

# VITROX

Annual Report 2013



勇者无惧

COURAGE



# Corporate Vision, Mission, Objectives, Strategies, Core Values and Principal Activities

## Corporate Vision

We are dedicated to be the world leading company in providing total machine vision solutions.

## Corporate Objectives

We aim to achieve:

- Excellent / world class products and services
- Total customer satisfaction
- Continuous growth and profitability
- Long-term partnership with our customers, alliances and employees

## Corporate Strategies

### Innovation

Initiate new ideas and technological breakthroughs. We believe thinking “outside the box” leads to innovation.

### Customer Focused

Make our customers our first priority. We offer our customers the best value products and services in a timely manner, without sacrificing quality.

### Continuous Improvement

Continuously improve our products, services, and our organization as a whole.

## Corporate Mission

ViTrox, innovating vision for automation, is committed to providing the most innovative, advanced and cost effective machine vision solution of excellent quality to our customers through integration of our technology, our people and our strategic alliances.



## Principal Activities

ViTrox Corporation Berhad (“ViTrox”) is principally involved in investment holding and development of 3D and line scan vision inspection system. As at 31 December 2013, ViTrox has in operation three (3) wholly-owned direct subsidiaries and a wholly-owned indirect subsidiary. The principal activities of these subsidiaries are set out as follows:

Name	Date of Acquisition / Place of Incorporation	Effective Equity Interest	Principal Activities
ViTrox Technologies Sdn. Bhd.	15 June 2005 / Malaysia	100%	Development and production of automated vision inspection system and digital automated vision inspection equipment and modules.
ViTrox International Sdn. Bhd.	7 January 2006 / Malaysia	100%	Investment holding for setting up foreign subsidiaries and catering for future foreign investments.
ViE Technologies Sdn. Bhd.	24 February 2006 / Malaysia	100%	Design, development and manufacture of printed circuit board assemblies for microprocessor applications.
ViTrox Technologies (Suzhou) Co., Ltd (A wholly-owned subsidiary of ViTrox International Sdn. Bhd.)	19 January 2006 (date of establishment) / China	100%	As sales and support office.

# Contents



## 'COURAGE'

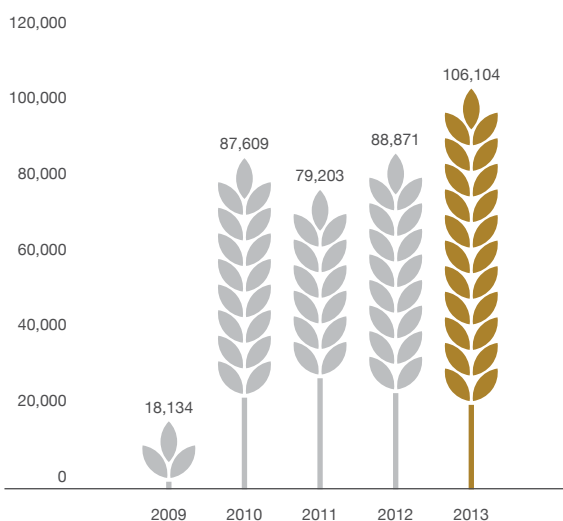
Ants are a symbol of strength, energy, patience and perseverance. They are progressive, productive and have worked hard to get to the top of the rock which shows they have already attained success but are now working hard towards getting more wheat that is on the higher rock on the opposite side. The ants are like ViTrox who have already reached success through teamwork but is now aiming to attain a higher achievement doubling on the successes they have already attained.

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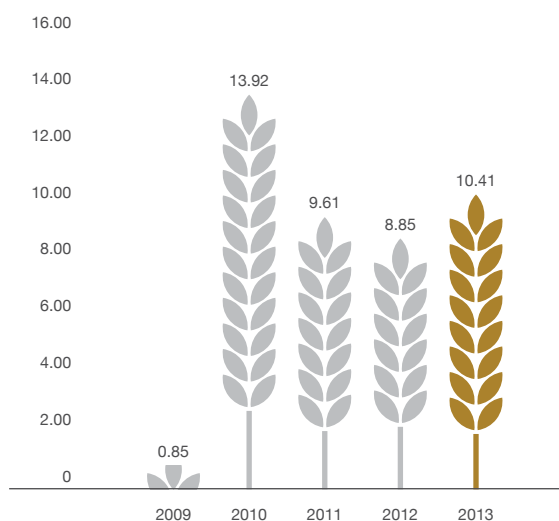
# Financial Highlights

	2009	2010	2011	2012	2013
Revenue (RM'000)	18,134	87,609	79,203	88,871	106,104
Profit Before Tax (RM'000)	2,070	32,547	23,005	21,556	24,807
Profit After Tax (RM'000)	1,941	31,813	22,226	20,490	24,063
Earnings Per Share (sen)	0.85	13.92	9.61	8.85	10.41
Total Equity (RM'000)	49,261	76,334	97,016	114,453	131,220
Return on Equity	4%	42%	23%	18%	18%

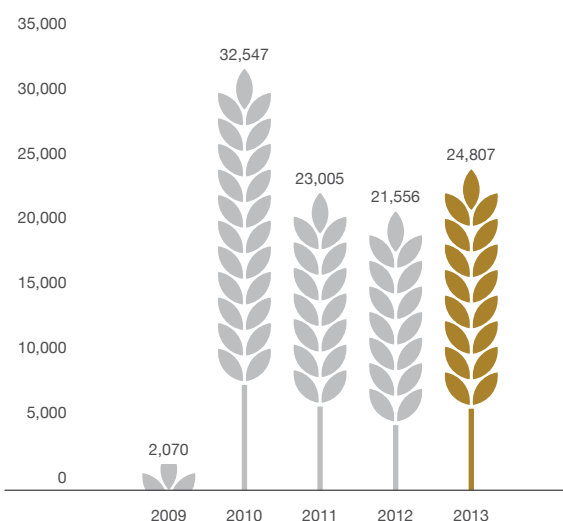
Revenue (RM'000)



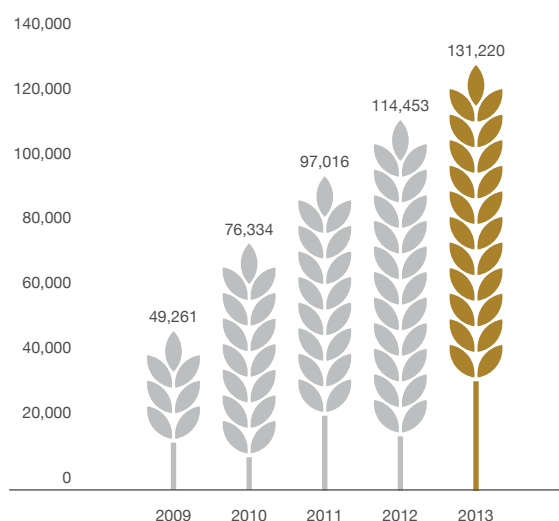
Earnings Per Share (EPS) (Sen)



Profit Before Tax (RM'000)



Total Equity (RM'000)



# Corporate Information

## BOARD OF DIRECTORS

**Dato' Seri Kiew Kwong Sen**  
Chairman  
*/ Independent Non-Executive Director*

**Chu Jenn Weng**  
Managing Director / President  
*/ CEO*

**Siaw Kok Tong**  
Executive Director  
*/ Senior Vice President*

**Yeoh Shih Hoong**  
Executive Director  
*/ Senior Vice President*

**Chuah Poay Ngee**  
Independent Non-Executive Director

**Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani**  
Non-Independent Non-Executive Director

**Chang Mun Kee**  
Independent Non-Executive Director

## AUDIT COMMITTEE

**Chuah Poay Ngee**  
Chairman

**Dato' Seri Kiew Kwong Sen**

**Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani**

**Chang Mun Kee**

## NOMINATING COMMITTEE

**Chuah Poay Ngee**  
Chairman

**Dato' Seri Kiew Kwong Sen**

**Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani**

**Chang Mun Kee**

## REMUNERATION COMMITTEE

**Chang Mun Kee**  
Chairman

**Dato' Seri Kiew Kwong Sen**

**Chu Jenn Weng**

## COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)  
Ooi Ean Hoon (MAICSA 7057078)

## REGISTERED OFFICE

57-G Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang  
Tel : 604 640 8933  
Fax : 604 643 8911

## HEAD OFFICE

ViTrox Innovation Centre  
Plot 85A, Lintang Bayan Lepas 11  
Bayan Lepas Industrial Park, Phase IV  
11900 Bayan Lepas, Penang  
Tel : 604 646 6227  
Fax : 604 646 6327  
Website : www.vitrox.com

## SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.  
Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel: 603 2084 9000  
Fax: 603 2094 9940

## AUDITORS

Crowe Horwath  
17.01, Menara Boustead Penang  
39, Jalan Sultan Ahmad Shah  
10050 Penang, Malaysia

## SOLICITORS

Zaid Ibrahim & Co

## PRINCIPAL BANKERS

Hong Leong Bank Berhad  
Public Bank Berhad  
OCBC Bank (Malaysia) Berhad  
HSBC Bank Malaysia Berhad

## STOCK EXCHANGE LISTING

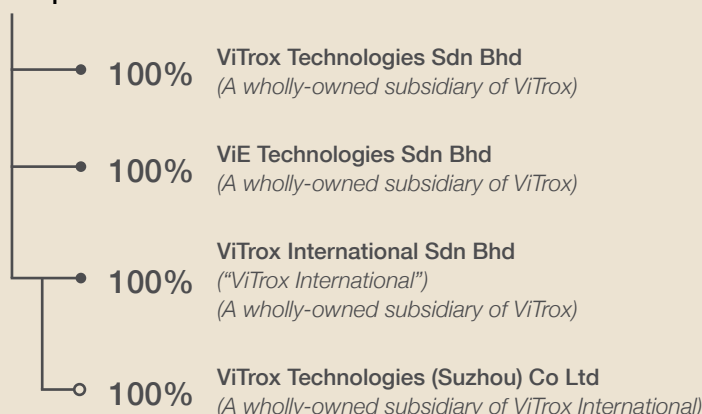
Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : VITROX  
Stock Code : 0097

# Corporate Structure

ViTrox Corporation Berhad  
("ViTrox") and Subsidiaries as  
at 30 April 2014



## ViTrox Corporation Berhad



# Board of Directors



## FROM LEFT TO RIGHT (STANDING)

Chang Mun Kee  
*Independent Non-Executive Director*

Prof. Ir. Dr. Ahmad Fadzil Bin  
Mohamad Hani  
*Non-Independent Non-Executive Director*

Siaw Kok Tong  
*Executive Director / Senior Vice President*

Yeoh Shih Hoong  
*Executive Director / Senior Vice President*

## FROM LEFT TO RIGHT (SITTING)

Chu Jenn Weng  
*Managing Director / President / CEO*

Chuah Poay Ngee  
*Independent Non-Executive Director*

Dato' Seri Kiew Kwong Sen  
*Chairman / Independent Non-Executive Director*

A portrait of Dato' Seri Kiew Kwong Sen, a middle-aged man with short black hair and glasses, wearing a dark suit, white shirt, and a patterned tie. He is smiling and looking towards the camera. The background is a blurred industrial or office setting with some lights.

# Profile of Directors

**Dato' Seri Kiew Kwong Sen**  
*Chairman / Independent Non-Executive Director*

*"Dato' Seri Kiew Kwong Sen [Malaysian / Age 66] is the Chairman and Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 8 July 2005. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company."*

Dato' Seri graduated from National Taiwan University with Bachelor of Science in Mechanical Engineering Degree in 1972 and received Master of Science Degree in Industrial Engineering degree from the University of California, Berkeley, USA. He worked in various technical and management positions at Multi-National Companies in Malaysia, Singapore and USA.

He is now the Chairman and President of Mini-Circuits Technologies Malaysia, President of Gibraltar Semiconductor, San Jose, California, President of Blue Cell Technologies, Sacramento, California, and Chairman of Mini-Circuits Taiwan Ltd. He is also the Director of ACX Ceramic Taiwan.

He has been serving as a member of Penang Competitiveness Committee since 2003. He was also the Vice Chairman of the Board of Invest Penang Berhad until March 2008. He is now Chairman of the Penang SME Management Council, Chairman of the Penang Science Council Entrepreneur Pillar and Chairman of the Board of Visitor, Penang Island Hospital.

He is also an Independent Non-Executive Director of Pentamaster Corporation Berhad.



#### Profile of Directors

### Chu Jenn Weng

Managing Director / President / CEO

*“Chu Jenn Weng [Malaysian / Age 44] is a promoter and substantial shareholder of ViTrox. He is the Managing Director / President / CEO of ViTrox Group and currently oversees the entire operations of the Group. He was appointed to the Board of Directors of ViTrox on 7 July 2005. He is the Chairman of the Executive Committee and a member of the Remuneration Committee of the Company.”*

Mr. Chu has more than 17 years experience in machine vision and related field. He started his first project in machine vision back in 1992 while he was still studying in Universiti Sains Malaysia (USM) majoring in Electrical and Electronics Engineering. Upon graduation from the University, he was employed as an instrumentation engineer in Hewlett-Packard Malaysia (HPM) (now known as Agilent Technologies Sdn Bhd), where he initiated and led the in-house 4-person machine vision team for more than 5 years. During his 5 1/2 year career in HPM, he was directly involved in the R&D of machine vision systems, system set-up and support, as well as setting objectives and development plan for the entire team.

Mr. Chu completed his part-time post graduation study in image processing from USM in 1998. While learning the fundamental and required techniques in this field, he traveled to countries like Singapore and United States of America (USA), to study and evaluate the need of those technologies and its potential for growth. He left HPM in 1998 to start-up his own business with his partner / co-founder, Siaw Kok Tong in machine vision. Thereafter, the partnership was then converted into a private limited company in March 2000 and was officially named ViTrox Technologies Sdn Bhd (VTSB).

During the start-up phase of VTSB, Mr. Chu was involved in every aspect of the business, starting from sales and marketing, R&D of vision system, part purchasing, finance as well as service and support.

As the Managing Director / President / CEO of ViTrox Group, he oversees the entire operations of the business including company objectives, goals, and directions.

Mr. Chu received the certificate of merit from the Outstanding Young Malaysian (TOYM) Award under the Business, Economic and Entrepreneurial Accomplishment category in 2005. He was awarded the 2011 Ernst & Young Malaysian Technology Entrepreneur of the Year and also received the Outstanding Entrepreneur Award 2011 from the Asia Pacific Entrepreneur Award (APEA).



#### Profile of Directors

### Siaw Kok Tong

*Executive Director / Senior Vice President*

*“Siaw Kok Tong [Malaysian / Age 43] is a promoter and substantial shareholder of ViTrox. He is the Executive Director / Senior Vice President of ViTrox Group and is primarily responsible for the operations of Machine Vision System (MVS) business unit for ViTrox Group. He was appointed to the Board of Directors of ViTrox on 7 July 2005. He is a member of the Executive Committee of the Company.”*

A co-founder of VTSB, Mr. Siaw graduated with a Bachelor degree (First Class Honours) in Computer Science from USM in 1995. Mr. Siaw commenced his career with HP (Malaysia) as an instrumentation engineer in the Automation Department, where he was involved in the development of machine vision systems. During his 4 1/2 year tenure in HPM, he was promoted to Senior Engineer and subsequently left the company in 1999 upon completion of his scholarship bond.

In 2000, Mr. Siaw co-founded VTSB with Chu Jenn Weng, where during the early stages of the company start-up, he was involved in application development, installation, system support and servicing, as well as the general administration and management of VTSB. With the subsequent addition of new engineers, he went on to head the development of non-standard vision applications.

