The export of semiconductor devices accounted for RM89.3 billion or 18.6% of total exports in 2004 which is an increase of 4.8% from the previous year. The Malaysia American Electronic Institute (MAEI) projected that the semiconductor industry will sustain a growth of 6.9% over the next two (2) years.

Malaysia is important in the international semiconductor industry. As at 2004, Malaysia's semiconductor exports accounted for 7.1% of the worldwide semiconductor exports. Among developing countries, Malaysia is the second largest exporter of semiconductor devices after Singapore. The Malaysian semiconductor industry has begun to move from basic operations to more complex packages to cater for demand of faster, smaller and higher computing power and multi-functional chips.

Singapore
In 2004, the semiconductor total output increased by 15.1% compared to 2003 output. The semiconductor output SG$28.7 billion in 2004, which translates into 15% of the total manufacturing output of Singapore. In order to maintain the country's competitiveness in this industry, the government is promoting high end manufacturing such as semiconductor design and wafer fabrication abilities. The efforts are supported by logistics infrastructure and supporting industries such as fabless and fab-lite companies, third-party testing and assembly facilities and device manufacturers.

China
Over the span of a few years, China has emerged as one of the largest consumer of semiconductor products, accounting for nearly 40% of global sales. China is also primarily involved in the back end semiconductor assembly and test industry and like Malaysia it is slowly venturing into wafer fabrication. Many semiconductor companies invested in China to take advantage of its cheap and abundant labour supply in the country. China is expected to experience an average annual growth of 18.6% in the semiconductor industry until 2007. The government of China is providing many tax incentives in enticing large semiconductor companies to establishing their plants. Chip makers are expected to pay zero income tax for first five years of investments and then pay half of the regular tax in the next five years. It is the government's strategy to reduce reliance on foreign companies compared to its local consumption from 80% to at least 50% in the coming few years.

Philippines
The Philippines is another country in South East Asia which is heavily reliance on the semiconductor industry. As at end-2004, exports from semiconductor accounted for 51% of the country's total export. There are more than 800 companies in Philippines which are involved in the semiconductor industry but the country is slowly losing ground in terms of FDI to countries like Thailand and Vietnam. The Semiconductor and Electronics Industries in the Philippines (SEIPI) estimated that the local semiconductor industry will grow at 10% but still much slower than the other countries in this region.

7. INDUSTRY OVERVIEW *(Cont'd)*

7.8.3 Emerging trends in the IC packages in the semiconductor industry

Not only is the semiconductor industry growing in terms of volume, it is also advancing very rapidly in terms of technology. Within the front end processing, especially in wafer fabrication, the wafer size had grown from 200mm in the mid 1980's to the current size of 300mm. Not many companies in the world are capable of producing this wafer size. In Malaysia, the technology has only advance to producing wafers of 150mm to 200mm. As the cost of fabricating wafer increases as the size gets larger, the importance of machine vision system increases in tandem. The trend is moving towards integrated metrology tools which can replace the standalone devices.

In addition the technology for IC packages has also changed as they become more complex and lead count has also increased. In the mid 1990's the lead count for IC was around 300 but by 2005 it is estimated that lead count could grow to about 1,500. With increased number of lead on the IC, the need for machine vision systems becomes more critical. This becomes another potential for growth for machine vision systems. The current trend in IC packages towards increased speed, with larger number of pin counts and the packages getting smaller in size. Demand is also pushing for more advanced packages like BGAs and CSPs with greater acceptance of QFNs and other leadless package. It is expected that the demand for advanced packaging is about at 95% in 2004.

7.8.4 Emerging trends in machine vision system

Consumers are continuously demand faster, cheaper, increased accuracy, ease of use and more robust machine vision system. Machine vision system designers have always trade off one element for another, for example in order to have increased accuracy the system will operate at a lower speed. However, with increase demand from consumers, this trade offs is increasing hard to justify. Thus, machine vision suppliers need to look for new innovative ways to fulfill customers demand. One of the ways to reduce cost can be by adopting the use of open standards which dispenses with the need to pay for licensing.

Secondly the advancement in machine vision components like the cameras, lenses, frame grabbers have also enable the industry to adopt smaller components, higher speed and greater accuracy. For instance, the FOV of area scan has shrunk to capture more details for greater accuracy. Unfortunately the area which the machine vision system needs to cover has become larger as the image area has grown beyond the range of a standard 640 pixels by 480 pixels area-scan camera. This has prompted the use of line scan cameras which builds an image by capturing the entire object to be inspected, line by line and feed it into a frame grabber for input to the PC.

Traditionally, the software of the machine vision system is perceived to have complicated and complex algorithms which makes the system not easily adaptable. The new trend is to use adaptive algorithms which consist of software models that can adapt to changes without having to require major reprogramming from the suppliers. Artificial intelligence (AI) is one new adaptive algorithms technology which allows high versatility during inspection. In addition, designers of machine vision system has also incorporate the use of human machine interface (HMI) to ensure ease of use and empowering the end-users to be able to conduct customised solutions without the need for major development work.

As such if machine vision systems continue to be able to fulfill customers' demands of requiring faster, cheaper, increased accuracy, ease of use and more robustness in its system, the higher the prospect of these systems being utilised in different application markets. As a machine vision system developer, ViTrox continues to keep abreast with the current emerging trends and started to incorporate the use of all these new and innovative technologies especially with AI and HMI. Keeping abreast with new trends in the industry has become a necessity in order to ensure that machine vision developers stays ahead of competition and adapt to the ever changing needs of its customers.

7.8.5 Diverse application markets

The second largest application market for machine vision systems, after the semiconductor industry, is the electronics industry. Within the electronics industry, machine vision systems can be used during the printed circuit board (PCB) assembly process. Machine vision system are being used to detect solder paste presence, coplanarity, of component leads, verify presence and position for components and pattern position during board assembly process. Machine vision systems are also being used to inspect flat panel

7. INDUSTRY OVERVIEW *(Cont'd)*

displays. With the increasing demand for flat panel displays, this is another industry which will significantly impact the sales of machine vision system.

Although the semiconductor industry is one of the pioneers and largest consumer of machine vision system, other application markets are slowly to recognise its benefits. The food industry for instance has been using machine vision system to reduce the need for manual labour and increase production efficiency. In the fruit picking industry, for example machine vision systems are being used to replace manual sorters to sort the "good" fruits from the rotten ones. The replacement of manual sorters is inevitable as the cost of labour increase and the monotony of the work has shunned many new workers especially those working in Europe and US.

