

VITROX CORPORATION BERHAD

**INTERIM FINANCIAL REPORT
FOR THE SECOND
QUARTER ENDED 30 JUNE 2010**

ViTrox Corporation Berhad

(Company No. 649966-K)

(Incorporated in Malaysia)



Quarterly report on results for the 2nd Quarter ended 30 June 2010 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current period quarter 30-Jun-10 RM'000	Preceding year corresponding quarter 30-Jun-09 RM'000	Current period to date 30-Jun-10 RM'000	Preceding year corresponding period 30-Jun-09 RM'000
Revenue	26,120	5,121	39,104	6,109
Other operating income	180	144	345	329
Operating expenses	(16,223)	(4,116)	(24,875)	(7,410)
Profit/(Loss) before tax	10,077	1,149	14,574	(972)
Tax expense	(203)	-	(305)	-
Net profit/ (loss) for the period	9,874	1,149	14,269	(972)
Other comprehensive income:				
Foreign currency translation of differences for foreign operations	-	(3)	-	(2)
Total comprehensive income/ (loss) for the period	9,874	1,146	14,269	(974)
Earnings/ (Loss) Per Ordinary Share attributable to ordinary equity holders of the Company (sen)				
- Basic	6.48	0.75	9.36	(0.63)
- Diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ViTrox Corporation Berhad



(Company No. 649966-K)

(Incorporated in Malaysia)

Quarterly report on results for the 2nd Quarter ended 30 June 2010 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30-Jun-10 RM'000	Audited (Restated) As at 31-Dec-09 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,400	10,679
Investment properties	600	600
Investments in club membership	91	91
Development cost	4,999	2,964
	<u>16,090</u>	<u>14,334</u>
Current assets		
Inventories	12,069	4,500
Trade and other receivables	20,233	5,237
Prepayments	717	507
Current tax assets	270	502
Cash and cash equivalents	28,969	27,683
	<u>62,258</u>	<u>38,429</u>
TOTAL ASSETS	<u>78,348</u>	<u>52,763</u>
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the Company		
Share capital	15,500	15,500
Less: Treasury shares, at cost	(1,022)	(853)
Reserves	48,832	34,563
Total equity	<u>63,310</u>	<u>49,210</u>
Non-current liabilities		
Deferred tax liabilities	316	316
Deferred Income	265	270
Total non-current liabilities	<u>581</u>	<u>586</u>
Current liabilities		
Trade and other payables	14,456	2,964
Current tax liabilities	1	3
Total current liabilities	<u>14,457</u>	<u>2,967</u>
Total liabilities	<u>15,038</u>	<u>3,553</u>
TOTAL EQUITY AND LIABILITIES	<u>78,348</u>	<u>52,763</u>
Net assets value per share attributable to ordinary equity holders of the parent (sen)		
	<u>41.57</u>	<u>32.27</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ViTrox Corporation Berhad

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



Quarterly report on results for the 2nd Quarter ended 30 June 2010 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Treasury Share RM'000	Foreign Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
Period ended 30 June 2010						
Balance as at 1 January 2010	15,500	1,222	(853)	(3)	33,344	49,210
Total comprehensive income for the period	-	-	-	-	14,269	14,269
Repurchase of Shares	-	-	(169)	-	-	(169)
Balance as at 30 June 2010	<u>15,500</u>	<u>1,222</u>	<u>(1,022)</u>	<u>(3)</u>	<u>47,613</u>	<u>63,310</u>
Period ended 30 June 2009						
Balance as at 1 January 2009	15,500	1,222	-	-	33,098	49,820
Total comprehensive loss for the period	-	-	-	(2)	(972)	(974)
Dividend	-	-	-	-	(1,695)	(1,695)
Repurchase of Shares	-	-	(853)	-	-	(853)
Balance as at 30 June 2009	<u>15,500</u>	<u>1,222</u>	<u>(853)</u>	<u>(2)</u>	<u>30,431</u>	<u>46,298</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ViTrox Corporation Berhad



(Company No. 649966-K)
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Quarterly report on results for the 2nd Quarter ended 30 June 2010 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

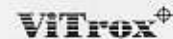
(The figures have not been audited)