Mr. Siaw played a key role in the establishment of ViTrox Group's customer base in Malaysia, Thailand, Philippines, Singapore, Taiwan, Indonesia, Hong Kong, China, Korea, Japan, Australia, India, Europe and USA.

As an Executive Director / Senior Vice President of ViTrox Group, Mr. Siaw is responsible in promoting ViTrox Group's vision systems and vision handlers, both locally and abroad. He also manages the overall operations for Machine Vision System (MVS) business unit. He is part of the core management team involving in strategic decision making and planning.



**Yeoh Shih Hoong**

*Executive Director / Senior Vice President*

*“Yeoh Shih Hoong [Malaysian / Age 42] is a promoter, substantial shareholder and Executive Director / Senior Vice President of ViTrox. He was appointed to the Board of Directors of ViTrox on 7 July 2005. He is a member of the Executive Committee of the Company.”*

Mr. Yeoh graduated with a Bachelor degree (First Class Honours) in Computer Science from USM in 1997. During his third year of tertiary study, he underwent industry training in HP (Malaysia) where he was assigned to work on machine vision projects.

Mr. Yeoh joined VTSB since its inception and has played a pivotal role in the product development of the company. He successfully co-developed many products for the company, such as Mark Lead Inspection System, IC Package Inspection System, Object Verification and Die Counting System and the 4-in-1 Integration Solution. Mr. Yeoh played a key role in the development of the sub-pixel technology and VSCL platform of VTSB. He is currently involved in the R&D of new machine vision products, supporting existing products as well as training new engineers on the machine vision technologies.

As the Executive Director / Senior Vice President of ViTrox, he is involved in management decision making and planning.

*“Chuah Poay Ngee [Malaysian / Age 44], is an Independent Non-Executive Director of ViTrox. She was appointed to the Board of Directors of ViTrox on 15 November 2006. She is the Chairman of the Audit Committee and Nominating Committee of the Company.”*

Ms. Chuah graduated in 1994 from the Deakin University, Australia with a Bachelor of Business (Accountancy) and qualified as Certified Practicing Accountant of the Australian Society of Certified Practicing Accountants in 1996.

Upon graduation, Ms. Chuah joined Matthew & Partners (formerly known as Russ Ooi & Associates) as Tax and Audit Assistant. She then joined Grand Circuits Industry Sdn Bhd, a subsidiary of Grand United Holdings Berhad as Accounts Executive in 1995 and was subsequently promoted to Group Accountant.

In 2001, she worked for Golden Fresh Sdn Bhd as Finance & Administration Manager and was later promoted to Senior Finance & Administration Manager. She left the company in 2006 and join Mini- Circuits Technologies (M) Sdn Bhd as Financial Controller until 2010. Currently she works for Dynacraft Industries (M) Sdn Bhd as Finance Manager.

Ms. Chuah is a Chartered Accountant of the Malaysian Institute of Accountants and also qualified as certified Corporate Secretary with the University Malaya Centre of Continuing Education in 1998.



**Chuah Poay Ngee**

*Independent Non-Executive Director*



**Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani**  
Non-Independent Non-Executive Director

*“Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani [Malaysian / Age 54] is a Non-Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 8 July 2005. He is a member of the Audit Committee and Nominating Committee of the Company.”*

Prof. Ir. Dr. Ahmad Fadzil graduated in 1983 from the University of Essex, United Kingdom with a Bachelor degree (First Class Honours) in Electronics Engineering. He completed his Masters degree in Telematics in 1984 and Doctorate in Image Processing in 1991 at the same university.

Prof. Ir. Dr. Ahmad Fadzil has been a lecturer in signal processing and researcher in image processing since 1984. Between 1988 and 1991, he was a senior research officer in image processing and subsequently served as a lecturer at University of Essex. Upon returning to Malaysia, he was made the Dean of the School of Electrical and Electronics Engineering at USM from 1992 till 1996. In 1997, he became the Dean of the Engineering Faculty at Universiti Teknologi Petronas (UTP). He served as the Director of Academic Studies at UTP from 1999 till 2003. From 2003 till 2006, he served as the Director of Postgraduate Studies. He currently leads the Centre for Intelligent Signal and Imaging Research (CISIR), a university centre of excellence. In April 2011, he was appointed the Deputy Vice-Chancellor (Academic) of UTP.

Prof. Ir. Dr. Ahmad Fadzil is a Fellow with the Academy of Sciences Malaysia (ASM) and Fellow of the Institution of Engineers, Malaysia (IEM). He is a registered Professional Engineer with the Board of Engineers, Malaysia and a Senior Member of the Institute of Electrical and Electronics Engineers (IEEE), USA. His research interests include image compression, image analysis and computer vision applications in biomedical engineering, petroleum exploration and vision inspection systems. He has published over 200 research articles and holds 4 patents.

*“Chang Mun Kee [Malaysian / Age 49], is an Independent Non-Executive Director of ViTrox. He was appointed to the Board of Directors of ViTrox on 25 June 2010. He is the Chairman of the Remuneration Committee of the Company. He is also a member of the Audit Committee and Nominating Committee of the Company.”*

Mr. Chang obtained his Bachelor of Science in Mechanical Engineering from the University of Texas, Austin, USA in 1988 and a Master of Science in Mechanical Engineering from the Massachusetts Institute of Technology, USA in 1990. Prior to founding MOL Online Sdn Bhd in the 1995 and subsequently Jobstreet.com Sdn Bhd in 1997, he was with Kendall International, a US healthcare company for 5 years, starting as a process engineer in 1990 before being promoted to manufacturing manager in 1992 and Regional Director of Sales and Marketing for Malaysia in 1994. He left Kendall International in 1996 to establish Jobstreet.com Sdn Bhd which expanded regionally under his direction. He currently sits on the Board of Innity Corporation Berhad, Jobstreet Corporation Berhad and 104 Corporation in Taiwan.

He is an Executive Director of Jobstreet Corporation Berhad and the founder of the Jobstreet Group. He is also an alternate director of a Non-Independent Non-Executive Director of Innity Corporation Berhad and 104 Corporation in Taiwan.

#### Additional Information on Directors

**Conflict of interest and family relationships with and Director and/or major shareholder:** None of the Directors have any conflict of interest with the ViTrox Group. None of the Directors have family relationship with any other director and/or major shareholder of ViTrox.

**Material contracts involving directors:** There were no material contracts involving Directors during the financial years.

**Convictions for offenses (within past 10 years, other than traffic offences, if any):** None of the Directors have any convictions for offences other than traffic offences.

**Securities held in the Company:** The details are disclosed on page 105 of this Annual Report.

**Directorship in other public company:** Save for Dato' Seri Kiew Kwong Sen and Chang Mun Kee (as disclosed in their profile above), none of the Directors have any directorship in other public company in Malaysia.



**Chang Mun Kee**  
Independent Non-Executive Director

# Chairman's Statement

## FINANCIAL PERFORMANCE

	2013 RM'000	2012 RM'000	Growth
Revenue	106,104	88,871	19.4%
Profit Before Tax ("PBT")	24,807	21,556	15.1%
Profit After Tax ("PAT")	24,063	20,490	17.4%

“ ViTrox Group recorded revenue of RM106.10 million in 2013, an increase of 19.4% over the RM88.87 million in previous financial year. ”

The increase was a result of higher demand of many major new equipment including Tray Inspection Handler, Advanced X-ray Inspection System and Automated Optical Inspection System. We also experienced positive acceptance of our products enabling higher demands from a larger diversified customer base, which in turn will pave ways for future growth. Consequently, the PAT achieved RM24.06 million in 2013, an increase of 17.4% over RM20.49 million recorded in previous year. As such, net earning per share were 10.41 sen in 2013 against 8.85 sen in 2012.

## DIVIDEND

A tax exempt interim dividend of 1 sen per ordinary share each amounting to RM2,307,428 for financial year ended 31 December 2013 was paid to shareholders on 20 January 2014.

The Board of Directors has recommended a special tax exempt dividend of 1.5 sen per ordinary share each and a final tax exempt dividend of 0.5 sen per ordinary share each for the financial year ended 31 December 2013. If approved at the forthcoming Annual General Meeting, the total special and final tax exempt dividends are estimated to be a total distribution of RM4,650,000. In total, ViTrox is expected to declare a total dividend of 3 sen per share, with a total distribution of approximately RM6,957,428 for the year.

## ACHIEVEMENTS IN 2013

### → EM Asia Innovation Award 2013

ViTrox won the 2013 EM Asia Award in the category of Test & Measurement/ Inspection Systems - AXI for its V810 Advanced X-Ray Inspection System (AXI).

### → Prime Minister's Award for Employer Excellence (Private Sector) 2013

ViTrox won the Prime Minister's Award for Employer Excellence (Private Sector) 2013, the highest Human Resources Award.

Besides, ViTrox also won another award under category of "Kepatuhan Industri PKS".

### → Golden Eagle Award 2013

ViTrox won the Golden Eagle Award 2013 under category of Eminent Eagle Award.

The winners of Eminent Eagle Award were determined based on annual sales turnover of RM75 million for the last three financial years.



## ACHIEVEMENTS IN 2013 (Cont'd)

### → Global Technology Award 2013

ViTrox won the Global Technology Award 2013 under the category of Best Product – Asia for its V810XXL In-Line 3D Advanced X-Ray Inspection System (AXI).

The award was presented to ViTrox during Tuesday, November 12, 2013 ceremony which took place at the New Munich Trade Fair Centre in Munich, Germany during Productronica.



EM Asia Innovation Award 2013



Prime Minister's Award for Employer Excellence (Private Sector) 2013



Golden Eagle Award 2013



Global Technology Award 2013

## FUTURE OUTLOOK AND FOCUS

For the first time, ViTrox achieved an annual sale turnover of more than RM100 million in 2013. This builds a solid foundation for further growth in the coming year. Therefore we will continue to develop new technologies and expand our product offerings. In addition, we will focus on market expansion activities, customer relationship building and product innovation to establish growth not only in the new financial year and for many years to come.

Subject to the external market conditions and macroeconomic factors, we are confident that the 2014 will be a growth year considering the recovery of global semiconductor industry and improving US, Japan and European markets.

We are poised to make further progress in new technology while gaining customer loyalty with our demonstrated performance in previous years especially Tray Inspection Handler and Advanced X-ray Inspection System.

In conclusion, I would like to express my gratitude to ViTrox team on the technical excellence, product innovations, project execution and teamwork. On behalf of ViTrox, I would like to extend my appreciation to our valued business partners, investors, government agencies and Board of Directors for the continued support and contributions.



**Dato' Seri Kiew Kwong Sen**  
Chairman / Independent Non-Executive Director  
DPPN, DGPN, DSPN

# Chief Executive Officer's Review of Operations



Dear Shareholders,

## FINANCIAL PERFORMANCE

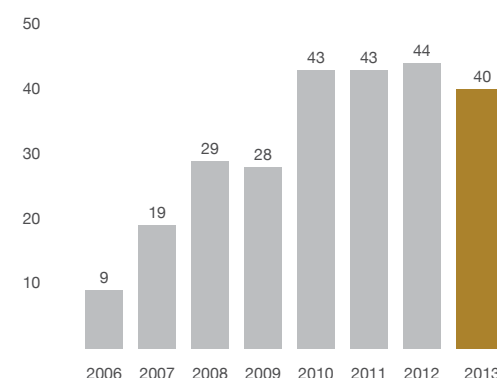
I am pleased to report to you our straight 13<sup>th</sup> year of consecutive annual profit since the company was founded 13 years ago. Our 2013 revenue and profit before tax (PBT) were RM106.1 million and RM24.8 million respectively. We broke a new revenue record in 2013 with a double digit growth of 19.4% compared to a year ago amidst a sluggish economic environment. It's also worth to note that this is the first time in ViTrox's history that we successfully reached the RM 100 million revenue milestone in 2013. During the year under review, our profit before tax increased by 15.1% as compared to a year ago.

The increase in revenue in 2013 was mainly due to the successful execution of our market penetration strategies into high growth areas namely China, Taiwan, US, Brazil and Mexico with our improved and new series of inspection equipments serving the most demanding semiconductor back-end and the electronics manufacturing industries.

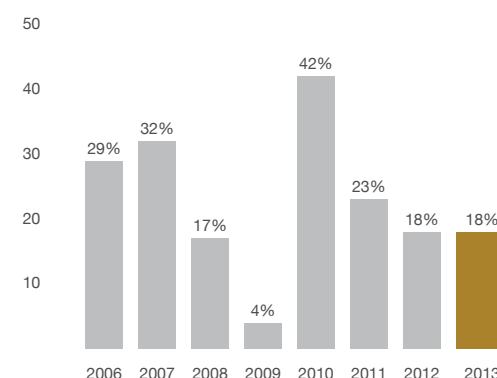
Our advanced Optical Inspection (AOI), advanced 3D X-ray inspection (3D AXI) and Tray based Inspection handlers contributed more than 80% of the total revenue in 2013. Today we ship about 70% of our products overseas covering China, Taiwan, Philippines, Thailand, Korea, Japan, India, US, Mexico, Brazil, Hungary, Romania, Slovakia and UK. This success is mainly attributed to the larger worldwide distribution network as a result of the increasing number of sales channel partners globally as well as our own sales and marketing workforce. Our new products have been very well accepted by many well known multinational companies around the world, thanks to the committed and dedicated in house R&D and technical support people who work relentlessly to add differentiate values into our products and services to our customers.

Our financial position remains stable and sound with cash and cash equivalent of RM 40 million, as of 31<sup>st</sup> December 2013. Our long term debt was RM12.2 million, as of 31<sup>st</sup> December 2013, solely used to finance our ViTrox Innovation Centre, Phase 2 expansion project, which had been completed in 2012. Our earnings per share (EPS) increased to 10.41 sen from 8.85 sen a year ago and our return on equity maintain at 18%. Despite the challenging global economic environment, ViTrox continued its phenomenal record of 13 straight years of profitability as a result of the sheer determination of the board and management team in ensuring uncompromised integrity, paying attention to business fundamentals, implementation of lean methodology, continuous commitment to value innovation, global expansion and prudent cost management.

Cash & Bank Balances (RM' Mil)



ROE (%)



## PRODUCT INNOVATION

ViTrox and its subsidiaries design, manufacture and market innovative, advanced and cost effective automated vision inspection equipments and system-on-chip embedded electronics devices for the semiconductor and electronic manufacturing industries worldwide. We continue strengthening our product offering in all 3 divisions namely machine vision system (MVS), automated board inspection (ABI) and electronics communication system (ECS) while expanding our global footprint through aggressive marketing programs and sales channel partners collaboration.

We serve customers from semiconductor Outsourced Assembly and Test (OSAT) companies, printed circuit board manufacturers, electronics assemblies companies, Original Equipment Manufacturers (OEM), Original Design Manufacturers (ODM), Electronics Manufacturing Services (EMS) and Contract Manufacturers (CM) around the world.

We provide non contact both in optical and X-ray testing and detection capability to industrial automated systems for product quality and yields improvement. Our inspection system helps contain defects produced by various production stages, and prevent them from escaping downstream.

Increasing labor cost in developed and developing countries couple with the demand for better quality, cost and miniaturization of semiconductor packaging and electronics printed circuit assemblies will drive the need for more advanced automation, robotics, machine vision and embedded system. ViTrox is well position itself as a leading automated machine vision inspection solution provider to be benefited from this growing trend.

### New products released

I am excited to share with you our new products released in 2013.