In the automotive industry, machine vision systems are being used in the assembly lines. One company in Europe introduced the use of machine vision system in the gear assembly bearings. For safety issues, there was a need to ensure 100% accuracy in the assembly of gear bearings. The machine vision system is able to verify the presence of all bearings in each assembly and gauging their diameters to make certain they are shaped correctly and not damaged.

Another industry which has received a lot of attention from the machine vision industry is the pharmaceutical industry. Machine vision systems are being used in verifying and proofreading some of the labels on the boxes to ensure that the descriptions are accurate. Machine vision systems have proven to be very successful in the packaging of pharmaceutical products as it relieves the industry from hiring manual workers to perform these tasks.

With the growing acceptance of machine vision system in different manufacturing industries, the use of machine vision systems will increase tremendously. Although, the semiconductor is still the major consumer of machine vision system, it will not be long before these systems are incorporate into manufacturing lines diverse industries to improve quality of products.

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8. SUMMARY OF FIVE (5)-YEAR BUSINESS DEVELOPMENT PLAN

The following is a summary of the five (5)-year Business Development Plan prepared by ViTrox for the purpose of inclusion in this Prospectus.

8.1 BUSINESS OBJECTIVES

Since the establishment of the Group in 2000, the Group has carved a niche reputation in the development of cost effective and innovative machine vision inspection system with customisation capabilities. In preparing to transform the Group into a leading global total machine vision solutions provider, ViTrox Group is seeking additional funding from the capital market to realise its aforesaid potential.

The ViTrox Group will continue to meet the challenges of fulfilling the growing expectations of the market while maintaining its profitability. This will entail balancing business expansions, operation efficiency and technological enhancement with financial viability. Efforts will be channelled towards coordinating product innovations, market expansions and staff training with operation and cost management efficiency.

8.2 KEY BUSINESS STRATEGIES

8.2.1 Business Development

As part of the Group's plan to achieve its objectives, the management has laid out the necessary foundations. ISO 9001:2000 certification is just one of the many targets that ViTrox Group has achieved. The next milestone to be achieved by the Group within the next five (5) years is the implementation of the Six Sigma programme to ensure continuous improvements on productivity and quality. Six Sigma certification indicates that an organisation has achieved all the required competencies that measures quality products to ensure near perfection. To achieve Six Sigma, a process must not produce more than 3.4 defects per million parts. A Six Sigma defect is defined as anything outside of the customer's specifications. This certification will ensure that ViTrox Group will receive visibility in the international market such as international companies like General Electric and Motorola, who are also Six Sigma certified. In order for an organisation to be Six Sigma certified, organisations must nominate individuals to undergo training of the subject matter, complete and pass all the proficiency tests in addition to the ability to demonstrate competency in hands-on environment. These training and proficiency tests are usually organised by Six Sigma training and consulting company. Upon completion of the course and achieving the Six Sigma criteria in all the processes in the organisation, the organisation will then be Six Sigma certified.

8.2.2 Market Development

The ViTrox Group has defined a strategic globalisation programme for next five (5) years, in which a series of initiatives have been and on-going to be carried out to expand the business globally. In the initial phase of the globalisation programme, the Group will continue to participate in the international semiconductor trade shows to promote the Group's products as well as to establish a global network with global OEMs and end-user.

ViTrox Group has planned its market expansion plans in two (2) phases:

Globalisation Programme Phase 1

The globalisation programme phase 1 will entail the sales and marketing division of the Group concentrate on North Asia namely China, Taiwan and Japan as well as South East Asia namely Philippines and Thailand. In addition, the Group will set-up technical service and support centres in those selected target markets to provide system supports, software updates and systems maintenance, which forms part of the Group's efforts in providing timely response to its overseas customers needs.

8. SUMMARY OF FIVE (5)-YEAR BUSINESS DEVELOPMENT PLAN *(Cont'd)*

Globalisation Programme Phase 2

In the second phase of the globalisation programme, the Group will focus on expanding its presence in USA and Europe.

8.2.3 Product Development Strategy

ViTrox Group has identified three (3) areas for the Group's product development in the next five (5) years as follows:-

Product Expansion

The Group will continue to conduct R&D to improve on the 2D vision inspection systems and 3D vision inspection systems in order to improve upon the speed, accuracy and user-friendliness in line with the rapid changes in the semiconductor industry and customers' demands. In the meantime, the Group is expanding the 2D and 3D vision inspection system for high lead count IC packages as well as other new packages in the market. On the next stage of product advancement, the Group intends to go into colour vision inspection systems.

Vertical Expansion

With the Group's established experience in the machine vision systems design and development, the Group is well prepared to venture deeper into the machine vision industry which is to provide a complete machine vision inspection handler. ViTrox's strategy would be to focus on developing vision handlers, which are not currently produced by its existing key customers and thus, would be servicing a niche market with relatively few competitors and potentially higher margin.

Application Market Expansion

The Group intends to develop new machine vision inspection systems to explore market opportunities in new segments within the semiconductor sector in the near future. The new markets include vision inspection systems for Front-Of-Line processes and advanced packaging, some of which may become industry standard in the near future. In this new market segment, the Group intends to focus on two (2) areas namely the flip-chip inspection system and flexible tape inspection system for advanced packaging.

8.3 CONCLUSION

With the identified key business strategies as set out above being implemented over the next five (5) years, ViTrox Group believes that the Group will be able to continuously meet the technological and financial expectations of the market through diversification and enhanced depth of its product offerings and market reach, supported by an expected growing demand for machine vision products and favourable industry prospects as set out in Section 7.6 and Section 7.8 of this Prospectus.

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9. OTHER INFORMATION ON THE VITROX GROUP

9.1 MATERIAL APPROVALS, LICENCES AND PERMITS

The approvals, licenses and permits held by ViTrox Group required for the purposes of conducting its business are listed below:

Company	Authorities	Date of issuance (Validity Period)	Type of business/ transaction approved	Main conditions imposed	Status of compliance
VTSB	MITI	31/3/2003 (30/1/2003 onwards)	Manufacturing licence (Licence No: A 013828) for the development and production of automated vision inspection system	Sale of shares must be informed to MITI	Complied
VTSB	MITI	23/1/2001 (1/9/2000 – 31/8/2005)	Pioneer status	i) R&D spending should be at least 1% of the annual revenue of the company ii) At least 7% of the total staff should have a Bachelor in Science or relevant technical qualification and related experience of a minimum five (5) years	Complied
VTSB	Penang Municipal Council	17/12/2004 (5/3/2003 - 31/12/2005)	General business licence (Licence No: 2005004795)	NA	NA
VTSB	Royal Malaysian Customs	22/11/2004 (21/11/2004 – 20/11/2006)	Manufacturing warehouse licence (Licence No: 21289) to manufacture peeling force tester, line scan vision system, automatic data processing unit and technical camera	NA	NA
		22/11/2004 (21/11/2004 – 20/11/2006)	Warehouse License (License No: 053020) to warehouse in VTSB's premises automatic data processing units and technical cameras	NA	NA