	Period ended 30-Jun-10 RM'000	Period ended 30-Jun-09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before tax	14,574	(972)
Adjustments for :		
Amortisation of development expenditure	285	260
Amortisation and depreciation of property, plant and equipment	440	517
Amortisation of deferred income	(5)	-
Interest income	(266)	(279)
Unrealised loss/ (gain) on foreign exchange	(57)	(89)
Operating profit before working capital changes	14,971	(563)
Changes in working capital:		
(Decrease) / Increase in inventories and receivables	(22,904)	(827)
Increase in payables	11,678	322
Cash used in operating activities	3,745	(1,068)
Income tax paid	(75)	(127)
Net cash used in operating activities	3,670	(1,195)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	266	279
Payment of capitalised development expenditure	(2,320)	(579)
Purchase of property, plant and equipment	(164)	(221)
Proceed from disposal of property, plant and equipment	3	-
Net cash used in investing activities	(2,215)	(521)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(1,985)
Repurchase of treasury shares	(169)	(853)
Net cash used in financing activities	(169)	(1,938)
Net decrease in cash and cash equivalents	1,286	(3,654)
Effects from foreign exchange	-	-
Cash and cash equivalents at beginning of period	27,683	28,783
Cash and cash equivalents at end of period	28,969	25,129
<u>Cash and cash equivalents consist of:</u>		
Fixed deposits with licenced banks	22,508	21,511
Short-term funds	2,322	2,264
Cash and bank balances	4,139	1,354
	28,969	25,129

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ViTrox Corporation Berhad

(Company No. 649966-K)
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Quarterly report on results for the 2nd Quarter ended 30 June 2010

A NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation of Interim Financial Report

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

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted by the Group in the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Interpretations") effective for the Group's financial periods beginning on or after 1 January 2010.

Standard/Interpretation	Effective for the financial periods beginning on or after
Amendments to FRS 1 <i>First-time Adoption of Financial Reporting Standard</i> and FRS 127 <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1-Jan-2010
Amendments to FRS 2 <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1-Jan-2010
Amendments to FRS 132 <i>Financial Instruments: Presentation</i>	1-Jan-2010
Amendments to FRS 139 <i>Financial Instruments: Recognition and Measurement</i> , FRS 7 <i>Financial Instruments: Disclosures</i> and IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1-Jan-2010
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2009)</i> "	1-Jan-2010
FRS 4 <i>Insurance Contracts</i>	1-Jan-2010
FRS 7 <i>Financial Instruments: Disclosures</i>	1-Jan-2010
FRS 8 <i>Operating Segments</i>	1-Jul-2009
FRS 101 <i>Presentation of Financial Statements</i> (revised in 2009)	1-Jan-2010
FRS 123 <i>Borrowing Costs</i>	1-Jan-2010
FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1-Jan-2010
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1-Jan-2010
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1-Jan-2010
IC Interpretation 11 <i>FRS 2 - Group and Treasury Share Transactions</i>	1-Jan-2010
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1-Jan-2010
IC Interpretation 14 <i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1-Jan-2010

The adoption of the new FRS and Interpretations does not have significant impact on the financial statement of the Group and the company, except for FRS 117 *Leases*.

The Group has reassessed and determined that all leasehold land of the Group which are in substance finance lease and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provision of the amendment.

The following comparative figures have been restated following the adoption of the amendment to FRS 117:

Group	31-Dec-09	
	As restated RM'000	As previously RM'000
Carrying amount		
Property, plant and equipment	10,679	7,948
Prepaid lease payments	-	2,731

A2 Seasonal or cyclical factors

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

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

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

A4 Material changes in estimates

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

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Quarterly report on results for the 2nd Quarter ended 30 June 2010

A NOTES TO THE INTERIM FINANCIAL REPORT

A5 Debt and equity securities

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

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

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

During the current quarter, the Company purchased 228,100 of its issued share capital from open market for an average price of RM0.74 per share. As at June 30, 2010, the total shares purchases are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 is 2,714,700 of its issued share capital from the open market for an average price of RM0.38 per share. The purchase transactions were funded by the internally generated funds.

A6 Dividend paid

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

A7 Segment reporting

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

A8 Valuation of property, plant and equipment

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

A9 Valuation of investment properties

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

A10 Material events subsequent to the end of the quarter

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

A11 Changes in the composition of the Group

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

A12 Contingent liabilities

Save as disclosed in Note B11, there were no contingent assets or liabilities for the Group since the previous financial year ended 31 December 2009 to the date of this report.

A13 Capital commitments

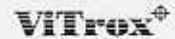
There were no material capital commitments for the Group as at the date of this report.