### Machine Vision System (MVS)

- (a) **3D Five Sides (5S) Pad and Package Color Inspection System (Vs5SPP Color):**

This new and revolutionized three dimensional (3D) and color inspection system sets a new standard for semiconductor chips' pad and package defects detection. With the true color inspection capability, defects which are not possible to be detected by monochrome inspection system such as blemish, exposed copper and discoloration, are now able to be effectively detected by our 3D 5S color inspection system at high speed.



Vs5SPP Color

- (b) **Package on Package Inspection Capability:**

We successfully developed and released the Package on Package (POP) inspection capabilities deriving from our patented Phase Shift Profilometry (PSP) technology for our Tray base vision inspection handler series. This feature is extremely useful in detecting defects found on package on package devices of different sizes and form factors.

- (c) **High Speed Tray to Tape & Reel Vision Handler (TR2000):**

Following our successful release of TR1000 and TR1000S to the market in 2012, we launched another high speed model for the Tray to Tape & Reel Vision Handler family: TR2000. The TR2000 comes with significantly improved machine through-put of up to 18K UPH with dual taper for fast changeover and tri-nozzle for faster unit pickup.



TR2000



## V810 XXL

### Automated Board Inspection (ABI)

For the year under review, ABI successfully launched the following innovative products in the market:-

- (a) **The new V810 XXL Advanced X-Ray Inspection (AXI):**  
The V810-XXL In-Line 3D Advanced X-ray Inspection System provides the fastest inspection speed and widest test coverage with three key technologies innovated for speed: dynamic scan path technology, progressive alignment technology and machine operation optimization. It can inspect printed circuit board up to 26" x 38" board size with 500 mils thickness weighing up to 15kgs. In addition, the V810 new proprietary hybrid auto focus technology enables the system to intelligently focus on the desired z-height without any mechanical movement from X-ray or stage, hence significantly reducing any measurement uncertainties.
- (b) **The enhanced V810 AXI inspection capabilities:**  
All the V810 In-Line 3D AXI product series is further enhanced with incredible Head-in-Pillow (HIP) and intelligent Voiding Inspection capabilities through multiple slices of PTH images, which yield zero escape and low false call rate. The V810 product series is now capable to inspect for various advanced packages such as heavily shaded high speed packages, multi-stacked POP, micro packages, Gbx-T and Pin in Paste.
- (c) **The new V510 G2 Flexible Dual Line:**  
The V510 G2 Flexible Dual Line offers customers an intelligent AOI system equipped with dual tracks to cater for multiple incoming board inspection simultaneously, hence improving the system throughput. The V510 G2 Flexible Dual Line is made to serve the growing smart phone and tablet markets which demands high throughput.

## OPERATION

We remain focus on our priorities to (1) Expand market shares from emerging products with attractive value proposition, above average support, aggressive marketing and demo/ benchmarking through internal sales team and strategic channel partners; (2) Sustain profitability by growing revenue from new market share & prudent cost management; (3) Achieve operation excellence through pervasive practice of Lean methodology & culture throughout ViTrox by 'Stabilization, 'Standardization' and 'Proliferation' programs.

We believe these transformative initiatives will drive more revenue, reduce operation costs, and enable ViTrox to achieve its long term vision to be a truly lean world class technology company in providing innovative, advanced and cost effective machine vision system and embedded system solutions.

We successfully executed our key hoshin strategies of focusing on customers satisfaction, continuously enhancing our technology in machine vision and embedded system solution, optimizing our business processes, expanding our manufacturing capability and constantly delivering differentiated products to the market in 2013.

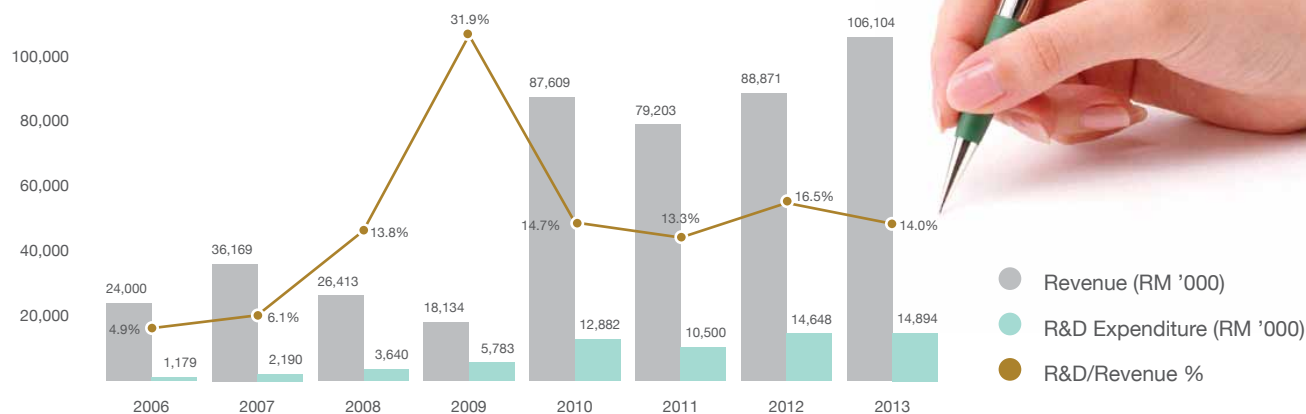
I am proud to present our key accomplishments in operations as follow:-

- Manufacturing output was successfully improved by 50% under the same floor space in 2013 through implementation of lean practice and tools. Furthermore, we are currently working on our next expansion project to further increase our manufacturing capacity by another 50%. This is done through setting up a new manufacturing floor in the current premise to support the anticipated growth of the business. The project is scheduled to be completed by end of Q1 2014.
- Implemented Lean DNA assessment in all our major business processes to monitor and improve our operation's effectiveness and efficiency by elimination of waste while ensuring our key processes are standardized and quality standard are compliant. We successfully achieved zero major non compliance in the 2013 assessment and are preparing ourselves to be the best in class lean enterprise in the region by 2015.
- Pioneer Status for ViE Technologies Sdn. Bhd. was successfully extended for another 5 years until 2017 with 70% tax exemption on qualified embedded system products.
- Received matching grant from MIDA for the establishment of Centre of Excellence (CoE) for Machine Vision. The objectives of the CoE is to collaborate and grow local SMEs and technopreneurs as well as to provide technical training and laboratory services to engineers and SMEs to excel in machine vision technology.
- Received matching grants from MDec for R&D on embedded inspection technologies.

We always strive to continuously improve our operation through the pervasive practice of Lean mindset in everything we do, so that we can pass the saving to our customers with cost effective products and timely services. We make continuously improvement a way of life in ViTrox.



## RESEARCH AND DEVELOPMENT



ViTrox committed to invest more than 12% of its revenue into research and development activities every year. Furthermore, the financial incentives from the Government allow us to take bold steps in investing into the future by recruiting more talents in R&D and setting up the Centre of Excellence for Machine Vision for the creation of more knowledge workers and technopreneurs for the country.

Our relentless commitment in research and development helps ViTrox business to grow 485% in revenue since 2009. To further enhance our technology differentiation and stay competitive in the market place, we invested RM14.9 million, representing 14% of our revenue in FY2013 for research and development activities across all business divisions in ViTrox.

In the year under review, we initiated a series of new research and development activities while continuing our efforts on existing R&D initiatives, focus on delivering higher values and better user experience to our customers, at all our divisions. I am pleased to share with you some of our major breakthroughs in research and development as shown below:-

1. **Reel to Reel Vision handler:** The handler is researched and designed in house to help customers to detect semiconductor package's and tape seal's defects after the tape and reel process. The machine is capable to inspect for defects such as wrong orientation, poor mark, tilted unit, scratches, over-turned unit, lifted lead, bent lead and bad sealing quality for various package sizes with unprecedented high speed, high accuracy and low false call.
2. **Phase Shift Profilometry (PSP) Phase 2:** PSP-2 was successfully launched for ViTrox's AOI and AXI flagship product series which offers unprecedented 2 times speed improvement in measurement compared to its predecessor. Additionally, the new PSP also provides superior resolution of up to 0.5 mils, which translate to better inspection accuracy for Package On Package (POP) and Coplanarity measurement for smaller semiconductor packages such as micro CSP and 01005. The new programing environment in PSP-2 has enabled speedy program development cycle time improvement by a factor of more than 3 times over PSP-1.
3. **V810 Series II:** V810 Series II project was initiated to create the next generation AXI system that will provide cutting edge X-ray inspection speed and performance to cater for the most demanding throughput requirement for the fast growing telecommunication and automotive industries. V810 Series II incorporates the most advanced industrial computer system that comprises minimum 8 core Intel server processors with 16 times more built in memory compared to its predecessor, running on 64 bits operating system. This powerful computer system enables the implementation of advanced and sophisticated numerical and data analytic features such as Scan Path Merging (SPAM), Real Time Predictive Slice Height (PSH) and Point Spread Function Compensation (PSFC) technologies which successfully improved the V810 system's speed and performance significantly.

Our strong R&D team who are committed to launch at least three innovative products (one for each division) every 6 months continue to strengthen our leading position in color semiconductor component inspection systems, 3 dimensional Tray based semiconductor component inspection, advanced optical inspection system and 3 dimensional in-line advanced X-ray inspection system.

In 2013, we successfully filed 4 patents in the area of illumination method, image processing algorithms and concepts.

## SALES & MARKETING

In 2013, MVS-T division successfully penetrated into Mainland China and the Philippines through channel partner collaboration and participation in Semicon China 2013. Number of customers in these region have been increasing steadily in the year under review where more than 40% of revenue was contributed from these new customers for the division. In addition, we have appointed a new Sales Channel Partner (SCP) in Malaysia and are also making in-roads to other countries in South East Asia.

Through aggressive marketing activities such as participation in NEPCON and APEX exhibitions in China and the USA, couple with strong collaboration with strategic channel partners worldwide, ABI's customer base has been increasing by more than 35% since 2012. Our cutting-edge AOI and AXI products continue to receive strong acceptance not only from the top global EMS companies but also tier-2 and tier-3 contract manufacturers and OEM companies world wide. As a result, ABI 2013 revenue grew 33% compared to 2012.

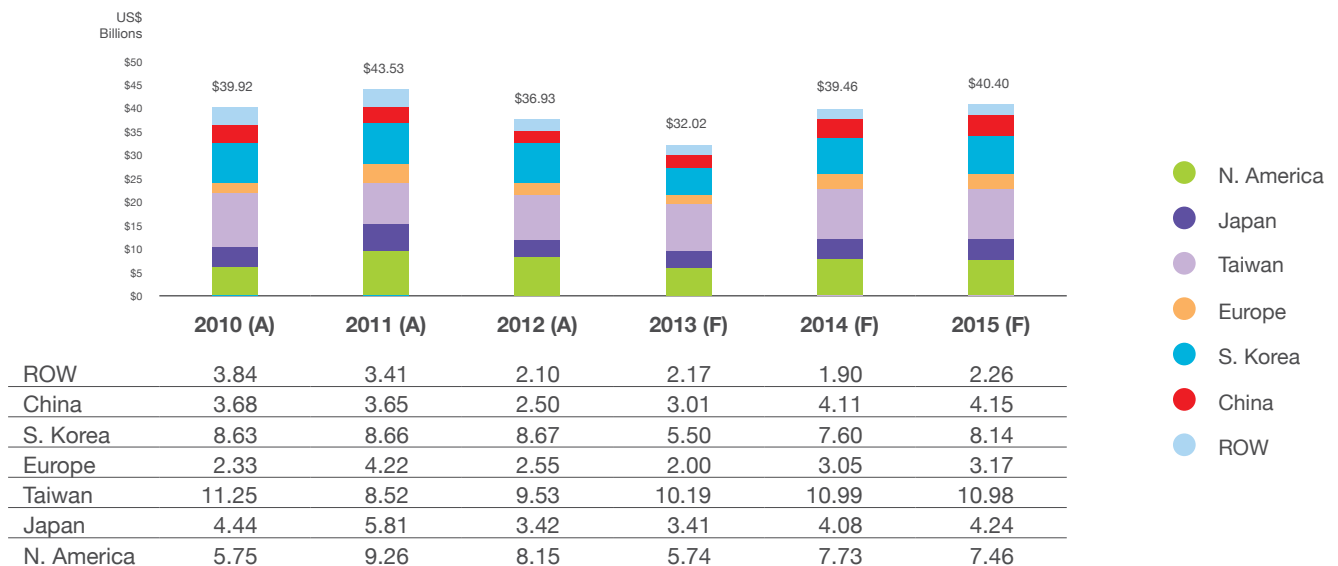
Furthermore, we have successfully added a few more new Sales Channel Partners in a number of strategic regions in Asia.

I am pleased to share with you that we have received the prestigious EM Asia Innovation Award and the Global Technology Award for our newly launched V810 XXL 3D in-line AXI system in April and November 2013 respectively. This is another testimonial to prove that our AXI product is one of the best in the world today.

## BUSINESS STRATEGIES

With a broader product range, wider global market presence couple with strong collaboration between strategic channel partners and internal sales and support team, we are ready to ride on the recovery wave of the semiconductor and electronic manufacturing industries in 2014.

According to a report published by SEMI on 3 December 2013 which claimed that "...the semiconductor equipment markets are expected to have strong positive growth, resulting in global increase of 23.2% in 2014 sales". From the report, China, S. Korea, Europe, and US markets are anticipated to grow more than 30% in 2014 and hence, barring any unforeseen circumstances, we are confident that ViTrox will be able to achieve strong positive growth in 2014 through successful execution of our business strategies.



Source: SEMI, December 2013

In 2014, we will remain focus on growing the existing core businesses, namely MVS, ABI and ECS. We aim to build a bigger market shares for each business to achieve long term sustainability. With this in mind, we will focus on business fundamental, strategic market expansion, research & development in specific technology differentiation in machine vision and embedded system and human talent development.

Moving forward as we are serving our customer across wider market segments and broader geographical areas, we are expected to increase our workforce steadily to improve our products and service quality while continue to offer innovative products at attractive price. With the readiness of our LeanQMS, Lean DNA assessment, learning and teaching culture and our strong commitment in continuous improvement across the entire organization, we are confident that ViTrox will be able to roll out more innovative, leading-edge and quality inspection products that exceed customer's expectation in a timely manner.

## OUR PEOPLE

ViTrox is a People oriented company where we treat one another as family members, regardless of their race, religious and gender, in our I.A.C.T.G way. I.A.C.T.G values is a set of humanistic culture we believe and practice everyday in ViTrox as well as when interact with all our stakeholders. We operate the company as ONE big family. Our people makes ViTrox one of the best and wellbeing technology company in the region. In ViTrox, we are one family dedicated to make positive contributions to our customers, our employees and our communities.

To accelerate our pace in realizing our mission to be the Malaysian global technology company contributing to the betterment of the world through integration of advanced technology and compassion, we added 29 headcounts in our payroll in 2013, representing 13% increase in headcount compared to a year ago. This is also inline with our 2013 strategy to strengthen our capability in sales and marketing as well as in research and development.

In addition, we are committed to invest more than RM 20 million over the next 3 years to establish the Centre of Excellence for Machine Vision. The CoE will be served as an important platform to nurture and grow engineers and technopreneurs who are passionate in machine vision technologies to create state of the art vision inspection technologies and products to benefit from the lucrative global machine inspection market. With the establishment of the centre, we aim to build a machine vision eco-system in the region providing advanced, innovative and cost effective machine vision solution for various industries and non-industries applications which demand higher quality and better productivity in their manufacturing and non-manufacturing activities. Ultimately the CoE will help driving high income economy growth though creating high value added knowledge jobs in Malaysia.