9. OTHER INFORMATION ON THE VITROX GROUP *(Cont'd)*

9.2 LANDED PROPERTY

A summary of information on the landed properties owned by the Group are as follows:

Beneficial owner/ Location	Description /Existing Use	Approximate age of building/ Tenure	Land/ Built-up area (sq. metre)	Net book value as at 31 December 2004 RM'000	Date of issuance of Certificate of Fitness	Restriction in Interest	Encumbrance
VTSB							
HSD 10751, Lot No. PT 4952, Mukim 12, District Barat Daya of Pulau Pinang* Bearing postal address: No. 5, Lintang Bayan Lepas 2, Bayan Lepas Industrial Park, Phase 4, Bayan Lepas, 11900 Penang	Semi-detached factory cum office	3 years/ 60 years lease expiring on 6/1/2058	1,529/ 544	1,034	20/7/99	No subdivision, transfer, charge, lease or in respect of any other matters on the property without the prior written consent of the State Authority of Pulau Pinang	Charged to Hong Leong Bank Berhad
Plot No.85(a) Bayan Lepas Industrial Park IV erected on part of Mukim 12, Daerah Barat Daya, Pulau Pinang^ Bearing postal address: NA	Vacant land	60 years lease upon issuance of individual title.	12,152/-	^	-	No transfer, charge, lease or sublease without the prior written consent of the State Authority of Pulau Pinang and the land alienated cannot be subdivided.	To be assigned to Public Bank Berhad.
Lot 1241, Mukim 12, District Barat Daya of Pulau Pinang** Bearing postal address: Level No, 04, Unit No. 20, Kristal Point II, Lebuh Bukit Kecil 6, 11900 Bayan Lepas, Penang	Shoplot for investment purposes	2 years/ 99 years lease upon issuance of strata title	- / 96	204	20/12/02	Subject to the issuance of strata title which is currently pending	Assigned to Hong Leong Bank Berhad

9. OTHER INFORMATION ON THE VITROX GROUP *(Cont'd)*

Beneficial owner/ Location	Description /Existing Use	Approximate age of building/ Tenure	Land/ Built-up area (sq. metre)	Net book value as at 31 December 2004 RM'000	Date of issuance of Certificate of Fitness	Restriction in Interest	Encumbrance
Lot 1241, Mukim 12, District Barat Daya of Pulau Pinang**	Shoplot for investment purposes	2 years/ 99 years lease upon issuance of strata title	- / 96	204	20/12/02	Subject to the issuance of strata title which is currently pending	Assigned to Hong Leong Bank Berhad
Bearing postal address: Level No, 04, Unit No. 21, Kristal Point II, Lebuh Bukit Kecil 6, 11900 Bayan Lepas, Penang							

Notes:

* *As at 31 July 2005, there are no breach of land use condition and non-compliance to the building regulations.*

^ *Land was acquired by VTSB from the vendor, Penang Development Corporation ("PDC") via a Sale and Purchase Agreement dated 27 July 2004 for a purchase consideration of RM2,691,103.40. The State Authority has approved the application by PDC for the alienation of the land to PDC and also the consent for PDC to transfer the said plot to VTSB. PDC is in the process of applying to the State Authority for issuance of the individual title to the said plot.*

** *The properties, which were acquired by VTSB from the developer, Saluran Projek Development Sdn Bhd via Sale and Purchase Agreements dated 19 February 2001 for purchase consideration of RM210,000 per unit, respectively, are still awaiting the issuance of the respective strata titles. As at 31 July 2005, there are no breach of the terms and conditions of the Sale and Purchase Agreements.*

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9. OTHER INFORMATION ON THE VITROX GROUP *(Cont'd)*

9.3 RELATED PARTY TRANSACTIONS AND/OR CONFLICT OF INTERESTS

There are no existing or potential related party transaction and/or conflict of interests between the ViTrox Group and its Directors, substantial shareholders and/or persons connected with such Directors and/or substantial shareholders as defined under Section 122A of the Act and/or its key management and/or key technical personnel.

All related party transactions, if any, will be monitored by the Audit Committee to ensure that all such transactions entered into by the ViTrox Group with related parties are on arms' length basis and on no-less favourable terms than those normally obtainable on that basis.

9.4 TRANSACTIONS OF UNUSUAL NATURE OR CONDITIONS

There is no transaction that is unusual in its nature or condition, involving goods, services, or tangible or intangible assets, to which ViTrox or VTSB was a party in respect of the financial year ended 31 December 2004 and the subsequent period immediately preceeding the date of this Propectus.

9.5 OUTSTANDING LOANS TO/FOR THE BENEFIT OF THE RELATED PARTIES

There is no amount of outstanding loan (including guarantees of any kind) that has been made by ViTrox or VTSB to or for the benefit of any Director, substantial shareholder or person connected with such Director or substantial shareholder as at 31 July 2005.

9.6 INTEREST IN SIMILAR BUSINESS

None of the Directors and substantial shareholders of ViTrox has any interest, direct or indirect, in any other business or company which is carrying on a business similar to that as ViTrox and/or VTSB.

9.7 PROMOTION OF OR IN ANY MATERIAL ASSETS

Save as disclosed in Section 4.1.2 of this Prospectus, none of the Directors or substantial shareholders of ViTrox has any interest, direct or indirect, in any promotion of, or in, any material asset, within the two (2) years preceding the date of this Prospectus, acquired or disposed of by, or leased to ViTrox or VTSB, or is proposed to be acquired or disposed of by or leased to ViTrox or VTSB.

9.8 DECLARATIONS OF NO CONFLICT BY ADVISERS

Hwang-DBS confirms that there is no existing or potential conflict of interest in its capacity as the Adviser for the Public Issue.

Messrs. Deloitte confirms that there is no existing or potential conflict of interest in its capacity as the Reporting Accountants for the Public Issue.

Messrs. Zaid Ibrahim & Co. confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors for the Public Issue.

Infocredit D&B confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Research Consultant for the Public Issue.

