

VITROX CORPORATION BERHAD

INTERIM FINANCIAL REPORT
FOR THE FIRST
QUARTER ENDED 31 MARCH 2011

ViTrox Corporation Berhad

(Company No. 649966-K)

(Incorporated in Malaysia)



Quarterly report on results for the 1st Quarter ended 31 March 2011 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current period quarter 31-Mar-11 RM'000	Preceding year corresponding quarter 31-Mar-10 RM'000	Current period to date 31-Mar-11 RM'000	Preceding year corresponding period 31-Mar-10 RM'000
Revenue	21,688	12,984	21,688	12,984
Other operating income	163	164	163	164
Operating expenses	(15,285)	(8,652)	(15,285)	(8,652)
Profit before tax	<u>6,566</u>	<u>4,496</u>	<u>6,566</u>	<u>4,496</u>
Tax expense	(140)	(101)	(140)	(101)
Net profit for the period	<u><u>6,426</u></u>	<u><u>4,395</u></u>	<u><u>6,426</u></u>	<u><u>4,395</u></u>
Other comprehensive income: Currency translation of differences for foreign operations	(1)	-	(1)	-
Total comprehensive income for the period	<u><u>6,425</u></u>	<u><u>4,395</u></u>	<u><u>6,425</u></u>	<u><u>4,395</u></u>
Earnings Per Ordinary Share attributable to ordinary equity holders of the Company (sen)				
- Basic	<u><u>4.23</u></u>	<u><u>2.88</u></u>	<u><u>4.23</u></u>	<u><u>2.88</u></u>
- Diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

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

ViTrox Corporation Berhad

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Quarterly report on results for the 1st Quarter ended 31 March 2011 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31-Mar-11 RM'000	Audited As at 31-Dec-10 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,270	13,412
Investment properties	600	600
Investments in club membership	91	91
Development cost	3,785	3,941
	<u>19,746</u>	<u>18,044</u>
Current assets		
Inventories	18,061	14,053
Trade and other receivables	26,518	18,134
Prepayments	437	311
Current tax assets	-	21
Cash and cash equivalents	33,095	43,403
	<u>78,111</u>	<u>75,922</u>
TOTAL ASSETS	<u><u>97,857</u></u>	<u><u>93,966</u></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	(1,272)	(1,022)
Reserves	68,231	61,806
Total equity	<u>82,459</u>	<u>76,284</u>
Non-current liabilities		
Deferred tax liabilities	450	450
Deferred Income	523	523
Total non-current liabilities	<u>973</u>	<u>973</u>
Current liabilities		
Trade and other payables	13,815	11,275
Advance payments from customers	498	696
Current tax liabilities	112	169
Dividend payable	-	4,569
Total current liabilities	<u>14,425</u>	<u>16,709</u>
Total liabilities	<u>15,398</u>	<u>17,682</u>
TOTAL EQUITY AND LIABILITIES	<u><u>97,857</u></u>	<u><u>93,966</u></u>
Net assets value per share attributable to ordinary equity holders of the parent (sen)	<u>54.22</u>	<u>50.09</u>

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

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Quarterly report on results for the 1st Quarter ended 31 March 2011 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
<u>Period ended 31 March 2011</u>						
Balance as at 1 January 2011	15,500	1,222	(1,022)	(4)	60,588	76,284
Total comprehensive income for the period	-	-	-	(1)	6,426	6,425
Dividend	-	-	-	-	-	-
Repurchase of Shares	-	-	(250)	-	-	(250)
Balance as at 31 March 2011	<u>15,500</u>	<u>1,222</u>	<u>(1,272)</u>	<u>(5)</u>	<u>67,014</u>	<u>82,459</u>
<u>Period ended 31 March 2010</u>						
Balance as at 1 January 2010	15,500	1,222	(853)	(3)	33,344	49,210
Total comprehensive loss for the period	-	-	-	-	4,395	4,395
Dividend	-	-	-	-	-	-
Balance as at 31 March 2010	<u>15,500</u>	<u>1,222</u>	<u>(853)</u>	<u>(3)</u>	<u>37,739</u>	<u>53,605</u>

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

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Quarterly report on results for the 1st Quarter ended 31 March 2011 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(The figures have not been audited)

	Period ended 31-Mar-11 RM'000	Period ended 31-Mar-10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	6,566	4,496
Adjustments for :		
Amortisation of development expenditure	180	144
Depreciation of property, plant and equipment	243	249
Amortisation of deferred income	-	(2)
Interest income	(153)	(134)
Unrealised loss/ (gain) on foreign exchange	515	288
Operating profit before working capital changes	7,351	5,041
Changes in working capital:		
Decrease in inventories and receivables	(13,030)	(10,258)
Increase in payables	2,339	2,882
Cash generated from operating activities	(3,340)	(2,335)
Income tax paid	(176)	(37)
Net cash generated from operating activities	(3,516)	(2,372)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	153	134
Payment of capitalised development expenditure	(24)	(1,478)
Purchase of property, plant and equipment	(2,101)	(51)
Net cash used in investing activities	(1,972)	(1,395)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(4,569)	-
Repurchase of treasury shares	(250)	-
Net cash used in financing activities	(4,819)	-
Net decrease in cash and cash equivalents	(10,307)	(3,767)
Currency translation differences	(1)	-
Cash and cash equivalents at beginning of period	43,403	27,683
Cash and cash equivalents at end of period	33,095	23,916
<u>Cash and cash equivalents consist of:</u>		
Fixed deposits with licensed banks	25,240	20,506
Short-term funds	2,371	2,307
Cash and bank balances	5,484	1,103
	33,095	23,916