To uplift our people's skill and competency to support the business expansion and long term business sustainability, ViTrox invested more than 12,653 hours in learning and development, equivalent to 64 hours in average per employee, in various technical and soft skill development programs. This represent an increase of 28% in training hour per employee compared to 2012. We believe that skillful and committed ViTroxians are our long term competitive advantage in providing the most innovative, advanced and cost effective products and services to our customers in the right time with the right quality.

I am also glad to share with you that ViTrox received the Prime Minister's Award for Employer Excellence (Private Sector) for the year 2013. This award is the the highest Human Resource Award in the country, in recognition of our efforts in creating a harmonious working environment and training and development of our human talents in the year under review.

## CORPORATE CONSCIENCE

Apart from striving for a profitable business, we are also committed to make positive contribution in the communities we serve every year as we believe that the meaning of life is not about how much you get but how much you give to make the world a better place. We want our charitable initiative to touch as many lives as possible, hence we focus our charitable donation and outreach activities in few key areas namely charity, education and environment protection.

We feel grateful to be given opportunities to contributing back to the community. In 2013, despite the busy year, we carried out various meaningful programs as listed below:-

- (a) ViTrox organized a Charity Musical Concert ("Million Hearts Musical Concert") at ViTrox Open Day on 7<sup>th</sup> December 2013 to raise fund in aid of the construction of the new 6 storey Buddhist Tzu Chi Dialysis Center. Upon completion of the centre, the dialysis center will provide free dialysis treatment service to more than 600 unprivileged kidney failure patients. More than 200 ViTroxians came forward to volunteer their time, skill and efforts to organize the event and also to perform sign language and singing on stage during the event. Through the program, we successfully raised RM 1.5 million from ViTroxians and business communities in supporting this noble mission.

## CORPORATE CONSCIENCE (Cont'd)

- (b) We organized a fund raising and praying session in ViTrox on 14<sup>th</sup> November 2013 for the Philippines Typhoon Haiyan's victims who lost their home and suffered injury due to the disaster. Our people poured in their care and love for the victims of the disasters by observing a minute of silent, praying and also donating more than RM16,000 to aid these victims.
- (c) ViTrox sponsored RM10,000 to support Penang Science Fair in April 2013 organized by the Penang Science Council supported by Penang State Government. Besides the sponsorship, ViTrox also took part in the Science Fair to showcase some of our innovation products and technologies to visitors, hoping to inspire young generation to gain interest on science and technology.
- (d) Establishment of V-Cafe. With the objective to create a conducive environment for our people to relax and enjoy a moment of peace at work, we decided to set-up a cafe inside the company which serve not only good coffee and healthy beverages, but also inspiration books, digital medias and eco-friendly products that made from recyclable PET bottles. All net proceeds generated from the Cafe will be donated to charity to help the underprivileged.

By giving back to communities, we not only make the life of others better but also help ourselves to be a better person, and hence a better organization.



## GRATITUDES

2013 was another year that was full of gratitudes and new records. We grow our revenue by 19.4% and reached the RM100 million revenue milestone. We help to raised RM 1.5 million for charity. We received national and international recognitions and awards for the efforts that our people put together over the years to make positive differences to the company and the communities. Among others, ViTrox was the winner of the Prime Minister Employer Excellent Award 2013 organized by the Human Resource Ministry and Golden Eagle Award 2013 in category of Eminent Eagle organized by Nanyang Siang Pau, a recognition for our strong sales growth, earnings growth and return of equity over the past few years.

We would not have achieved these level of successes without the passionate, committed and caring ViTrox's people. These recognitions and glories entirely belonged to our people who volunteer their best efforts to make the difference. With ViTrox's warrior spirit of can do attitude couple with I.A.C.T.G values, we continue to break new barriers and overcome challenges to become a stronger, better and happier organization.

On behalf of the management team, I wish to thank the Board, our customers, shareholders, business associates and relevant governmental authorities who have helped us in many ways in 2013. I look forward to your continuous support in years to come.

I would like to express my sincere and highest gratitude to my entire team, who are passionate, confident, dedicated to build a Malaysia global technology company. I feel fortunate that we are able to work as ONE family team, regardless of race, religious and background to build up our business from very humble beginnings. ViTrox Boleh.

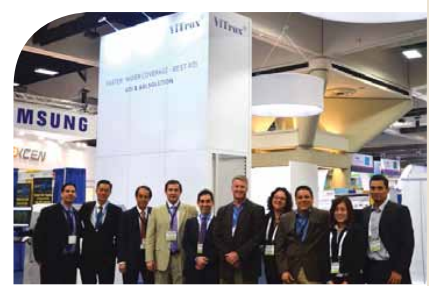
**Chu Jenn Weng**  
Managing Director / President / CEO

# Highlights of 2013

## FEBRUARY

### → ViTrox's Participation at IPC APEX 2013

On 19th-21st Feb 2013, ViTrox had participated at the IPC APEX EXPO 2013 held at San Diego, US. The visitors were impressed about our newly launched V510 G2S AOI with motorized Z height features where most of them provided positive feedback and responses.



### → Chinese New Year Celebrations for ViTroxians

On 22nd Feb 2013, in the spirit of spreading happiness, ViTrox celebrated the Chinese New Year with ViTroxians at the new auditorium. To encourage, motivate and express gratitude to the employees, the top management team and department managers/leaders also did calligraphy writing of Chinese New Year wishes for all the employees, wishing them health, wealth & happiness.



## MARCH

### → ViTrox's Participation at Semicon China 2013

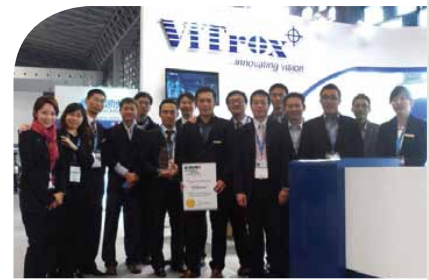
On 19th-21st Mar 2013, ViTrox had participated at Semicon China 2013 held at Shanghai New International Expo Centre. ViTrox demonstrated its latest enhanced version of TR1000S Tray-to-Tape Vision Handler during the tradeshow. Many interested visitors were attracted and positive enquiries were received.



## APRIL

### → ViTrox's Participation at Nepcon China 2013

On 23th-25th Apr 2013, ViTrox had participated at NEPCON China 2013 held at Shanghai World Expo Exhibition & Convention Center. The event is one of the biggest and longest standing trading and sourcing platform in Asia featuring all major brands in the electronics manufacturing world.



### → ViTrox won the 2013 EM Asia Innovation Award

ViTrox won the 2013 EM Asia Innovation Award in the category of Test & Measurement / Inspection Systems – AXI for its V810 X-ray inspection system.



### → ViTrox Launched Its NPI Products: V810 XXL AXI

ViTrox's V810 XXL 3D In-Line Advanced X-ray inspection system provides the fastest inspection speed and widest test coverage. It can inspect boards up to 26" x 38" and provides the best support on the market for boards up to 500 mils thickness and weight up to 15kgs.



## JUNE

### → ViTrox won the Prime Minister's Award for Employer Excellence (Private Sector) for year 2013

ViTrox won the Prime Minister's Award for Employer Excellence (Private Sector) for the year of 2013 and also won under the category of 'Kepatuhan Industri PKS'.



## JULY

### → ViTrox Launched V-Cafe

On 11th Jul 2013, ViTrox's in-house V-Cafe was launched, it is an ideal place for ViTroxians who prefer less hectic environment. It is also meant for light discussion and place to welcome and serve the customers/ VIPs.





## AUGUST

### → ViTrox's Cultural Night for Hari Raya Celebrations

On 16th Aug 2013, ViTrox celebrated a Cultural Night for its Muslim and Non-Muslim employees. During the night of celebration, varieties of activities had taken place such as Malay Traditional Vege Buffet Dinner, Cultural Dance, Live Band Performance and Traditional Games. This celebration had delivered a blissful and excited moment to all the participants.

## OCTOBER



### → ViTrox won the Golden Eagle Award 2013 in Category of Eminent Eagle

On 18th Oct 2013, ViTrox was awarded Golden Eagle Award 2013 in the category of Eminent Eagle. This is organised by Nanyang Siang Pau, the Golden Eagle Award (GEA), and the winners of Eminent Eagle Award were determined based on Corporates with annual sales turnover of RM 75 million and above for the last three financial years.

## NOVEMBER



### → ViTrox V810 XXL AXI won the Best Product – Asia during Productronica

On 13th Nov 2013, V810 XXL 3D In-Line Advanced X-ray Inspection System (AXI) was awarded a 2013 Global Technology Award in the category of Best Product-Asia, at the New Munich Trade Fair Centre in Munich, Germany during Productronica.

## DECEMBER



### → ViTrox Open Day & Charity Musical Concert

On 7th Dec 2013, ViTrox had organized a memorial Open Day. This event has touched many people's heart and received unprecedented positive comments from all guests. RM1.5M fund was raised and donated to Buddhist Tzu Chi Merits Society to build a 6 storey dialysis center which will help thousands of kidney failure patients in the coming years.

# FL Northern Sdn Bhd

*Special thanks to ViTrox for years of rewarding partnership!*

FL Northern Sdn Bhd has engaged in thermal management since 2005. We offer a wide range of business activities and services in the **metal fabrication, plastic fabrication and machine parts.**

To be one of the leading supplier for semiconductor and disc drives industries with our **excellence quality and delivery.**

To be able to provide resources and prompt and best services all the time to our valuable customers in terms of their cost reduction and increasing the productivity.

To be a **total customers satisfaction company.**

**Contact Us :**  
**FL NORTHERN SDN BHD**  
No. 30, Lorong Asas Jaya 6, Kawasan Industri Ringan Asas Jaya, 14000 Bukit Mertajam, Pulau Pinang

**Tel / Fax :** 04-5888 471  
**Email :** flcnc@streamyx.com



U-Metal Engineering Sdn. Bhd.



*Proud to be partnered with ViTrox*



## Key Competencies

Sheet Metal Operations :

- Machine enclosure, control panel and electrical panels
- Turret punching, laser cutting and NC bending.
- Steel based structural construction.
- Steel carts, cabinets, trolleys & carriers.
- Industrial and work benches & workstations.

## Machining Operations:

- Machine parts fabrication
- Jigs & Fixtures
- Provide a **ONE STOP** sheet metal & part fabrications solution

*With best compliments*



Genetic Equipment  
Technology Sdn. Bhd.  
(710431-V)

**ELCOMP**

**Elcomp Trading Sdn Bhd**

Special thanks to **ViTrox** for years of rewarding partnership

## Our History

Founded in 2004, IndelFe has focused itself towards a high-technology scope that brings company value through the state-of-the-art. For the past years, continuous leading product development and revenue growth have made IndelFe a major Mission-Critical Application Platform Provider in the region. The in-house design of industrial computers and application platforms by IndelFe has also been targeted to meet our customer needs for flexibility.



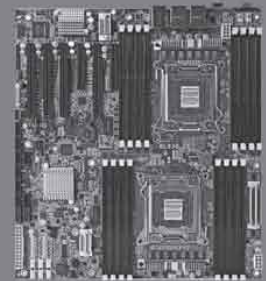
## Our Solutions

IndelFe Sdn. Bhd., an Intel® Technology Provider Gold Partner and Microsoft® Windows® Embedded Partner along with communications and embedded developers and solution providers, designs and manufactures to provide full range of Industrial Platform Services (Industrial Computer, Embedded Computing, M2M Peripheral), Communication Appliance Service, Vertical Market Service (Digital Signage, POS, Gaming, In-Vehicle Infotainment, EMS/DMS), Panel Device Service (Portable PC, IP65, Open Frame, Project). With streamline access to the latest Intel technology, we paved the way with the broadest array of building blocks, delivering cutting-edge solutions to meet and even exceed the demanding needs of the ever-changing telecommunication, medical electronics, industrial automation, defense and life automation markets.



## Our Commitment

Committed to supplying customers with a one-stop shopping approach of full product selection, competence and sophisticated customer support, IndelFe helps all our customers pave the royal road to success and stay ahead of competition.



## Industrial Ethernet

*Our line of Lanolinx Industrial Ethernet Switches have been designed to meet the demanding specifications of the industrial automation and transportation markets.*



## Serial to Ethernet

*Our Serial to Ethernet products provides RS-232/422/485 to Ethernet conversion. We offer 1, 2, 4, 8 and 16 port Serial to Ethernet Device Servers.*

“We are proud to be selected as ViTrox’s High Precision Tooling Manufacturer.”

Towards a common Goal  
为共同的目标而努力

感恩

24, Lintang Beringin 10, Diamond Valley Industrial Park, Permatang Damar Laut, 11960 Penang, Malaysia.

Tel:+604-6262307 /+604-6111802

Email: sales@micropex.com

Fax:+604-6262309

Web : www.micropex.com



*Special thanks to ViTrox for years of rewarding partnership!*



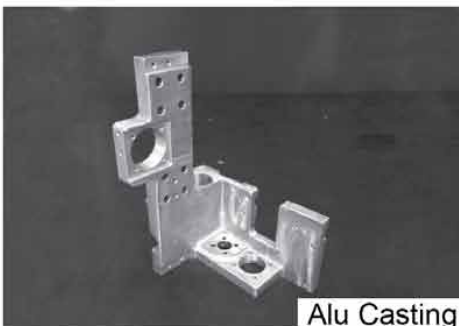
Base



Base Plate



Welding



Alu Casting



Y Axis



Cast Iron

## MIMI MULTI MOULD INDUSTRIES SDN. BHD.



(Company No: 381942-V)

Plot 119, Hala Perusahaan Menglembu 11, Kawasan Perindustrian Menglembu, 31450 Menglembu, Ipoh, Perak, Malaysia.

Tel: 605-282 1640, 282 1642

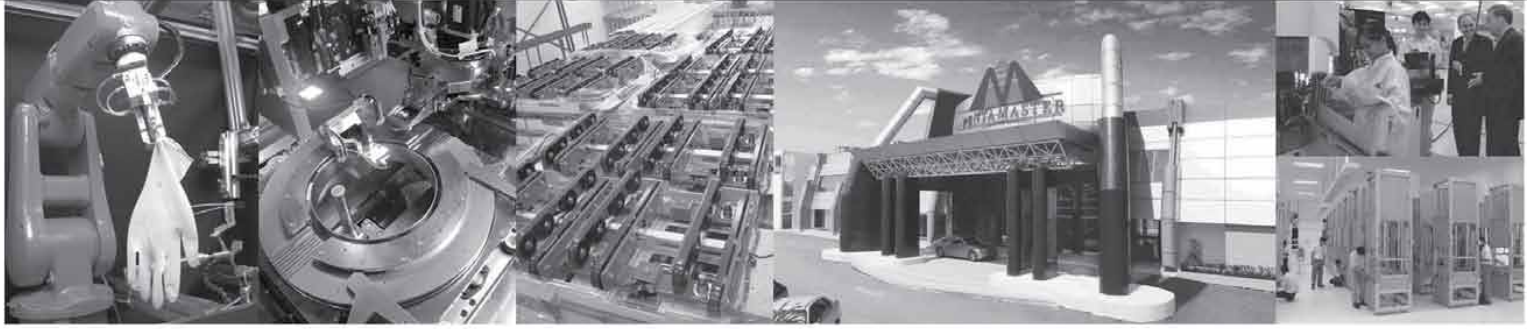
Fax: 605-282 1646

Email: cs\_loh@mmisb.com

Website: www.mmisb.com

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- Computerized Maintenance
- Management System (CMMS)
- Pharmaceutical



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 Tel: 604 646 9212 | Fax: 604 646 7212 | Email: pmaster@pentamaster.com.my  
 Global Offices: Malaysia (Kuala Lumpur), China (Shanghai), Europe (Germany, Ireland), USA (Texas)



[www.pentamaster.com](http://www.pentamaster.com)

## PLANT & MILL SUPPLIES PRIVATE LIMITED

*Proud to be Partnered with ViTrox*

Plant & Mill is a leading regional supplier of precision motion controls, mechanical drive components, precision heating, distributed control systems, precision force/torque measurement and cellular networking products in Singapore, Malaysia, Thailand, Philippines, Indonesia and China.