10. FINANCIAL INFORMATION

10.1 PROFORMA CONSOLIDATED INCOME STATEMENT

The following table sets out a summary of the proforma consolidated income statement of the ViTrox Group for ten (10) months ended 31 December 2000 ("FYP2000"), past four (4) financial years ended 31 December 2004 and five (5) months financial period ended 31 May 2005 ("FYP 2005") based on the assumption that the current structure of the ViTrox Group has been in existence throughout the financial years and periods under review. The following table is presented for illustrative purposes only and has been extracted from the Accountant's Report set out in Section 11 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

		FYE 31 December				
	FYP 2000	**2001**	**2002**	**2003**	**2004**	**FYP 2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	3,428	2,654	3,983	6,571	13,648	4,707
EBITDA	2,554	488	1,428	3,570	5,611	1,749
Finance cost	(4)	(30)	(35)	(35)	(43)	(16)
Depreciation	(30)	(156)	(177)	(276)	(499)	(209)
PBT	2,520	302	1,216	3,259	5,069	1,524
Taxation	-	(5)	(2)	(3)	(10)	(7)
PAT	2,520	297	1,214	3,256	5,059	1,517
No. of ViTrox Shares assumed in issue ('000)*	75,400	75,400	75,400	75,400	75,400	75,400
Gross EPS (sen)	3.3	0.4	1.6	4.3	6.7	2.0
Net EPS (sen)	3.3	0.4	1.6	4.3	6.7	2.0

Note:

* *Based on the number of enlarged share capital of the Company after Acquisition but before Public Issue and Bonus Issue*

There were no exceptional or extraordinary items in the financial periods and financial years under review.

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10. FINANCIAL INFORMATION *(Cont'd)*

10.2 FINANCIAL INFORMATION ANALYSIS

10.2.1 Analysis of Revenue

(i) Analysis of Export and Local Sales

	10 months ended 31 December 2000 RM'000	--------Financial year ended December 31------ 2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	5 months ended 31 May 2005 RM'000
Export market	-	841	1,031	611	4,338	761
Local market	3,428	1,813	2,952	5,960	9,310	3,946
Total sales	3,428	2,654	3,983	6,571	13,648	4,707

(ii) Analysis of Revenue by Products

	10 months ended 31 December 2000 RM'000	-------Financial year ended 31 December ------- 2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	5 months ended 31 May 2005 RM'000
Lead Vision System	2,902	1,963	2,030	2,425	6,849	1,893
Mark Vision System	212	156	367	2,793	4,288	1,516
Package Vision System	-	68	318	590	609	516
Pad Vision System	-	-	145	382	514	193
Others	314	467	1,123	381	1,388	589
Total	3,428	2,654	3,983	6,571	13,648	4,707

10.2.2 Analysis by PBT

	10 months ended 31 December 2000 RM'000	-------Financial year ended 31 December ------- 2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	5 months ended 31 May 2005 RM'000
Export market	-	96	315	303	1,612	245
Local market	2,520	206	901	2,956	3,457	1,279
Total	2,520	302	1,216	3,259	5,069	1,524

10.2.3 Commentary on Past Financial Performances

The revenue for the ten (10) months period ended 31 December 2000 was RM3,428,000 was mainly due to the contribution of one of its products, being the Lead Vision System. The PBT amounting to RM2,520,000 is mainly due to ViTrox being able to price its products at a higher margin as their products are highly specialised.

The revenue declined by 23% for the FYE 2001 as a result of decrease in demand of its products due to economic turmoils which affected across semiconductor and electronics sectors. The PBT declined by more than 50% to RM302,000 due to the following:

(a) increment in manufacturing cost as the Group incurred engineering and fabrication charges for certain existing and new products and increase in R&D expenses; and

(b) full year administration expenses such as depreciation of property, plant and equipment in relation to the establishment of its R&D and production facilities, which was completed at the end of 2000.

The revenue increased by about RM1,329,000 or 50% for FYE 2002 due to the increase in demand of certain product lines in line with the demand for small integrated circuits which is on the increasing trend. In addition, the revenue increase was further enhanced by the launch of a new product namely Pad Vision System and establishment of demand on Package Vision System which was launched in FYE 2001. The PBT increased by RM914,000 or more than 100% due to the economies of scale as a result of the increase in sales volume in line with the fixed cost nature of the direct labour and manufacturing overheads.

For FYE 2003, the revenue increased by about RM2,588,000 or 65% due to increase in repeat orders from its existing customers, primarily on the Lead Vision System and Mark Vision System. In addition, the Group started to venture actively into the overseas market such as Taiwan and China, and launched several new products. The PBT increased by RM2,043,000 or more than 100% due to the economic of scale as a result of the increase in revenue volume.

For FYE 2004, the increase in revenue by RM7,077,000 or more than 100% was mainly due to favourable economic conditions in the semiconductor industry and increase in orders by both its existing local and overseas customers during the year. The Group enjoyed fruition of its proactive venture into the overseas market whereby its export portion of the revenue increased by more than 600% from the previous year. The PBT increased by RM1,810,000 or 56% due to the increase in revenue which is offsetted against the increase in staff cost such as salaries and bonus.

For FYP 2005, the revenue was RM4,707,000 which was mainly due to the contribution of two of its existing major products, being Lead Vision System and Mark Vision System. The PBT amounting to RM1,524,000 which is slightly lower than the corresponding previous period was mainly due to increase in purchase price for certain components of its products.

10.2.4 Tax Rate

The comparison between the effective and statutory income tax rate for VTSB are as follows:

	10 months ended 31 December 2000 RM'000	-----Financial year ended 31 December ----- 2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	5 months ended 31 May 2005 RM'000
Effective (%)	-	1.66	0.16	0.09	0.20	0.46
Statutory (%)	28.00	28.00	28.00	28.00	28.00	28.00

The effective tax rates for the period under review were lower than the statutory income tax rate mainly due to the pioneer status granted by the MITI for the development and production of automated vision inspection system. Under this incentive, 100% of VTSB's statutory income derived from the development and production of automated vision inspection system will be exempted from income tax for a period of five years from 1 September 2000 to 31 August 2005.

There are currently no disputes with the Inland Revenue Board ("IRB") over any tax assessment. All submission of tax returns and settlement of liabilities are up-to-date. As at 31 December 2004, VTSB is not subject to any tax investigations. There are also no tax penalties imposed or additional amount assessed by the IRB. The last tax assessment agreed with the IRB is for year ended 31 December 2003.

As at 31 December 2004, VTSB does not have any tax losses or capital allowances for carry forward.

10. FINANCIAL INFORMATION *(Cont'd)*

10.3 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND MATERIAL LITIGATION

10.3.1 Working Capital

The Directors of ViTrox are of the opinion that after taking into account the cashflow forecast, banking facilities available and the proceeds from the Public Issue, the ViTrox Group will have adequate working capital for a period of twelve (12) months from the date of issue of the Prospectus.