A14 Significant related party transactions

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

ViTrox Corporation Berhad

(Company No. 649966-K)
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Quarterly report on results for the 2nd Quarter ended 30 June 2010

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

B1 Review of performance

The Group achieved a revenue of RM26.12 million for the period under review against RM5.12 million in the corresponding period of preceding year, representing an increase 410%. The increase in revenue against the same quarter last year was attributed to the higher sales recorded from machine vision system (MVS), automated board inspection (ABI) and electronics communication system (ECS). The increase in sales recorded are due to higher than expected demand of our new products as a result of effective execution of our business strategies and strong recovery of semiconductors and electronics sectors. On the back of this revenue, the Group achieved a profit before tax of RM10.08 million against profit before tax of RM1.15 million in the corresponding quarter, attributed mainly to higher sales recorded and our prudent internal cost control in the current quarter. Correspondingly, the Group recorded a profit after tax of RM9.87 million against profit after tax of RM1.15 million in the corresponding quarter.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM26.12 million and RM10.08 million respectively for the current quarter under review against revenue and profit before tax of RM12.98 million and RM4.50 million respectively for the immediate preceding quarter. These represent an increase of more than 100% in revenue and 124% in profit against the revenue and profit of the immediate preceding quarter. The increase in revenue and profit were attributed to higher sales recorded for MVS, ABI and ECS as a result of effective execution of our business strategies coupled with strong recovery in the semiconductors and electronics sectors.

B3 Prospects for the remaining quarters of current financial year ending 31 December 2010

Continuous strong demand for machine vision system, automated board inspection and electronics communication system from the leading test and inspection equipment manufacturers and major electronics manufacturing services providers will ensure that our machine visions', automated board inspection and electronics communication systems' products remain the mainstay of the Group's earnings. Barring any unforeseen circumstances, the Board expects the performance of the other quarters of the current financial year to remain strong and satisfactory.

B4 Profit forecast, profit guarantee and internal targets

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

B5 Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-10 RM'000	Preceding year corresponding quarter 30-Jun-09 RM'000	Current period to date 30-Jun-10 RM'000	Preceding year corresponding period 30-Jun-09 RM'000
Income tax based on the results for the period under review	203	-	305	-

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

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

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

B6 Sales of unquoted investments and/or properties

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

B7 Purchase and Sale of Quoted Securities

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

B8 Status of corporate proposals announced

There was no corporate proposal announced as at the date of this report.

B9 Group Borrowings

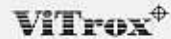
There was no bank borrowings during the quarter under review and financial period-to-date.

B10 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet as at 19 August 2010 (being the latest practicable date which shall not be earlier than 7 days from the date of this report).

ViTrox Corporation Berhad

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Quarterly report on results for the 2nd Quarter ended 30 June 2010

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

B11 Material litigation

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

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

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

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

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

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

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

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

On 10 November 2006, all counsels applied for an adjournment on the basis that more time is needed to fully prepare for hearing of the said 3 enclosures. The Court allowed the application for an adjournment and fixed the said 3 enclosures for hearing on 8 December 2006. The Court had instructed the Second Defendant to file its Submission and fixed 12 August 2009 for mention. Thereafter, the Court had on 12 August 2009 further fixed 10 November 2009 for a decision in relation to the Second Defendant's interlocutory application for leave to cross examine one deponent. On 4 May 2010, no hearing was carried out and the date for next hearing will be determined later. However, both parties have agreed to withdraw their respective claims in the above matter with no cost incurred by either parties. Currently, this matter is pending written documentation from related parties and the court has fixed 1 September 2010 as the case management date.

(b) Tan Hwang Kiat vs ViTrox Technologies Sdn Bhd

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

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

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

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

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

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

Subsequently, following a few adjournments, no hearing was carried out and the date for next hearing will be determined later. Both parties have agreed to withdraw their respective claims in above matter with no cost incurred by either parties. Currently, this matter is pending written documentation from related parties and the court has fixed 30 August 2010 as the case management date..

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Quarterly report on results for the 2nd Quarter ended 30 June 2010

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

B12 Dividends

No dividend was proposed and declared by the Company in current quarter under review.

B13 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-10	Preceding year corresponding quarter 30-Jun-09	Current period to date 30-Jun-10	Preceding year corresponding period 30-Jun-09
Net profit/ (loss) attributable to shareholders (RM'000)	9,874	1,149	14,269	(972)
Weighted average number of ordinary shares in issue ('000)	152,372	153,193	152,372	153,193
Basic earnings/ (loss) per share (sen)	<u>6.48</u>	<u>0.75</u>	<u>9.36</u>	<u>(0.63)</u>

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

B14 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2009 was not subject to any qualification.

B15 Authorisation for issue

The interim financial statements are authorised for issue by the Board of Directors on 26 August 2010.

By Order of the Board

Chu Jenn Weng
Managing Director

Penang
Date: **26-Aug-10**