We support our customers with complete local and factory-backed applications and technical support for our entire range of products. Plant & Mill's primary customers includes equipment OEMs and Systems Integrators, Manufacturers and R&D/Educational organizations.

Plant & Mill supplies a wide range of industrial products ranging from components, sub-systems to fully automated systems. Below are our products:



### CONTACT US :

#### Plant & Mill Motion Control Sdn Bhd

Wisma Malvest, Room 2, 20C, Jalan Tun Dr. Awang,  
 11900 Bayan Lepas, Penang, Malaysia

Main Line : (604) 645 1861, 644 8369

Main Fax : (604) 644 8543

Email : [penang.sales@pmsupplies.com](mailto:penang.sales@pmsupplies.com)



STAR CNC TECHNOLOGY (ASIA) SDN. BHD.  
 STAR CNC 高科技 (亚洲) 有限公司 (417612-K)

# Zhang Hung Engineering Sdn Bhd

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 Prai Industrial Estate, 13600 Prai  
 Penang, MALAYSIA.

Tel: +604-399 2408  
 Fax: +604-399 2402  
 E-mail: sales@starcnc.com.my  
 Website: www.starcnc.com.my

No. 16, Ground Floor, Lorong Helang 3,  
 Desa Permai Indah,  
 Sungai Dua, 11700 Gelugor, Pulau Pinang.  
 Tel: 604-657 3293  
 Fax: 604-655 3293

## CS Advance Engineering Sdn Bhd



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*Proud to be Partnered with ViTrox*



**CS Advance Engineering** started its operations in 2003 with an objective to be one of the top fabrication houses in Northern Region.

Our core business activities are **metal fabrication, plastic fabrication and machine parts.**

With right vision and good planning, we have grown from year to year thanks to the tremendous support given by our customers.

We had begun our mid term planning by moving to a bigger production facility. In line with it, we are always improving our production process by upgrading production facilities and lower costs.

We had acquired a much improved **AWEA AV 1000 CNC Machining Center** to boost our production.



**Nature of business:**  
**We specialist in: Profile punches, Carbide & Steels Punches, Pin general machining, Precision Components for mold and die, Jig & fixture and automation system.**

**CS Advance Engineering Sdn. Bhd.**  
 No.1, Lorong Mak Mandin 5/3,  
 Kawasan Perindustrian Mak Mandin, Butterworth,  
 13400, Penang, Malaysia  
 Tel: 04-3248403      URL: www.csbrighten.tripod.com/csbright  
 Fax: 04-3328403      E-mail: csadvanceeng@yahoo.com

PUNCH ENGINEERING (PG0144812-D)  
 NO 15, SOLOK KEKABU 1, PERMATANG DAMAR LAUT,  
 11950 BAYAN LEPAS, PENANG, MALAYSIA.  
 TEL NO : 604-6264292      FAX NO : 6046265292  
 E-MAIL ADDRESS : punch\_eng@yahoo.com



The Board of Directors (“the Board”) of ViTrox Corporation Berhad (“ViTrox” or “the Company”) is committed to ensure high standards of corporate governance are in place and practised throughout the Group. Since obtaining listing approval, the Company has progressively implemented the principles and best practices as recommended by the Malaysian Code on Corporate Governance 2012 (the “Code”).

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Code.

## 1. Establish clear roles and responsibilities

### 1.1 Clear functions of the Board and Management

The Board is responsible for oversight and overall management of the Company. The Board is delegating specific powers of the Board to relevant Board Committees, the CEO and the Senior Management of the Company. All approvals are supported by the Authority Limits, which clearly sets out relevant matters reserved for the Board’s approval, as well as those which the Board may delegate to the Board Committees, the CEO and the Senior Management.

Key matters reserved for the Board’s approval include the annual business plan and budget, business continuity plan, dividend payout proposal, issuance of new securities, expenditure above a certain limit, disposal of significant fixed assets and the acquisition or disposal of companies within the Group.

The Board has direct access to Senior Management and has unrestricted and immediate access to information relating to the Group’s business and affairs in the discharge of their duties. The Board will consider inviting the Senior Management to attend meetings for reporting on major issues relating to their respective responsibility.

The Board Committees are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference (TOR). The Chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

### 1.2 Clear roles and responsibilities

#### 1.2.1 Reviewing and adopting the Company’s annual Corporate Hoshin Plan

The Board plays an active role in the development of the Company’s strategy. It has in place a strategy planning process, whereby the Management presents to the Board its recommended strategy annually, together with its proposed business plans for the ensuing year at a dedicated session, for the Board’s review and approval. At this session, the Board deliberates both the Management’s and its own perspectives, and challenges the Management’s views and assumptions, to ensure the best outcome. In conjunction with this, the Board also reviews and approves the annual budget for the ensuing year, and sets the Key Performance Indicators (KPIs) under the Corporate Hoshin Plan, ensuring that the targets correspond to the Company’s strategy and business plan, reflect competitive industry trends and internal capabilities as well as provide sufficient stretch for the Management.

A quarterly review of the 2013 Corporate Hoshin Plan was conducted by the Board, at which the targets set by the Board were compared against the actual performance year-to-date. The Board also discussed strategy implementation processes and requirements together with key transformational initiatives undertaken in the current quarter of the year to achieve the targets set out in the 2013 Corporate Hoshin Plan. In this exercise, the Board took cognisance of internal and external factors which had supported various achievements as well as challenges facing Management. The Board actively engaged with the Management in monitoring the progress of initiatives identified in the 2013 Corporate Hoshin Plan and, where required, in identifying alternative measures to be taken to ensure the successful realisation of the strategies.



## 1. Establish clear roles and responsibilities (cont'd)

### 1.2 Clear roles and responsibilities (cont'd)

#### 1.2.2 Overseeing the conduct of the Company's business

The CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by the Management Committees. The Management's performance, under the leadership of the CEO, is assessed by the Board through a status report which is tabled to the Board and which includes a comprehensive summary of the Group's operating drivers and its financial performance during each reporting period. The Board is also kept informed of key strategic initiatives and significant operational issues and the Group's performance, based on the approved KPIs in the Corporate Hoshin Plan.

The Board reviewed the results of the 2013 employee satisfaction survey to assess the level of employee satisfaction. The survey, conducted by an internal resource, aimed to ensure continuous improvement in the operating environment by maintaining areas of strength and improving areas of opportunity for its internal stakeholders. Post employee satisfaction survey, intervention initiatives were taken to address those areas below benchmark norms.

#### 1.2.3 Identifying principal risks and ensuring the implementation of appropriate system to manage them

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound system of internal control.

In this regard, major internal control systems are documented and followed by the management of the Group. To enhance the effectiveness of operation process, the management has established the LeanQMS function to test the system on regular basis.

The internal auditors will be able to provide additional independent review on the state of risk management and internal control of the Group and has an independent reporting channel to Audit Committee ("AC"). The AC reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the risk management and internal control systems in the organization.

The risk management and internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Company's assets as well as investors interests.

The Statement on Internal Control set out on pages 45 to 48 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

#### 1.2.4 Succession planning

The Company has on 27 February 2013 established its Nominating Committee ("NC"). The Board has entrusted the NC with the responsibility to review candidates for key management positions, to determine compensation packages for these appointments, and to formulate nomination, selection, compensation and succession policies for the Group. The Board is believed that the NC, in its current form, effectively and efficiently discharges its functions in respect of nomination and remuneration matters listed separately in its TOR for the purpose of clarity.



## 1. Establish clear roles and responsibilities (cont'd)

### 1.3 Formalised ethical standards through Code of Ethics

The Company's Codes of Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors. The Code of Ethics for Directors includes principles relating to their duties, conflict of interest and dealings in securities are available at the Company's website.

As a measure to govern the conduct of its employees, the Company has in place its Whistleblower Policy and Procedures ("WPP") and Employees Hand Book. The WPP seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Company may be exposed. The Board has overall responsibility to oversee the implementation of the WPP and all whistle-blowing reports are to be addressed to the respective personnel as assigned pursuant to the Groups' WPP. This mechanism will allow the stakeholders of ViTrox to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group and about business improvement opportunities.

The WPP of ViTrox is available at its corporate website.

Apart from the above, all Employees included Directors are required to sign a Non-Disclosure of Information (NDI) with Company. This NDI includes (without limitation) confidentiality of information such as business processes and methodologies, trade secrets, business plans and strategies, financial report and forecasts, employee salary, bonus, profit sharing and company share, client lists, matter list, client targets, presentation papers, uniquely developed products for client (current or potential), employee list, knowledge management systems and its content, internally created precedents and work products, all computer software and libraries developed for and by ViTrox Group whether by itself or by third parties, all web enabled systems and methods used to develop such system, all electronics circuit designs, the ViTrox Group's databases and access rights to third party databases, and presentations and concept papers developed or created from time to time, purchase order, invoices, quotations and work instruction.

### 1.4 Strategies promoting sustainability

The Board promotes good Corporate Governance in the application of sustainability practices throughout ViTrox Group, the benefits of which are believed to translate into better corporate performance. The extract of the Lean Problem Solving (LPS) report and Kaizen project on sustainability activities, demonstrating ViTrox Group's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.

### 1.5 Access to information and advice

The Board is supplied with financial and operational information, both in qualitative and quantitative forms, in a timely manner to assist the Board members to discharge their responsibilities. Where a potential conflict of interest may arise, the Director concerned will be required to declare his interest and abstains from all deliberations leading to decision making.

All Directors will have full access to the information of the Company and are entitled to obtain full disclosure by the management and advice or services from the Company Secretary or independent professionals on matters that will be put forward to the Board for decision to ensure that they are being discussed and examined in an impartial manner that takes into account the long term interests of shareholders, employees, suppliers, customers and other stakeholders with which the Group conduct its business. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the fees involved.



## 1. Establish clear roles and responsibilities (cont'd)

### 1.6 Qualified and competent Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries also ensure that deliberations at the Board and Board Committee meetings are well captured and minuted, and subsequently communicated to the relevant management for necessary action.

The Company Secretaries keep abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training.

### 1.7 Board Charter

The Board has made available its Board Charter on the corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference and primary induction literature providing prospective and existing Board members and Management insights into the fiduciary and leadership functions of the Directors of ViTrox.

The Board reviews its charter regularly, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

## 2. Strengthen composition

### 2.1 Nominating Committee

The Company strives to have a Board comprising members with suitable academic and professional qualifications, skills, expertise and wide exposure.

The Company has on 27 February 2013 established the NC and comprises exclusively of Non-Executive Directors with a majority of whom must be independent, as follows:

Chairman : Chuah Poay Ngee (Chairman)

Member : Dato' Seri Kiew Kwong Sen

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Chang Mun Kee

The Committee is tasked to, amongst others:-

1. Assess the effectiveness of the Board as a whole and the contribution of each Director
2. Review the size, composition and the required mix of skills of the Board; and
3. Recommend the re-election of retiring Directors to the Board.

The NC ensures that all assessments and evaluations carried out are properly documented.

Details of the TOR for NC are available at its corporate website.



## 2. Strengthen composition (cont'd)

### 2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

#### 2.2.1 Recruitment or appointment of Directors

The Code requires a formal and transparent procedure to be established for appointment of new Directors to the Board. The Code also endorses the establishment of a nominating committee, comprised exclusively of Non-Executive Directors, a majority of whom are Independent to propose new nominees to the Board and to assess directors on an on-going basis.

The NC is responsible for assessing the nominee(s) for directorship and Board Committee membership and thereupon submitting their recommendation to the Board for decision.

In accordance with the Company's Articles of Association ("Articles"), one-third or a number nearest to one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire each year are the Directors who have been longest in office since their appointment or re-election.

The Articles also provide that all Directors shall retire from their office and be eligible for re-election at least once in every three (3) years. A retiring Director is eligible for re-election. The election of each Director is voted on separately.

The Articles further provide that a managing director can be appointed for a fixed term which shall not exceed three (3) years.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

The profiles of all directors, meeting attendance and the shareholdings in the Company have been furnished in this Annual Report.

#### 2.2.2 Annual assessment

The Company has in place its procedures and criteria for appointment of new directors. All candidates for appointment are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The NC also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the candidates. During the FYE 2013, no new director was appointed.

The NC will also be reviewing the composition of respective board committee of the Group to ensure its effectiveness in functioning.

The NC also establish a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The Board's effectiveness is assessed in the areas of composition, administration, accountability and responsibility, conduct and the performance of the Chairman and CEO. The criteria for assessment of each Director or Committee member shall include attendance record, intensity of participation at meetings, quality of interventions, special contributions to demonstrate a high level of professionalism and integrity in the decision-making process.

The performance of those Directors who are subject to re-appointment and re-election of Directors at the AGM will be assessed by the NC whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-appointment or re-election of the Director concerned for shareholders' approval at the next AGM.

On 27 February 2014, an assessment of the effectiveness of the Board, respective Board Committee and Independence ("the Assessment") were carried out in respect of the FYE 2013. Appraisal form which comprising quantitative and qualitative performance criteria to evaluate the performance of each member of the Board as well as each Board Committee, were being circulated at the Meeting for assessment. The NC reviewed the required mix of skills, experience and other qualities of the Board and Board Committee and agreed that it has the necessary mix of skill, experience and other necessary qualities to serve effectively.



## 2. Strengthen composition (cont'd)

### 2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors (cont'd)

#### 2.2.2 Annual assessment (cont'd)

Also, during the Assessment, the NC also recommended to the Board on those Directors who retire pursuant to Article 85 of the Articles, being eligible, to seek re-election during the Annual General Meeting to be held on 20 June 2014.

Ms. Chuah Poay Ngee, being the sole female director and also the Chairman of both the AC and NC, has since her appointment contributed significantly and actively participated in the Board's deliberation and decision making. Having said so, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy for the time being. Nevertheless, the Board will endeavor to tap talent from human capital market from time to time with the aim to have the right mix of female director in its Board in future.

### 2.3 Remuneration policies

It is the Company's policy to remunerate Directors adequately to attract and retain the Directors of the necessary calibre to manage its business. The Articles provides that the remuneration of Directors shall not include a commission or percentage of turnover.

The determination of the remuneration of each Independent, Non-Executive Director is decided by the Board as a whole. The Board reimburses any reasonable expense incurred by these Directors in the course of their duties as Directors.

The RC was established on 27 February 2013 and is responsible for recommending to the Board on the remuneration framework as well as the remuneration package of Executive Directors to ensure that rewards commensurate with their contributions to the Group's growth and profitability in order to align the interest of the Directors with those of the shareholders. The Committee also ensures the level of remuneration for Non-Executive Directors and Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The RC comprises of not fewer than 3 members, mainly of Non-Executive Directors as follows:

Chairman : Chang Mun Kee (Chairman)

Member : Dato' Seri Kiew Kwong Sen

Chu Jenn Weng

The RC will meet at least once in a financial year to formulate and review the remunerating policies and remuneration of members of the Board, Board Committee and the CEO / Managing Director and recommend the same to the Board for approval.