10.3.2 Borrowings

As at 31 July 2005, the ViTrox Group has total outstanding borrowings comprising term loans and hire-purchases, all of which are interest bearing, the summary of which is as follows:

	Portion due within one year (RM'000)	Portion due after one year (RM'000)	Total (RM'000)
Long-term loan	519	728	1,247
Hire-purchase payables	110	309	419
	629	1,037	1,666

As at 31 July 2005, there have been no default on payments of either interests and/or principal sums in respect of any borrowings throughout the past financial year ended 31 December 2004 and the subsequent period immediately preceding the date of this Prospectus.

10.3.3 Contingent Liabilities

As at 31 July 2005, the Directors of ViTrox are not aware of any contingent liability, which, upon becoming enforceable, may have a material impact on the financial performance or financial position of the ViTrox Group.

10.3.4 Material Capital Commitments

Save as disclosed below, as at 31 July 2005, the Directors of ViTrox are not aware of any material capital commitment, which upon becoming enforceable, may have a material impact on the financial position of the ViTrox Group.

	RM'000
Approved and contracted for	
Land	1,346
Construction of new three double-storey office-cum-factory buildings	6,613
Total Material Capital Commitments	7,959

10.3.5 Material Litigation

Save as disclosed in Section 15.5 of this Prospectus, as at 31 July 2005, neither ViTrox nor VTSB is engaged in any litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of ViTrox or VTSB, and the Directors of ViTrox do not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of ViTrox and/or VTSB.

10. FINANCIAL INFORMATION *(Cont'd)*

10.4 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE

Save as disclosed in this Prospectus, as at 31 July 2005, the financial performance, positions and operations of ViTrox and VTSB are not materially affected by any of the following:

(i) Known trends or known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in a material favourable or unfavourable impact on the financial performance, position and operations of the Company or the Group;

(ii) Unusual or infrequent events or transactions or any significant economic changes that materially affect the financial performance, position and operations of the Company or the Group;

(iii) Known trends, events, circumstances, uncertainties or commitments that are reasonably likely to make the historical financial information not indicative of future financial performance and position or that the Company and/or the Group reasonably expects will have a material favourable or unfavourable impact on the financial performance, position and operations of the Company or the Group;

(iv) Material commitments for capital expenditure; and

(v) Substantial increase in revenue.

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10. FINANCIAL INFORMATION *(Cont'd)*

10.5 PROFORMA BALANCE SHEET AND REPORTING ACCOUNTANTS' LETTER THEREON

10.5.1 Set out below is the detailed Proforma Consolidated Balance Sheet of the ViTrox Group, for which the Directors of ViTrox are responsible, which have been prepared by consolidating the audited financial statements of ViTrox and VTSB as at 31 May 2005 as if these companies constitute a group as at that date. The Proforma Consolidated Balance Sheets of the ViTrox Group should be read in conjunction with the notes thereto. For details on the notes to the Proforma Consolidated Balance Sheets, please refer to Section 10.5.2 of this Prospectus.

	As at 31 May 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
PROPERTY, PLANT AND EQUIPMENT	-	3,049	9,049	9,049
CURRENT ASSETS				
Inventories	-	2,068	2,068	2,068
Trade receivables	297	2,008	2,008	2,008
Other receivables and prepaid expenses	490	2,121	1,631	1,631
Short-term deposits with licensed banks	-	4,242	4,242	4,242
Cash and bank balances	*	935	4,685	4,685
Total Current Assets	787	11,374	14,634	14,634
CURRENT LIABILITIES				
Trade payables	-	428	428	428
Other payables and accrued expenses	656	793	793	793
Hire-purchase payables	-	107	107	107
Long-term loan - current portion	-	85	85	85
Tax liabilities	-	9	9	9
Total Current Liabilities	656	1,422	1,422	1,422
NET CURRENT ASSETS	131	9,952	13,212	13,212
	131	13,001	22,261	22,261
SHARE CAPITAL	*	7,540	9,300	15,500
RETAINED PROFIT	131	5,076	5,076	5,076
SHARE PREMIUM	-	2	7,502	1,302
SHAREHOLDERS' EQUITY	131	12,618	21,878	21,878
LONG TERM LIABILITIES	-	383	383	383
	131	13,001	22,261	22,261
Par value per ordinary share (sen)	10	10	10	10
Number of ordinary shares ('000)	0.200	75,400	93,000	155,000
Net Tangible Assets (RM'000)	131	12,618	21,878	21,878
Net Tangible Assets per ordinary share (sen)	65,500	17	24	14

Notes:

*	*RM20*
Proforma I	*Pursuant to Acquisition*
Proforma II	*Pursuant to Proforma I, Public Issue and utilisation of listing proceeds*
Proforma III	*Pursuant to Proforma II and Bonus Issue*

10. FINANCIAL INFORMATION *(Cont'd)*

10.5.2 Reporting Accountant's Letter on the Proforma Consolidated Balance Sheets
(prepared for the inclusion in the prospectus)

Deloitte.

Deloitte & Touche (AF 0834)
Chartered Accountants
4th Floor, Wisma Wang
251-A, Jalan Burma
10350 Penang
Malaysia

Tel : +60(4) 2288255
Fax : +60(4) 2288355
mypenang@deloitte.com
www.deloitte.com.my

5 August 2005

The Board of Directors
ViTrox Corporation Berhad
3rd Floor, Wisma Wang
251-A Jalan Burma
10350 PENANG
MALAYSIA

Dear Sirs,

VITROX CORPORATION BERHAD (COMPANY NO.: 649966 K)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF 31 MAY 2005

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of ViTrox Corporation Berhad ("ViTrox ") and its subsidiary ("the Group") as of 31 May 2005, together with the notes thereto for which the Directors are solely responsible, as set out in the accompanying statements which we have stamped for the purpose of identification. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only, in connection with the public issue and bonus issue of ViTrox and the subsequent listing of and quotation for the entire enlarged issued and paid-up share capital of ViTrox on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

In our opinion,

(i) the Proforma Consolidated Balance Sheets, together with the notes thereto, which are provided for illustrative purposes, have been properly compiled on the basis set out in the Notes and Assumptions to the Proforma Consolidated Balance Sheets;

(ii) such basis is consistent with the accounting policies normally adopted by the Group; and

(iii) the adjustments as explained in Notes to the Proforma Consolidated Balance Sheets are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

Yours faithfully,

Deloitte Kassim Chan
DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/06(J)
Partner