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

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Quarterly report on results for the 1st Quarter ended 31 March 2011

A NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation of Interim Financial Report

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

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

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

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

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

A2 Seasonal or cyclical factors

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

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

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

A4 Material changes in estimates

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

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A NOTES TO THE INTERIM FINANCIAL REPORT

A5 Debt and equity securities

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

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

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

During the current quarter, the Company purchased 197,900 of its issued share capital from open market for an average price of RM1.27 per share. As at March 31, 2011, the total shares purchases are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 is 2,912,600 of its issued share capital from the open market for an average price of RM0.44 per share. The purchase transactions were funded by the internally generated funds.

A6 Dividend paid

An interim tax exempt dividend of 3 sen per share amounting to RM4,568,559 for the year ended 31 December 2010 was paid on 18 January 2011.

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

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

A13 Capital commitments

Authorised contracted capital commitments not provided for in the interim financial statements as at 31 March 2011 is RM10,458,634.

A14 Significant related party transactions

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

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Quarterly report on results for the 1st Quarter ended 31 March 2011

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 RM21.69 million for the period under review against RM12.98 million in the corresponding period of preceding year, representing an increase of 67%. 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 mainly due to high demand of our new Advanced X-ray Inspection system from new customers in the US market. On the back of this revenue, the Group achieved a profit before tax of RM6.57 million against profit before tax of RM4.50 million in the corresponding quarter, representing an increase of 46% attributed mainly to higher sales recorded. Correspondingly, the Group recorded a profit after tax of RM6.43 million against profit after tax of RM4.40 million in the corresponding quarter, representing an increase of 46%.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM21.69 million and RM6.57 million respectively for the current quarter under review against revenue and profit before tax of RM23.40 million and RM8.53 million respectively for the immediate preceding quarter. These represent a decrease of 7% in revenue and 23% in profit against the revenue and profit of the immediate preceding quarter. The slight decrease in revenue and profit were attributed to decrease in sales recorded for MVS as a result of cyclical trend in the semiconductors and electronics industries, typically occurring in the beginning of the year.

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

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 products remain the mainstay of the Group's earnings. In addition, the success of the Advanced X-ray Inspection system in gaining commercial acceptance will add depth and breadth to the Group's business. Barring any unforeseen circumstances, the Board expects the performance of the other quarters of the current financial year to remain strong.

B4 Profit forecast, profit guarantee and internal targets

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

B5 Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31-Mar-11 RM'000	Preceding year corresponding quarter 31-Mar-10 RM'000	Current period to date 31-Mar-11 RM'000	Preceding year corresponding period 31-Mar-10 RM'000
Income tax based on the results for the period under review	<u>140</u>	<u>101</u>	<u>140</u>	<u>101</u>

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

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

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

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 Financial instruments

There were no derivative financial instrument as at the end of the current quarter.

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

	As at 31-Mar-11 RM'000	As at 31-Dec-10 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	73,628	67,433
- Unrealised	(925)	(1,226)
	<u>72,703</u>	<u>66,207</u>
Less : Consolidation adjustments	(5,689)	(5,619)
Total group retained profits as per consolidated accounts	<u>67,014</u>	<u>60,588</u>

B12 Material litigation

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

B13 Dividends

On 22 November 2010, the Company declared an interim tax exempt dividend of 3 sen per share amounting to RM4,568,559 for the financial year ended 31 December 2010 which was paid to all holders of ordinary shares on 18 January 2011 whose names appeared in the Record of Depositors at the close of business on 20 December 2010.

B14 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31-Mar-11	Preceding year corresponding quarter 31-Mar-10	Current period to date 31-Mar-11	Preceding year corresponding period 31-Mar-10
Net profit attributable to shareholders (RM'000)	6,426	4,395	6,426	4,395
Weighted average number of ordinary shares in issue ('000)	152,087	152,851	152,087	152,851
Basic earnings per share (sen)	<u>4.23</u>	<u>2.88</u>	<u>4.23</u>	<u>2.88</u>

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

B15 Auditors' report on preceding annual financial statements

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

B16 Authorisation for issue

The interim financial statements are authorised for issue by the Board of Directors on 20 May 2011.

By Order of the Board

Chu Jenn Weng
Managing Director

Penang
Date: **20-May-11**