The current remuneration policy of the Group is summarised as follows:-

- a) The Directors' salary for Executive Directors are set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.
- b) Directors' Fees are based on a standard fixed fee and are subject to approval by its shareholders at the AGM.
- c) Meeting Allowance – All the Directors' are entitled to a fixed amount of allowance paid in accordance with the number of meeting attended during the year.
- d) Benefits-in-kind – only Executive Directors of the Group are entitle to benefits-in-kind provided by the Group.
- e) The RC may obtain independent professional advice in formulating the remuneration package of its Directors.



## 2. Strengthen composition (cont'd)

### 2.3 Remuneration policies (cont'd)

Details of the Directors' remunerations for FYE2013 are as follows:-

Category	Fees RM	Salaries, Bonuses & Employee Provident Fund RM	Allowances RM	Total RM
Executive	-	624,499	108,150	732,649
Non-Executive	144,000	32,280	5,200	181,480
<b>Total</b>	<b>144,000</b>	<b>656,779</b>	<b>113,350</b>	<b>914,129</b>

The remuneration bands of the Directors are as follows:-

Range	Number of Directors	
	Executive	Non Executive
Below RM50,000	-	4
RM200,001 – RM250,000	2	-
RM250,001 – RM300,000	1	-

Details of the remuneration of each Director are not disclosed as the Board is of the view that the transparency and accountability aspects of corporate governance on disclosure of Directors' remuneration are appropriately served by the above disclosures.

## 3. Reinforce Independence

### 3.1 Annual assessment of Independence

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of ViTrox. They bring an external perspective, constructively challenge and assist the Company to develop corporate strategy, scrutinize the performance of Management in the meeting approved goals and objectives, and monitor the risk profile of the Company's business.

The Board has upon their annual assessment, concluded that each of the 3 Independent Non-Executive Directors continues to demonstrate conduct and behavior that are essential indicator of independence, and that each of them continues to fulfill the definition of independence as set out in the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("LR").



### 3. Reinforce Independence (cont'd)

#### 3.2 Tenure of Independent Directors

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an Independent Director should serve on the Board, mainly for the following reasons:-

- The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- NC would conduct an annual assessment of Independent Directors in respect of *inter alia* their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement. Furthermore, the NC also would review the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).

The current complement of Independent Non-Executive Directors provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgment on matters of strategy, operations, resources and business conduct. The Independent Non-Executive Directors also bring along the breadth and depth of experience to ensure that the strategies proposed by management are independently and objectively deliberated and examined, taking into account the interests of all stakeholders.

#### 3.3 Shareholders' approval for the re-appointment of Non-Executive Directors

Currently, all the Independent Directors of the Company served less than a tenure of 9 years in the Company except for Dato' Seri Kiew Kwong Sen who is the Independent Non-Executive Chairman of the Company and has served on the Board since 8 July 2005. His term of office will be 9 years cumulatively by 7 July 2014. The Board is satisfied that Dato' Seri Kiew has demonstrated throughout the terms of his office to be independent by exercising independent judgment when a matter is put before him for decision. In addition, he also has the necessary knowledge of the business and operations of the Group and has the experience to make informed decision and participate actively and contribute positively during deliberations or discussions at Board Meetings. The Board has assessed and with the recommendation of the NC, strongly recommend to the members of the Company to vote in favour of the resolution for Dato' Seri Kiew to continue to act as Independent Non-Executive Director of the Company at the Annual General Meeting to be held on 20 June 2014.

#### 3.4 Separation of positions of the Chairman and CEO

The Company practises a division of responsibilities between the Independent Non-Executive Chairman and the CEO. Their roles are separated and clearly defined to ensure a balance of power and authority, increased accountability and greater capacity of the Board for Independent decision-making. The Chairman is not related to the CEO. The Chairman is responsible for the Board's effectiveness and conduct. He also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At a general meeting, the Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

The CEO, also an Executive Director is in charge of the day-to-day operations of the business, making strategic business decision and implementing Board policies.



## 3. Reinforce Independence (cont'd)

### 3.5 Composition of the Board

The Board comprises 3 Executive Directors, 1 Non-Independent, Non-Executive Director and 3 Independent, Non-Executive Directors. The composition of the Board reflects fairly the investment of all shareholders in the Company and a good independent element on the Board. The composition of the Board complies with the LR which requires that independent non-executive directors make up at least 2 members or 1/3 of the membership of the Board, whichever is higher. Currently, the Board is led by Dato' Seri Kiew Kwong Sen, an Independent Non-Executive Chairman. The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting the Company's current needs and requirements.

The presence of the three (3) Independent Non-Executive Directors is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board is of the opinion that given the strong independent element of the Board, any concern regarding the Group may be conveyed by shareholders or investors to any of the Independent Directors at the following address and such concerns will be reviewed and addressed by the Board accordingly:-

Dato' Seri Kiew Kwong Sen  
Email: [kelvinkiew@yahoo.com](mailto:kelvinkiew@yahoo.com)

## 4. Foster Commitment

### 4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings for FYE2013, as set out in the table.

Director	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Kiew Kwong Sen	4	4
Chu Jenn Weng	4	4
Siaw Kok Tong	4	4
Yeoh Shih Hoong	4	3
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	4	3
Chuah Poay Ngee	4	3
Chang Mun Kee	4	2

The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of ViTrox and for notification to Companies Commission of Malaysia accordingly.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of every year. It provides the scheduled dates for meetings of the Board and Board Committees, the AGM, major conferences hosted by the Company, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.



## 4. Foster Commitment (cont'd)

### 4.2 Continuing Education Programmes

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

The Directors of the Company attended various seminars and training programmes during FYE2013 as follows:

1. Marketing Planning Process
2. Cash Management for CEO
3. Product Roadmap and Strategy Development
4. 35<sup>th</sup> IEEE Engineering in Medicine and Biology
5. IEEE Life Sciences Grand Challenges Conference
6. Legal, Corporate Law, Cost Modeling & MFRS Latest Update
7. Budget, Tax and GST Update
8. Global Entrepreneurship
9. Lean DNA Assessment Auditors
10. Talent Selection Interviewing Skills
11. Group Sales Coaching
12. The 4 Disciplines of Execution
13. LeanQMS Refresher

In the future, the Board will continue to identify training needs amongst the Directors and enroll the directors for training programs, as and when required.

## 5. Uphold integrity in financial reporting

### 5.1 Compliance with applicable financial reporting standard

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, its position and future prospects, through the issuance of Annual Audited Financial Statements and quarterly financial reports, and corporate announcements on significant developments affecting the Company in accordance with the LR.

Details of the Directors' Responsibility in the preparation of the Group's financial statements are disclosed in page 49 of this Annual Report 2013.

The Board is assisted by the AC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The AC reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgement in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.



## 5. Uphold integrity in financial reporting (cont'd)

### 5.2 Assessment of suitability and independence of external auditors

The AC undertakes an annual assessment of the suitability and independence of the external auditors. The Board maintains a transparent relationship with external auditors. Members of the AC meet the external auditors at least twice a year without the presence of the executive Board members to discuss the results and concerns arising from their audit.

The AC had obtained written assurance from its external auditors, Messrs. Crowe Horwath, confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. After having satisfied with the performance of Messrs. Crowe Horwath and its audit independence, the AC recommended the re-appointment of Messrs. Crowe Horwath to the Board for approval by its shareholders at the forthcoming 10<sup>th</sup> AGM.

## 6. Recognise and manage risks

### 6.1 Risk management

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound system of internal control.

The risk management and internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Company's assets as well as investors interests.

In this regard, major internal control systems are documented and followed by the management of the Group.

### 6.2 Internal Audit Function

To enhance the effectiveness of risk management and internal control systems, the Board has outsourced the internal audit function to Finfield Corporate Services Sdn Bhd, an independent professional firm of consultants.

The internal auditors will be able to provide additional independent review on the state of risk management and internal control of the Group and has an independent reporting channel to AC. The AC reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the risk management and internal control systems in the organization.

The Statement on Internal Control set out on pages 45 to 48 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

## 7. Ensure timely and high quality disclosure

### 7.1 Corporate Disclosure Policy

The Board is mindful on the importance of maintaining a proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.



## 7. Ensure timely and high quality disclosure (cont'd)

### 7.1 Corporate Disclosure Policy (cont'd)

The Company has in place a document which sets the policies and standard operating procedures for employees to facilitate and ensure compliance by ViTrox Group. It also serves as a guide to enhance awareness among employees of corporate disclosure requirements.

The Company has put in place an internal control policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information.

### 7.2 Leverage on information technology for effective dissemination of information

ViTrox's website incorporates an Investor Relations (IR) section which provides all relevant information on the Group and is accessible by the public. This IR section enhances the IR function by including all announcements made by the Company, annual reports, board charter as well as the corporate governance structure of the Company.

The Company will enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time.

## 8. Strengthen relationship between company and shareholders

### 8.1 Encourage shareholder participation at general meetings

The Company dispatches its notice of AGM to shareholders at least 21 days before the AGM, requirement under the Companies Act, 1965 and Main LR. The additional time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

In addition to the above, time will be allocated during AGM for dialogue with shareholders to address issues concerning the Group.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting process.

### 8.2 Encourage poll voting

At the following General Meetings, the resolutions put forth for shareholders' approval were voted on by show of hands:-

- i) 9<sup>th</sup> AGM of the Company held on 21 June 2013, no substantive resolutions were put forth for shareholders' approval, other than resolutions pertaining to the adoption of Audit Financial Statements for the year ended 31 December 2012, payment of special and final dividend, re-election of retiring Directors, payment of Directors' fees, re-appointment of external auditors and share buy-backs;
- ii) Extraordinary General Meeting held on 27 February 2014.

The Board would encourage poll voting in future.



## 8. Strengthen relationship between company and shareholders (cont'd)

### 8.3 Effective communication and proactive engagement

At the 9th AGM, a total of 4 out of 7 Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The proceedings of the 9th AGM included the CEO's presentation of the Company's operating and financial performance for 2012, the presentation of the business outlook 2013, and a Q&A session during which the Chairman invited shareholders to raise questions pertaining to the Company's accounts and other items for adoption at the meeting, before putting a resolution to vote. The Directors, CEO and external auditors were in attendance to respond to the shareholders' queries.

## COMPLIANCE STATEMENT

The Board is satisfied that in 2013, the Company complied with the principles and recommendations of the Code.

This Statement is made in accordance with the resolution of the Board dated 22 May 2014.



## AUDIT COMMITTEE

The Audit Committee (“Committee”) was established by the Board of Directors of ViTrox Corporation Berhad (“Company”) on 8 July 2005 as a Committee of the Board.

## COMPOSITION

The present members of the Committee comprise:

Chuah Poay Ngee  
*Chairman*  
*Independent, Non-Executive Director*

Dato’ Seri Kiew Kwong Sen  
*Member*  
*Independent, Non-Executive Director*

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani  
*Member*  
*Non-Independent, Non-Executive Director*

Chang Mun Kee  
*Member*  
*Independent, Non-Executive Director*

The Committee is governed by the following terms of reference:

### 1. Membership

The Committee shall be appointed by the Board from amongst its members and consists of not less than three members. All the Committee member must be Non-Executive Directors, with a majority of whom must be independent. The members of the Committee shall elect the Chairman from among their number, who shall be an Independent, Non-Executive Director. No Chief Executive Officer and alternate Director shall be appointed as a member of the Committee.

If the number of members is reduced below three, due to whatsoever reasons, the Board shall within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

### 2. Meetings

Meetings shall be held not less than four times a year.

A quorum of two independent members shall constitute a valid meeting.

The Head of Finance and the Head of Internal Audit, if any, shall be invited to attend meetings, as the Committee deems necessary. At least twice a year, the Committee shall meet with the External Auditors without the presence of the Executive Directors.

The Company Secretary shall be the secretary of the Committee.

The External Auditors may request a meeting if they consider that one is necessary.



### 3. Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have the resources required to perform its duties. The Committee has full and unrestricted access to all information and documents relevant to its activities as well as to the internal and external auditors and employees of the Group.

### 4. Duties and Responsibilities

The duties and responsibilities of the Committee shall include:

- a) to recommend the appointment of the External Auditors, their audit fee and any questions on their resignation or dismissal, to the Board;
- b) to discuss the nature and scope of the external audit with the External Auditors before the audit commences;
- c) to review the financial statements of the Company and the Group before submission to the Board, focusing particularly on:
  - public announcements of results and dividend payment;
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from the external audit;
  - the going-concern assumptions;
  - compliance with accounting standards; and
  - compliance with stock exchange and legal requirements.
- d) to discuss problems and reservations arising from the interim and final audits and any matters the external/internal auditors may wish to discuss (excluding the attendance of other directors and employees of ViTrox);
- e) to review the internal audit programme, consider the major findings of internal audit investigations and management's response and ensure co-ordination between the Internal and External Auditors;
- f) to review the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its works;
- g) to review and evaluate the adequacy and effectiveness of the Group's accounting policies, procedures and internal controls;
- h) to review the appraisal or assessment of the performance of the staff of the internal audit function; to approve any appointment or termination of senior staff of the internal audit function;
- i) to keep under review the effectiveness of internal control system and in particular, review External Auditors' management letter and management's response;
- j) to review any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transaction between the Company and any related parties outside the Group;and
- k) to carry out such other functions and consider any other topics, as may be agreed upon by the Board.



## 5. Reporting Procedures

The Committee is authorized to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

## 6. Attendance at Meetings

The information on the attendance of each member at the Committee meetings held during the Financial Year 2013 is as follows:

Member	No. of Meetings Held	Attendance
Chuah Poay Ngee	4	3
Dato' Seri Kiew Kwong Sen	4	4
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	4	3
Chang Mun Kee	4	2

## 7. Activities of the Audit Committee

The main activities carried out by the Committee during the Financial Year 2013 in discharge of its duties and responsibilities were as follows:

- Considered and approved the internal audit plan for the Company and Group for the financial year ended 31 December 2013;
- Reviewed the internal audit reports for the Company and Group;
- Reviewed the external audit plan for the Company and Group with the External Auditors;
- Reviewed the external audit reports for the Company and Group with the External Auditors;
- Reviewed the quarterly results of the Group and recommended the same to the Board for approval.
- Reviewed the draft audited Financial Statements of the Company and Group for the financial year ended 31 December 2013 and recommended the same to the Board for approval.

## 8. Internal Audit Function

The Board has engaged an external professional firm to carry out the internal audit function of the Group. The Internal Auditors report directly to the Committee. The primary roles of the Internal Auditors are to assist the Committee on an ongoing basis to:

- review the risk management framework
- evaluate the state of compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance and other statutory requirements.
- provide independent, systematic and objective evaluation on the state of internal control within the Group.
- review recurrent related party transaction.
- perform such other functions as requested by the Committee.

During the Financial Year 2013, the Internal Auditors have assisted the Committee to undertake the following:

- plan the conduct of internal audit for Financial Year 2013
- review the risk management and the state of internal control of certain operating cycles within the Group
- presented the internal audit report to the Audit Committee

The cost incurred for the internal audit function in the financial year 2013 was made up of a fee paid to the professional internal audit firm of RM8,116.

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# Statement on Internal Control

Pursuant To Paragraph 15.26(b) Of The Bursa Malaysia Securities Berhad  
Main Market Listing Requirements



The Board of Directors (“the Board”) of ViTrox Corporation Berhad (“the Company”) has made the following statement on the internal control statement of the Group which has been prepared in accordance with the “Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers” issued by the Institute of Internal Auditors Malaysia.