10. FINANCIAL INFORMATION *(Cont'd)*

VITROX CORPORATION BERHAD (COMPANY NO.: 649966 K)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF 31 MAY 2005

	As of 31 May 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
PROPERTY, PLANT AND EQUIPMENT	-	3,049	9,049	9,049
CURRENT ASSETS				
Inventories	-	2,068	2,068	2,068
Trade receivables	297	2,008	2,008	2,008
Other receivables and prepaid expenses	490	2,121	1,631	1,631
Short-term deposits with licensed banks	-	4,242	4,242	4,242
Cash and bank balances	*	935	4,685	4,685
Total Current Assets	787	11,374	14,634	14,634
CURRENT LIABILITIES				
Trade payables	-	428	428	428
Other payables and accrued expenses	656	793	793	793
Hire-purchase payables	-	107	107	107
Long-term loan - current portion	-	85	85	85
Tax liabilities	-	9	9	9
Total Current Liabilities	656	1,422	1,422	1,422
NET CURRENT ASSETS	131	9,952	13,212	13,212
	131	13,001	22,261	22,261
SHARE CAPITAL	*	7,540	9,300	15,500
RETAINED PROFIT	131	5,076	5,076	5,076
SHARE PREMIUM	-	2	7,502	1,302
SHAREHOLDERS' EQUITY	131	12,618	21,878	21,878
LONG TERM LIABILITIES	-	383	383	383
	131	13,001	22,261	22,261
Par value per ordinary share (sen)	10	10	10	10
Number of ordinary shares ('000)	0.200	75,400	93,000	155,000
Net Tangible Assets (RM'000)	131	12,618	21,878	21,878
Net Tangible Assets per ordinary share (sen)	65,500	17	24	14

*RM20

Stamped for the purpose of identification only with our letter / report dated

5 AUG 2005

Deloitte KassimChan
Penang

VITROX CORPORATION BERHAD (COMPANY NO.: 649966 K)
NOTES AND ASSUMPTIONS TO THE
PROFORMA CONSOLIDATED BALANCE SHEETS

1. Basis of Preparation

The Proforma Consolidated Balance Sheets together with the notes thereon have been prepared for illustrative purposes only based on accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements of ViTrox Corporation Berhad ("ViTrox ") and its subsidiary company ("The Group") as of 31 May 2005 and on the assumption that the following transactions have been effected on 31 May 2005.

Proforma I

Proforma I has been presented based on the audited balance sheet of ViTrox as of 31 May 2005 and incorporating the acquisition of the entire issued and fully paid-up share capital of ViTrox Technologies Sdn. Bhd. ("VTSB") comprising 500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM7,542,012 based on the audited net tangible assets value of VTSB as of 31 December 2003 satisfied by the issuance of 75,399,800 new ordinary shares of 10 sen each in ViTrox at an issue price per share of approximately 10 sen ("Acquisition") and payment of dividend of RM1,500,000.

The Acquisition is accounted for using the acquisition method of consolidation.

VTSB had proposed a final tax exempt dividend of RM3 per ordinary share, in respect of the financial year ended 31 December 2004 amounting to RM1,500,000 to its former shareholders. Such dividend was approved by the Securities Commission on 9 June 2005, was declared payable on 13 June 2005 and paid on 15 July 2005, prior to the listing of ViTrox on the MESDAQ market of Bursa Securities.

Proforma II

Proforma II incorporates the effects of Proforma I and the public issue of 17,600,000 new ordinary shares of 10 sen each by ViTrox at an issue price of 60 sen each ("Public Issue"), write off of estimated listing expenses against share premium and repayment of financing of the acquisition of land and construction of three double-storey office-cum-factory buildings.

The gross proceeds of the Public Issue will be RM10,560,000 and are expected to be utilised as follows:

	RM
Repayment of financing of the acquisition of land and construction of three double-storey office-cum-factory buildings	6,000,000
Research and development	1,170,000
Regional offices set-up	1,869,600
Working capital	220,400
Estimated listing expenses	1,300,000
	10,560,000

10. FINANCIAL INFORMATION *(Cont'd)*

A total of RM1,170,000 will be set aside for the purpose of purchasing R&D equipment such as camera, frame grabber, lens, scopes, personal computers, mechanical module, light source, electronics board for I/O, laser system and reference material which are essential to the Group's R&D plans.

The estimated listing expenses of RM1,300,000 will be written off against the share premium account.

Proforma III

Proforma III incorporates the effects of Proforma I, Proforma II and bonus issue of 62,000,000 new ordinary shares of 10 sen each in ViTrox to be capitalised from the share premium account arising from the public issue, on the basis of two (2) new ordinary shares of 10 sen each for every three (3) ordinary shares of 10 sen each held after the Public Issue but prior to the listing.

2. **The movement of the issued and paid-up capital, share premium, other receivables and prepaid expenses, cash and bank balances and property, plant and equipment after taking into account the above transactions are as follows:**

	Share Capital RM'000	Share Premium RM'000	Other receivables and Prepaid expenses RM'000	Cash and Bank Balances RM'000	Property, Plant and Equipment RM'000
As of May 31, 2005	0.020	-	490	0.020	-
Acquisition	7,540	2	1,631	2,435	3,049
Dividend paid	-	-	-	(1,500)	-
Proforma I	7,540	2	2,121	935	3,049
Public Issue	1,760	8,800	-	10,560	-
Estimated listing expenses	-	(1,300)	(490)	(810)	-
Acquisition of land and construction of three double-storey office-cum-factory buildings	-	-	-	(6,000)	6,000
Proforma II	9,300	7,502	1,631	4,685	9,049
Bonus Issue	6,200	(6,200)	-	-	-
Proforma III	15,500	1,302	1,631	4,685	9,049

10. FINANCIAL INFORMATION *(Cont'd)*

10.6 CONSOLIDATED PROFIT FORECAST AND REPORTING ACCOUNTANTS' LETTER THEREON

10.6.1 Consolidated Profit Forecast

Financial year ending 31 December 2005	**RM'000**
Consolidated revenue	14,544
Consolidated PBT before pre-acquisition profit and exceptional item	5,518
Less: Taxation	(7)
Consolidated PAT before pre-acquisition profit and exceptional item	5,511
Less: Pre-acquisition profit	(1,382)
Consolidated PAT before exceptional item	4,129
Add: Negative goodwill written off	4,821
Consolidated PAT attributable to shareholders	8,950

Based on weighted average paid-up share capital of 70,516,750# ViTrox Share	
Gross EPS^ (sen)	5.87
Net EPS^^ (sen)	5.86
Net PE multiple based on theoretical ex-bonus price of 36 sen per ViTrox Share (times)	6.1

Notes:

\# *On the basis that the Acquisition is completed on 15 June 2005 and after the Public Issue and Bonus Issue which are assumed to be completed by early September 2005*

^ *Based on consolidated PBT after pre-acquisition profit and before exceptional item*

^^ *Based on consolidated PAT after pre-acquisition profit and before exceptional item*

Based on enlarged and paid-up share capital of 155,000,000 ViTrox Share after Bonus Issue	
Gross EPS* (sen)	3.56
Net EPS** (sen)	3.56
Net PE multiple based on theoretical ex-bonus price of 36 sen per ViTrox Share (times)	10.1

Notes:

* *Based on consolidated PBT before pre-acquisition profit and exceptional item*

** *Based on consolidated PAT before pre-acquisition profit and exceptional item*

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10.6.2 Reporting Accountants' Letter on the Consolidated Profit Forecast
(Prepared for the inclusion in the Prospectus)

Deloitte.