## Internal Control Objectives

The Board recognizes the importance of maintaining a sound system of internal control to achieve the following objectives:

1. Safeguard the shareholders’ investment and assets of the Group
2. Identify and manage risks affecting the business of the Group
3. Ensure compliance with regulatory requirements
4. Ensure the effectiveness and efficiency of operations to achieve business objectives of the Group
5. Ensure the integrity and reliability of financial information

## Responsibility

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, and managing risks that may affect the achievement of business objectives. The control structure and process which have been instituted throughout the Group are updated and reviewed from time to time to suit changes in business environment, and this on-going process has been in place for whole financial year under review and up to date of approval of this statement for inclusion in the annual report.

The role of Board includes:

1. Organizational structure of each business unit clearly defines operational and financial responsibilities
2. Key responsibilities are clearly defined and properly segregated
3. Authority level is properly defined
4. Key management personnel including Executive Directors meet regularly to address key business risks and operational issues
5. Operational procedures are governed by Standard Operating Manuals which are reviewed and updated regularly
6. Effective financial reporting system is in place to ensure timely generation of financial information for management’s review

The Board is ultimately responsible to ensure that the Group maintains a sound system of internal control. However, the Board wishes to draw attention that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or losses.

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## Statement on Internal Control

Pursuant To Paragraph 15.26(b) Of The Bursa Malaysia Securities Berhad Main Market Listing Requirements



### Internal Control Structure

The Board is committed to maintain a strong and robust control structure and environment for the proper conduct of the Group's business operations. The Group's control environment comprises of the following components:

#### Risk Management Framework

The Board has established an organization structure with clearly defined line of responsibility, authority limits and accountability aligned to business and operation requirements which supports the maintenance of a strong and robust control environment.

The Group is continuously committed in setting new standards whilst maintaining an effective risk management framework to ensure the Group's objective are achieved and stakeholders interest are protected. The Board acknowledges its responsibility to adopt best practices in risk management and internal control as part of the Group's business culture.

#### Internal Audit Function

The Board has outsourced the internal audit function to Finfield Corporate Services Sdn Bhd, an independent professional firm of consultants.

Regular internal audits are carried out on an ongoing basis to assess the adequacy and integrity of the internal control system of the Group based on the internal audit plan reviewed and approved by the Audit Committee. Based on the audits, the internal auditors will advise management on areas of improvement and subsequently, initiate follow-up actions to determine the extent of implementation of their recommendations.

The internal audit plan was circulated to the members of the Audit Committee prior to the execution of the assignment. Findings arising from the internal audit exercise were reported and discussed at the Audit Committee meeting.

During the year under review, the internal auditors have not reported any significant weaknesses in the system of internal controls of the Group.

#### Board of Directors

The Board meets at least quarterly, to review and evaluate the Group's operations and performance and to address key policy matters. The Managing Director leads the presentation of Board papers and provides comprehensive explanation over pertinent issues.

The prerequisite to decisions making in the meeting is through deliberation and discussion by the Board, together with recommendations and feedback from Management. In addition to quarterly financial results, corporate proposals, progress reports on business operations are also tabled at the Board's quarterly meetings.

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## Statement on Internal Control

Pursuant To Paragraph 15.26(b) Of The Bursa Malaysia Securities Berhad  
Main Market Listing Requirements



### Internal Control Structure (cont'd)

#### Independence of the Audit Committee

The Audit Committee is comprised of FOUR (4) Non-Executive Directors who are highly experienced and whose knowledge, background and judgment are invaluable to the Group. The Audit Committee has unimpeded access to both the Internal and External Auditors.

The Audit Committee reviews the work of the Internal and External Auditors, their findings and recommendations to ensure that it obtains the necessary level of assurance with respect to the adequacy of the internal controls. Further details of the activities undertaken by the Audit Committee during the year are set out in the Audit Committee Report on pages 42 to 44.

#### Senior Management Meeting

Senior Management meetings are held on a monthly basis to formulate strategies on an on-going basis and to address issues arising from changes in both the external business environment and internal operating conditions.

#### Hoshin Plan and Budget

Hoshin Plan and Budgets are prepared by the Company's business units and reviewed and approved by the Management and Board. The performance of each business unit is assessed with explanation on significant variances provided to Management and Board on periodic basis.

#### Document Policies and Procedures

Policies and procedures of business processes are documented and set out in a series of Standard Operating Manual and implemented throughout the Group. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs.

All the documented policies and procedures can be accessed via the Company's intranet.

#### Human Resource Policy

The Group has in place, a comprehensive Human Resource Policy approved by the Management that set the tone of control consciousness and employee conduct. There is also in place, supporting procedures for the reporting and resolution of action contravening these policies.

These are proper guidelines within the Group regarding employment and dismissal, formal training programs as well as other relevant procedures in place to ensure that staffs are competent and adequately guided in carrying out their responsibilities.

The Group has also in place a Performance Management System, which is linked to and guided by Key Performance Indicators (KPI) and accountability.

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## Statement on Internal Control

Pursuant To Paragraph 15.26(b) Of The Bursa Malaysia Securities Berhad  
Main Market Listing Requirements



### Internal Control Structure (cont'd)

#### Supplier Code of Conduct

The Board expects all ViTrox Group's suppliers to observe high ethical business standard of honesty and integrity and to apply these values to all aspects of their business and professional practices.

A Supplier Code of Conduct is established in which the Group's minimum expectations on the suppliers vis-à-vis legal compliance and ethical business practices are stipulated.

The Code applies to all suppliers, vendors, contractors and any other persons doing business with ViTrox Corporation Berhad and its subsidiary companies.

#### Assurance from Management

The Board has also received reasonable assurance from the Chief Executive Officer (CEO) and the Finance Manager that the Group's risk management and internal control system are operating adequately and effectively in all aspects, based on the risk management and internal control system of the Group.

This statement was made in accordance with a board of directors resolution dated 22 May 2014.

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## Statement of Directors' Responsibilities

Pursuant to Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements



The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flows and results, of the Group and of the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:

- That the Group and the Company have used appropriate accounting policies, and these are consistently applied;
- That reasonable and prudent judgments and estimates were made;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and subsidiary companies maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

This statement was made in accordance with a board of directors resolution dated 22 May 2014.

## Additional Compliance Information



### 1. Utilization of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

### 2. Share Buy-backs

During the financial year ended 31 December 2013, the details of the shares purchased by the Company were as follows:-

Transaction date	Number of Shares (Units)	Unit Price			Consideration paid* RM
		Lowest RM	Highest RM	Average RM	
June 2013	132,500	0.76	0.79	0.77	102,507
August 2013	119,000	0.77	0.79	0.77	92,154
September 2013	265,400	0.75	0.78	0.75	200,292
	<u>516,900</u>	<u>0.75</u>	<u>0.79</u>	<u>0.76</u>	<u>394,953</u>

\* Including brokerage, clearing house fee and stamp duty.

All the shares so purchased during the financial year were retained as treasury shares.

During the financial year ended 31 December 2013, the details of the treasury shares resold by the Company were as follows:-

Transaction date	Number of Shares (Units)	Unit Price			Consideration Received# RM
		Lowest RM	Highest RM	Average RM	
December 2013	500,000	1.21	1.21	1.21	602,804

# Amount received for the shares sold is after deducting of brokerage, clearing house fee and stamp duty.

There has been no cancellation of treasury shares by the Company during the financial year ended 31 December 2013.

### 3. Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issues by the Company during the financial year.

### 4. American Depository Receipt ("ADR") or the Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any of such programmes.



### 5. Imposition of Sanctions and/or Penalties

There were no material sanctions and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the relevant regulatory authorities during the financial year.

### 6. Non-Audit Fees

Non-audit fees amounting to RM16,400 were incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's external auditor and a company affiliated to the external auditors.

### 7. Profit Forecast and Unaudited Results Deviation

There was no profit forecast issued by the Group during the financial year.

The audited consolidated results during the financial year of the Group did not deviate by more than 10% of the unaudited consolidated results of the Group as announced via the BURSALINK on [www.bursamalaysia.com](http://www.bursamalaysia.com) on 27 February 2014.

### 8. Profit Guarantee

There was no profit guarantee issued by the Group during the financial year.

### 9. Recurrent Related Party Transactions of a Revenue or Trading Nature

The Company does not have any recurrent related party transactions of revenue or trading nature during the financial year.

### 10. Employee Share Scheme

There was no Employee Share Scheme implemented by the Company during the financial year.

The shareholders of the Company had via its Extraordinary General Meeting held on 27 February 2014, amongst others, approved the Establishment of an Employee's Share Option Scheme (ESOS) of up to 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS Scheme. The implementation of the ESOS is effective from 4 March 2014. Details of the announcements in relation to the ESOS were made on 16 December 2013, 20 December 2013, 26 December 2013 and 27 February 2014 respectively and are available at its corporate website or via the BURSALINK on [www.bursamalaysia.com](http://www.bursamalaysia.com).

### 11. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 31 December 2013 or entered into since the end of the previous financial year.

### 12. Corporate Social Responsibility ("CSR")

The Group subscribes to the belief that pursuit of business objectives needs to be balanced with social and environmental responsibilities for any business to remain sustainable. As such, the Group uses its best endeavour on ongoing basis to integrate CSR practices into its day to day business operations. These include devising staff welfare schemes to enhance the quality of life of its employees, demonstrating care for the community through monetary donations to schools and other charitable causes, encouraging its employees to donate blood, and adopting eco-friendly practices such as minimizing the use of hazardous compound in its manufacturing process to protect the environment.

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	- Realised and Unrealised Profits or Losses



The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and development of 3D and line scan vision inspection system. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

## RESULTS

	The Group RM	The Company RM
Profit for the financial year	24,062,747	3,905,488

## DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividends:-

	RM
In respect of financial year ended 31 December 2012:-	
- Interim tax exempt dividend of 1 sen per share, paid in January 2013	2,312,597
- Final tax exempt dividend of 0.5 sen per share, paid in July 2013	1,155,950
- Special tax exempt dividend of 0.75 sen per share, paid in July 2013	1,733,927
In respect of financial year ended 31 December 2013:-	
- Interim tax exempt dividend of 1 sen per share, paid in January 2014	2,307,428
	<u>7,509,902</u>

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year apart from those disclosed in the financial statements.

## ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company reissued 500,000 treasury shares by re-sale in the open market for a total cash consideration of RM602,804.

There was no issue of debentures by the Company during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted by the Company during the financial year.



## PURCHASE OF OWN SHARES

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 21 November 2008, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

Month	Number of Shares	Unit Cost			Total Cost RM
		Lowest RM	Highest RM	Average RM	
June 2013	132,500	0.76	0.79	0.77	102,507
August 2013	119,000	0.77	0.79	0.77	92,154
September 2013	265,400	0.75	0.78	0.75	200,292
	516,900	0.75	0.79	0.76	394,953

The mandate given by the shareholders at the Annual General Meeting held on 21 June 2013 will expire at the forthcoming Annual General Meeting at which a resolution will be tabled for shareholders to grant a fresh mandate for another year.

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance made for doubtful debts inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets which would be unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

## VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.



### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

### ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

### DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Dato' Seri Kiew Kwong Sen  
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani  
Chu Jenn Weng  
Siaw Kok Tong  
Yeoh Shih Hoong  
Chuah Poay Ngee  
Chang Mun Kee

## Directors' Report



### DIRECTORS OF THE COMPANY (cont'd)

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM0.10 Each			Balance at 31.12.2013
	Balance at 1.1.2013	Bought	Sold	
Dato' Seri Kiew Kwong Sen				
- Direct	3,750,000	0	0	3,750,000
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani				
- Direct	750,000	0	0	750,000
Chu Jenn Weng				
- Direct	71,137,368	0	(2,445,300)	68,692,068
Siaw Kok Tong				
- Direct	50,907,214	0	(1,494,000)	49,413,214
Yeoh Shih Hoong				
- Direct	27,073,985	0	(771,500)	26,302,485
Chuah Poay Ngee				
- Direct	15,000	0	0	15,000
Chang Mun Kee				
- Direct	150	0	0	150
- Indirect	6,367,149	0	0	6,367,149

By virtue of their interests in shares in the Company, Chu Jenn Weng and Siaw Kok Tong are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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## Directors' Report



### AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 15 APRIL 2014

Chu Jenn Weng

Siaw Kok Tong

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## Statement by Directors



We, Chu Jenn Weng and Siaw Kok Tong, being two of the directors of ViTrox Corporation Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 61 to 101 give a true and fair view of the financial position of the Group and the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 102 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 15 APRIL 2014**

Chu Jenn Weng

Siaw Kok Tong

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## Statutory Declaration

I, Chu Jenn Weng, being the director primarily responsible for the financial management of ViTrox Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 61 to 101 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
Chu Jenn Weng at Georgetown in the  
State of Penang on this 15 April 2014

Chu Jenn Weng

Before me

Nachatar Singh A/L Bhag Singh, PKT, PJK, PK  
Commissioner for Oaths

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# Independent Auditors' Report

To The Members Of VITROX CORPORATION BERHAD



## Report on the Financial Statements

We have audited the financial statements of ViTrox Corporation Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 61 to 101.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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# Independent Auditors' Report

To The Members Of VITROX CORPORATION BERHAD (cont'd)



## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 7 to the financial statements.
- (iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 102 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Horwath**  
Firm No: AF 1018  
Chartered Accountants

**Chan Kheng Hoe**  
Approval No: 2979/ 03/ 16(J)  
Chartered Accountant

Date: 15 April 2014

Penang

# Consolidated Statement of Financial Position

As At 31 December 2013



	Note	2013 RM	2012 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	31,939,217	30,060,175
Investment properties	5	600,000	600,000
Development expenditure	6	3,965,544	2,602,123
Investments in club memberships - at cost		91,250	91,250
		<u>36,596,011</u>	<u>33,353,548</u>
<b>CURRENT ASSETS</b>			
Inventories	8	36,977,843	27,972,481
Trade and other receivables	9	51,787,804	39,202,919
Financial assets at fair value through profit or loss	10	0	14,110
Prepayments		1,351,616	1,078,412
Current tax assets		213,112	75,249
Cash and cash equivalents	11	40,458,212	43,915,205
		<u>130,788,587</u>	<u>112,258,376</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	17,281,399	16,775,448
Dividend payable		2,307,428	0
Term loan - secured	13	1,337,771	1,249,430
Financial liabilities at fair value through profit or loss	10	121,020	0
Advance payments from customers		873,956	335,000
Current tax liabilities		0	43,771
		<u>21,921,574</u>	<u>18,403,649</u>
<b>NET CURRENT ASSETS</b>		<b>108,867,013</b>	<b>93,854,727</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loan - secured	13	10,854,140	11,339,161
Deferred tax liabilities	14	763,000	635,000
Deferred income on government grants	15	2,625,854	781,274
		<u>14,242,994</u>	<u>12,755,435</u>
<b>NET ASSETS</b>		<b>131,220,030</b>	<b>114,452,840</b>
<b>EQUITY</b>			
Share capital	16	23,250,000	23,250,000
Treasury shares	16	(933,495)	(909,802)
Share premium		4,894,282	4,662,738
Currency translation reserve		10,492	3,998
Retained profits		103,998,751	87,445,906
<b>TOTAL EQUITY</b>		<b>131,220,030</b>	<b>114,452,840</b>

The annexed notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December 2013



	Note	2013 RM	2012 RM
Revenue	17	106,104,243	88,870,691
Other income		5,385,436	7,923,173
Amortisation of development expenditure		(940,625)	(928,641)
Changes in work-in-progress and finished goods		6,685,169	(1,595,533)
Depreciation of property, plant and equipment		(1,905,898)	(1,756,050)
Directors' remuneration	18	(914,129)	(986,138)
Employee benefits expense	19	(18,476,282)	(16,999,960)
Raw materials consumed		(47,584,419)	(34,585,300)
Finance costs		(298,465)	(274,154)
Other expenses		(23,248,009)	(18,112,294)
Profit before tax	20	24,807,021	21,555,794
Tax expense	21	(744,274)	(1,066,012)
Profit for the financial year		24,062,747	20,489,782
Other comprehensive income:-			
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
Currency translation differences for foreign operation		6,494	(4,479)
Other comprehensive income for the financial year		6,494	(4,479)
Total comprehensive income for the financial year		24,069,241	20,485,303
Earnings per share:-	22		
- Basic (sen)		10.41	8.85
- Diluted (sen)		10.41	8.85

The annexed notes form an integral part of these financial statements.