Deloitte KassimChan (AF 0080)
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The Board of Directors
ViTrox Corporation Berhad
3rd Floor, Wisma Wang
251-A Jalan Burma
10350 PENANG
MALAYSIA

5 August 2005

Dear Sirs,

VITROX CORPORATION BERHAD (COMPANY NO.: 649966 K)
CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 DECEMBER 2005

We have reviewed the accounting policies and calculations for the consolidated profit forecast of ViTrox Corporation Berhad ("ViTrox " or "the Company") and its subsidiary company ("the Group"), for which the Directors are solely responsible, for the year ending 31 December 2005 as set out in the accompanying statement in connection with the public issue, bonus issue and subsequent listing of and quotation for the entire issued and paid-up share capital of ViTrox on the MESDAQ Market of the Bursa Malaysia Securities Berhad ("Bursa Securities"), for inclusion in the Prospectus of the Company.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors as set out in the accompanying statement, and is presented based on accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements by the Group.

Yours faithfully,

Deloitte KassimChan
DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/06(J)
Partner

10. FINANCIAL INFORMATION *(Cont'd)*

VITROX CORPORATION BERHAD (COMPANY NO.: 649966 K)
(Incorporated in Malaysia)

CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS
FOR THE YEAR ENDING 31 DECEMBER 2005

The Directors of ViTrox Corporation Berhad ("ViTrox " or "the Company") and its subsidiary company ("the Group") forecast that the consolidated profit after tax for the year ending 31 December 2005 will be approximately as follows:

	2005 RM'000
Revenue	14,544
Profit before tax with consolidation of full year's profit of the subsidiary company	5,518
Less: Pre-acquisition profit	(1,382)
Consolidated profit before tax and exceptional item	4,136
Add: Exceptional item	
Negative goodwill written off	4,821
Consolidated profit before tax and after exceptional item	8,957
Less: Tax expense	(7)
Consolidated profit after tax and exceptional item	8,950
Weighted average number of ordinary shares after public issue and bonus issue ('000)	^ 70,517
Gross earnings per ordinary share	
Based on consolidated profit before tax and exceptional item (sen)	5.87
Based on consolidated profit before tax and after exceptional item (sen)	12.70
Net earnings per ordinary share	
Based on consolidated profit after tax and before exceptional item (sen)	5.86
Based on consolidated profit after tax and exceptional item (sen)	12.69

^ On the basis that the acquisition of subsidiary was completed on June 15, 2005 and after the Public Issue and bonus issue but before the exercise of ESOS. The Public Issue and bonus issue are assumed to be completed by early of September 2005.

Stamped for the purpose of identification only with our letter / report dated

5 AUG 2005

Deloitte KassimChan
Penang

10. FINANCIAL INFORMATION *(Cont'd)*

VITROX CORPORATION BERHAD (COMPANY NO.: 649966 K)
(Incorporated in Malaysia)

The principal bases and assumptions upon which the above consolidated profit forecast have been made are set out below:

1. The Group will or has carried out the following:

   a) Acquisition of the entire issued and fully paid-up share capital of ViTrox Technologies Sdn. Bhd. ("VTSB") comprising 500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM7,542,012 satisfied by the issuance of 75,399,800 new ordinary shares of 10 sen each in the Company at an issue price per share of approximately 10 sen ("Acquisition of VTSB").

      The Acquisition was accounted for using the acquisition method of consolidation. The purchase consideration for the Acquisition was determined based on VTSB's audited net tangible assets as of 31 December 2003. The said acquisition was completed on 15 June 2005 and negative goodwill on consolidation which represents the excess of the Group's interest in the fair value of the identifiable net assets of VTSB at the date of acquisition over the cost of acquisition is written off to the consolidated income statement;

   b) Public issue of 17,600,000 new ordinary shares of 10 sen each in ViTrox at an issue price of 60 sen per share ("Public Issue"). The proceeds from the public issue will be used for repayment of financing for the acquisition of land and construction of three double-storey office-cum-factory buildings, for research and development expenditure, for regional offices set-up, for payment of the estimated listing expenses and for working capital purposes; and

   c) Bonus issue of 62,000,000 new ordinary shares of 10 sen each in the Company to be capitalised from the share premium account arising from the public issue on the basis of two (2) new ordinary shares of 10 sen each for every three (3) ordinary shares of 10 sen each held after the public issue but prior to the listing.

2. There will be no significant changes to the prevailing world economic and political conditions in Malaysia and elsewhere that may directly or indirectly affect the activities or performance of the Group and the business of the Group's major customers and suppliers.

3. There will be no significant changes in the present legislation or regulations, rates and bases of duties, levies and taxes which will affect the activities of the Group or the markets in which the Group operates.

4. There will be no significant fluctuations in foreign currency exchange and inflation rates from their present levels which would adversely affect the activities and operations of the Group.

5. There will be no significant changes in the prices of raw materials, labour and overheads.

6. There will be no significant changes in the selling prices for the Group's products and services.

7. There will be no major breakdown or disruption of major industrial disputes, labour shortages, technological changes or any abnormal factors or changes both domestic and overseas, which will adversely affect the Group's operations.

8. There will be no significant changes in the present management structure, key personnel, ownership and operating and accounting policies adopted by the Group.

9. Existing financing facilities will remain available and that the level of interest rates will not change materially from those presently prevailing and that the Group will be able to secure sufficient financing facilities for working capital purposes if necessary. Additional financing facilities will be obtained at the present prevailing interest rate.

10. FINANCIAL INFORMATION *(Cont'd)*

VITROX CORPORATION BERHAD (COMPANY NO.: 649966 K)
(Incorporated in Malaysia)

10. There will be no material acquisitions or disposals of property, plant and equipment or investments other than those that have been forecasted for.

11. There will be no material changes in the principal activities and structure of the Group.

12. The demand for the products and services provided by the Group and the profit margins on its products will be in line with the forecasted level.

13. Percentage contribution of export sales to overall revenue will be approximately 34%.

14. There will be no major delays or cost overruns in the upgrading and capital expenditure program of the Group which will adversely affect the activities of the Group or the markets in which it operates.

15. The Group will not be engaged in any material litigation and there will be no legal proceedings which will adversely affect its activities or performance or give rise to any contingent liabilities which will materially affect the position or business of the Group.

16. a) ViTrox was granted Multimedia Super Corridor ("MSC") status by the Multimedia Development Corporation Sdn. Bhd. ("MDC") on 11 August 2004 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.

    By virtue of its MSC status, the Ministry of International Trade and Industry under the Promotion of Investment Act, 1986 granted ViTrox pioneer status for a period of five years. Upon expiration of the pioneer status period, ViTrox has the option to renew its status for another 5 years. 100% of ViTrox's statutory income derived from the development of pioneer products will be exempted from income tax for a period of 5 years from 25 January 2005 to 24 January 2010.

    b) The subsidiary company, ViTrox Technologies Sdn. Bhd. ("VTSB") was granted pioneer status by the Ministry of International Trade and Industry (MITI) for the development and production of automated vision inspection system. Under this incentive, VTSB's statutory income from the development and production of automated vision inspection system are exempted from income tax for a period of five years from 1 September 2000 to 31 August 2005. It is assumed that VTSB will obtain additional pioneer status from MITI for the development and production of digital automated vision inspection equipment and modules, under which VTSB's statutory income will be exempted from income tax for a period of ten years from 2005 to 2015.

17. Listing expenses are estimated to be approximately RM1,300,000, out of which RM490,000 has been paid and the balance of RM810,000 is assumed to be paid in the financial year ending 31 December 2005. The listing expenses will be set-off against the share premium.

10. FINANCIAL INFORMATION *(Cont'd)*

10.7 DIRECTORS' ANALYSIS OF THE CONSOLIDATED PROFIT FORECAST

In FYE 2005, the Group forecasted to achieve revenue of approximately RM14.5 million, an increase of RM896,000 or 6.6% compared to FYE 2004 of approximately RM13.6 million. The revenue increase is mainly due to the estimated strong demand in the Group's standard vision products for both the leaded and leadless packages. The demand will be mainly driven by the increasing sales on small IC packages in sub-contracted house for semiconductors in the regions including China, Taiwan and Malaysia. In addition, the Group has also started to sell some of its new and improved products. Consequently, the PBT increases from RM5.1 million for FYE 2004 to approximately RM5.5 million for FYE 2005, an increase of approximately 8%, mainly due to increase in revenue and economies of scale.

The Directors of ViTrox have reviewed and analysed the reasonableness, after due and careful enquiry based on the current prevailing economic and operating conditions, of the bases and assumptions used in deriving the profit forecast for the FYE 2005. The Directors of ViTrox are of the opinion that the profit forecast of the ViTrox Group for the FYE 2005 is fair and reasonable in light of the assumptions made, future plans and strategies to be adopted by the Group, the future prospects of the industry as well as the Group's level of gearing, liquidity and working capital. However, a forecast by its nature is subject to subjective judgments, inherent uncertainties and unexpected events which may occur beyond the control or prediction of the Group or its Board. Accordingly, the Board does not guarantee the achievement of the consolidated profit forecast.

10.8 SENSITIVITY ANALYSIS

The following sensitivity analysis is prepared based on the forecast assumptions as set out in Section 10.6 of this Prospectus with the intention to show the possible impact on the forecast consolidated profit assuming all things remain unchanged except for 5% and 10% upward and downward variations in the selling price and production costs. Notwithstanding the impact of the variations in revenue and production cost, there may exist other factors that may not have been taken into account, which variations may have a significant impact, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:

(a) **Variation in selling price**

Financial year ending 31 December 2005	**PBT* RM'000**	**PAT** RM'000**
As forecasted	5,518	5,511
Increase by 5%	6,245	6,237
Increase by 10%	6,972	6,964
Decrease by 5%	4,791	4,785
Decrease by 10%	4,064	4,058

(b) **Variation in production costs**

Financial year ending 31 December 2005	**PBT* RM'000**	**PAT** RM'000**
As forecasted	5,518	5,511
Increase by 5%	5,196	5,189
Increase by 10%	4,874	4,868
Decrease by 5%	5,840	5,833
Decrease by 10%	6,162	6,154

Notes:

* *Based on consolidated PBT before pre-acquisition profit and exceptional item*

** *Based on consolidated PAT before pre-acquisition profit and exceptional item*

The Directors have assessed the sensitivity of the profit forecast of the Group, taking into account the possible fluctuation in major variables as set out above. The Directors are of the view that the sensitivity analysis of the profit forecast of the Group is fair and reasonable.

10. FINANCIAL INFORMATION *(Cont'd)*

10.9 DIVIDEND FORECAST AND POLICY

Based on the profit forecast for the FYE 31 December 2005, the Directors of ViTrox anticipate that the Company will be in a position to propose a dividend rate of 5% less tax for the financial year ending 31 December 2005, based on the enlarged share capital of the Company of 155,000,000 ViTrox Shares.

The intended appropriation of the forecast consolidated PAT for the financial year ending 31 December 2005 will be as follows:

Financial year ending 31 December 2005

Gross dividend per Share (%)	5.0
Net dividend per Share (%)	3.6
Gross dividend yield based on the theoretical ex-bonus price of 36 sen per Share (%)	1.4
Net dividend yield based on the theoretical ex-bonus price of 36 sen per Share (%)	1.0
Net dividend cover based on enlarged number of ordinary shares in issue based on enlarged and paid-up share capital of 155,000,000 ViTrox Share after Bonus Issue (times)	9.9

The declaration, amount and payment of dividend are subject to the approval of the Board of ViTrox. ViTrox will endeavour to pay reasonable dividends to allow shareholders to participate in the profits of the Group whilst ensuring that there are adequate reserves for the future growth of the Group. Any variation from the dividend forecast would depend on the Group's financial performance, financial conditions and other factors deemed relevant by the Board of ViTrox.

Future dividends may be waived in the event of the following circumstances:

(i) insufficient retained profits to declare as dividends;
(ii) insufficient tax credits to frank its dividends; or
(iii) insufficient cashflow to pay dividends.

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