# Consolidated Statement of Changes In Equity

For The Financial Year Ended 31 December 2013



	Share capital RM	Treasury shares RM	Non-distributable		Distributable		Total equity RM
			Share premium RM	Currency translation reserve RM	Retained profits RM		
Balance at 1 January 2012	23,250,000	(176,773)	4,662,738	8,477	69,271,914	97,016,356	
Profit for the financial year	0	0	0	0	20,489,782	20,489,782	
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	(4,479)	0	(4,479)	
Total comprehensive income for the financial year	0	0	0	(4,479)	20,489,782	20,485,303	
Purchase of own shares	0	(733,029)	0	0	0	(733,029)	
Dividends (Note 23)	0	0	0	0	(2,315,790)	(2,315,790)	
Total transactions with owners	0	(733,029)	0	0	(2,315,790)	(3,048,819)	
Balance at 31 December 2012	23,250,000	(909,802)	4,662,738	3,998	87,445,906	114,452,840	
Profit for the financial year	0	0	0	0	24,062,747	24,062,747	
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	6,494	0	6,494	
Total comprehensive income for the financial year	0	0	0	6,494	24,062,747	24,069,241	
Purchase of own shares	0	(394,953)	0	0	0	(394,953)	
Reissue of treasury shares	0	371,260	231,544	0	0	602,804	
Dividends (Note 23)	0	0	0	0	(7,509,902)	(7,509,902)	
Total transactions with owners	0	(23,693)	231,544	0	(7,509,902)	(7,302,051)	
Balance at 31 December 2013	23,250,000	(933,495)	4,894,282	10,492	103,998,751	131,220,030	

The annexed notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2013



	Note	2013 RM	2012 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		24,807,021	21,555,794
Adjustments for:-			
Allowance for slow moving inventories		2,419,141	2,388,215
Amortisation and depreciation		2,846,523	2,684,691
Amortisation of deferred income		(371,163)	(181,178)
Development expenditure written off		0	146,971
Gain on disposal of assets held for sale		0	(1,912,612)
Gain on disposal of property, plant and equipment		0	(1,136)
Impairment loss on loans and receivables		53,200	459,896
Interest expense		298,465	274,154
Interest income		(716,905)	(917,435)
Property, plant and equipment written off		255	0
Reversal of allowance for slow moving inventories		(2,388,215)	(2,418,197)
Reversal of impairment loss on loans and receivables		(655,311)	(355,451)
Unrealised loss/(gain) on financial instruments at fair value through profit or loss		121,020	(14,110)
Unrealised loss on foreign exchange		191,421	555,718
Operating profit before working capital changes		26,605,452	22,265,320
Changes in:-			
Inventories		(9,036,288)	(4,951,716)
Receivables and prepayments		(9,791,037)	(17,956,835)
Payables and advance payments		958,924	5,242,680
Financial instruments at fair value through profit or loss		14,110	(322,983)
Cash generated from operations		8,751,161	4,276,466
Tax paid		(967,935)	(1,227,993)
Tax refunded		170,027	28,519
Net cash from operating activities		7,953,253	3,076,992
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions of development expenditure		(2,304,046)	(24,377)
Grants received		1,129,272	261,682
Interest received		699,154	911,086
Proceeds from disposal of assets held for sale		0	2,800,000
Proceeds from disposal of property, plant and equipment		0	2,570
Purchase of property, plant and equipment		(3,784,604)	(3,900,350)
Net cash (used in)/from investing activities		(4,260,224)	50,611

The annexed notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2013 (cont'd)



	Note	2013 RM	2012 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(5,202,474)	(4,638,490)
Drawdown of term loan		0	4,405,627
Interest paid		(299,650)	(268,441)
Purchase of own shares		(394,953)	(733,029)
Repayment of term loan		(1,260,821)	(101,948)
Net cash used in financing activities		(7,157,898)	(1,336,281)
Currency translation differences		7,876	(615,357)
Net (decrease)/increase in cash and cash equivalents		(3,456,993)	1,175,965
Cash and cash equivalents brought forward		43,915,205	42,739,240
Cash and cash equivalents carried forward	11	40,458,212	43,915,205

The annexed notes form an integral part of these financial statements.

# Statement of Financial Position

As At 31 December 2013



	Note	2013 RM	2012 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	1,105,668	757,643
Development expenditure	6	2,232,559	0
Investments in subsidiaries	7	8,042,013	8,042,013
		<b>11,380,240</b>	<b>8,799,656</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	13,814,710	10,442,731
Dividends receivable		0	5,800,000
Prepayments		50,718	21,283
Current tax assets		4,398	17,570
Cash and cash equivalents	11	8,438,541	8,834,432
		<b>22,308,367</b>	<b>25,116,016</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	2,025,333	2,045,993
Dividend payable		2,307,428	0
		<b>4,332,761</b>	<b>2,045,993</b>
<b>NET CURRENT ASSETS</b>		<b>17,975,606</b>	<b>23,070,023</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income on government grants	15	1,229,091	346,361
<b>NET ASSETS</b>		<b>28,126,755</b>	<b>31,523,318</b>
<b>EQUITY</b>			
Share capital	16	23,250,000	23,250,000
Treasury shares	16	(933,495)	(909,802)
Share premium		4,894,282	4,662,738
Retained profits		915,968	4,520,382
<b>TOTAL EQUITY</b>		<b>28,126,755</b>	<b>31,523,318</b>

The annexed notes form an integral part of these financial statements.

Statement of  
**Comprehensive Income**  
 For The Financial Year Ended 31 December 2013



	Note	2013 RM	2012 RM
Revenue	17	13,764,300	11,600,000
Other income		356,809	3,456,280
Depreciation of property, plant and equipment		(377,395)	(320,782)
Directors' remuneration	18	(447,713)	(467,124)
Employee benefits expense	19	(6,886,601)	(6,644,792)
Other expenses		(2,487,540)	(2,439,332)
Profit before tax	20	3,921,860	5,184,250
Tax expense	21	(16,372)	(11,891)
Profit for the financial year		3,905,488	5,172,359
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		3,905,488	5,172,359

The annexed notes form an integral part of these financial statements.

# Statement of Changes in Equity

For The Financial Year Ended 31 December 2013



	Share capital RM	Treasury shares RM	Non-distributable		Total equity RM
			Share premium RM	Distributable Retained profits RM	
Balance at 1 January 2012	23,250,000	(176,773)	4,662,738	1,663,813	29,399,778
Profit (representing total comprehensive income) for the financial year	0	0	0	5,172,359	5,172,359
Purchase of own shares	0	(733,029)	0	0	(733,029)
Dividends (Note 23)	0	0	0	(2,315,790)	(2,315,790)
Total transactions with owners	0	(733,029)	0	(2,315,790)	(3,048,819)
Balance at 31 December 2012	23,250,000	(909,802)	4,662,738	4,520,382	31,523,318
Profit (representing total comprehensive income) for the financial year	0	0	0	3,905,488	3,905,488
Purchase of own shares	0	(394,953)	0	0	(394,953)
Reissue of treasury shares	0	371,260	231,544	0	602,804
Dividends (Note 23)	0	0	0	(7,509,902)	(7,509,902)
Total transactions with owners	0	(23,693)	231,544	(7,509,902)	(7,302,051)
Balance at 31 December 2013	23,250,000	(933,495)	4,894,282	915,968	28,126,755

The annexed notes form an integral part of these financial statements.

# Statement of Cash Flows

For The Financial Year Ended 31 December 2013



	Note	2013 RM	2012 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,921,860	5,184,250
Adjustments for:-			
Amortisation of deferred income		(156,185)	(146,800)
Depreciation		377,395	320,782
Dividend income		(13,600,000)	(11,600,000)
Interest income		(228,103)	(248,866)
Unrealised loss/(gain) on foreign exchange		13,635	(5)
Operating loss before working capital changes		(9,671,398)	(6,490,639)
Changes in:-			
Receivables and prepayments		(2,893,559)	3,528,212
Payables		(34,295)	498,290
Cash absorbed by operations		(12,599,252)	(2,464,137)
Tax paid		(22,100)	(27,993)
Tax refunded		18,900	0
Net cash used in operating activities		(12,602,452)	(2,492,130)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions of development expenditure		(2,232,559)	0
Dividends received		19,400,000	5,800,000
Grants received		1,129,272	26,052
Interest received		232,695	246,821
Purchase of property, plant and equipment		(725,420)	(229,156)
Net cash from investing activities		17,803,988	5,843,717
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(5,202,474)	(4,638,490)
Purchase of own shares		(394,953)	(733,029)
Net cash used in financing activities		(5,597,427)	(5,371,519)
Net decrease in cash and cash equivalents		(395,891)	(2,019,932)
Cash and cash equivalents brought forward		8,834,432	10,854,364
Cash and cash equivalents carried forward	11	8,438,541	8,834,432

The annexed notes form an integral part of these financial statements.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are those of investment holding and development of 3D and line scan vision inspection system. The principal activities of the subsidiaries are disclosed in Note 7.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at Plot 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park Phase IV, 11900 Bayan Lepas, Penang.

The consolidated financial statements set out on pages 61 to 65 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 66 to 69 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 15 April 2014.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The following MFRSs became effective for the financial year under review:-

MFRS	Effective for annual periods beginning on or after
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits</i> (amended in 2011)	1 January 2013
MFRS 127 <i>Separate Financial Statements</i> (amended in 2011)	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011)	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements 2009 - 2011 Cycle</i> "	1 January 2013

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.1 Basis of Preparation of Financial Statements (cont'd)

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group and the Company except as follows:-

#### MFRS 10 Consolidated Financial Statements

MFRS 10 replaces the consolidation guidance in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The adoption of these new control criteria did not result in any changes in the existing composition of the Group.

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	To be announced
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 <i>Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

#### MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and the Company.

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# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
  - (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

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# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

Capital work-in-progress is not depreciated. Leasehold land is depreciated on a straight-line basis over the lease term of 60 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2%
Furniture, fittings and equipment	20% - 25%
Motor vehicles	25%
Renovation and electrical installation	25%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

### 2.4 Investment Properties

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

### 2.5 Research and Development Expenditure

Research expenditure is recognised in profit or loss when incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group or the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is recognised in profit or loss when incurred.

Capitalised development expenditure, considered to have finite useful lives, is stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. Amortisation is calculated on a straight-line basis over the estimated commercial lives of the underlying products of not more than 5 years. The amortisation period and method are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

### 2.6 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

### 2.7 Investments in Club Memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

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# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.8 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and investment properties stated at fair value, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

### 2.9 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.10 Financial Assets

Financial assets of the Group and the Company consist of receivables, derivatives and cash and cash equivalents.

#### Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

#### (i) Financial assets at fair value through profit or loss

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

#### (ii) Held-to-maturity investments

The Group and the Company do not have any financial assets classified under this category.

#### (iii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

#### (iv) Available-for-sale financial assets

The Group and the Company do not have any financial assets classified under this category.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

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# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.10 Financial Assets (cont'd)

#### Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets classified under loans and receivables is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

### 2.11 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including financial guarantee contracts).

#### Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

#### (i) Financial liabilities at fair value through profit or loss

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

#### (ii) Financial guarantee contracts

After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

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# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.12 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

### 2.13 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount of the treasury shares is adjusted to share premium.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

### 2.14 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

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# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.14 Fair Value Measurement (cont'd)

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

#### Non-financial Assets

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

#### Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of forward exchange contract is measured using present value technique by discounting the difference between contractual forward price and observable current market forward price using risk-free interest rate (i.e. Level 2).

### 2.15 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

### 2.16 Government Grants

Government grants are recognised when there is reasonable assurance that the Group or the Company will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group or the Company recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are presented under "other income" in the statement of comprehensive income.

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# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.17 Employee Benefits

#### Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in development expenditure, where appropriate, in the period in which the associated services are rendered by the employee.

#### Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiary makes contributions to its country's statutory pension scheme. Contributions to defined contribution plans are recognised in profit or loss or included in development expenditure, where appropriate, in the period in which the associated services are rendered by the employee.

### 2.18 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.19 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits, term deposits, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

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# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

### Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

### Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

#### Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 8.

#### Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 9.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 4. PROPERTY, PLANT AND EQUIPMENT

The Group	Long-term leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation and electrical installation RM	Capital work-in-progress RM	Total RM
<u>Cost</u>							
Balance at 1 January 2012	2,691,103	23,743,583	6,783,059	99,578	262,321	0	33,579,644
Additions	0	825,669	1,794,284	0	0	1,280,397	3,900,350
Disposals/Write-offs	0	0	(20,130)	0	0	0	(20,130)
Currency translation differences	0	0	(693)	0	0	0	(693)
Balance at 31 December 2012	2,691,103	24,569,252	8,556,520	99,578	262,321	1,280,397	37,459,171
Additions	0	82,177	1,558,609	0	7,600	2,136,218	3,784,604
Disposals/Write-offs	0	0	(18,209)	0	0	0	(18,209)
Reclassification	0	3,416,615	0	0	0	(3,416,615)	0
Currency translation differences	0	0	2,844	0	0	0	2,844
Balance at 31 December 2013	2,691,103	28,068,044	10,099,764	99,578	269,921	0	41,228,410

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group	Long-term leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation and electrical installation RM	Capital work-in-progress RM	Total RM
<u>Accumulated Depreciation</u>							
Balance at 1 January 2012	265,373	747,127	4,526,181	12,447	110,951	0	5,662,079
Depreciation	44,851	482,425	1,157,453	24,894	46,427	0	1,756,050
Disposals/Write-offs	0	0	(18,696)	0	0	0	(18,696)
Currency translation differences	0	0	(437)	0	0	0	(437)
Balance at 31 December 2012	310,224	1,229,552	5,664,501	37,341	157,378	0	7,398,996
Depreciation	44,852	534,170	1,254,605	24,895	47,376	0	1,905,898
Disposals/Write-offs	0	0	(17,954)	0	0	0	(17,954)
Currency translation differences	0	0	2,253	0	0	0	2,253
Balance at 31 December 2013	355,076	1,763,722	6,903,405	62,236	204,754	0	9,289,193
<u>Carrying Amount</u>							
Balance at 1 January 2012	2,425,730	22,996,456	2,256,878	87,131	151,370	0	27,917,565
Balance at 31 December 2012	2,380,879	23,339,700	2,892,019	62,237	104,943	1,280,397	30,060,175
Balance at 31 December 2013	2,336,027	26,304,322	3,196,359	37,342	65,167	0	31,939,217

The long-term leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company	Furniture, fittings and equipment RM	Renovation RM	Total RM
<u>Cost</u>			
Balance at 1 January 2012	1,038,031	85,700	1,123,731
Additions	229,156	0	229,156
Balance at 31 December 2012	1,267,187	85,700	1,352,887
Additions	725,420	0	725,420
Balance at 31 December 2013	1,992,607	85,700	2,078,307
<u>Accumulated Depreciation</u>			
Balance at 1 January 2012	246,041	28,421	274,462
Depreciation	299,357	21,425	320,782
Balance at 31 December 2012	545,398	49,846	595,244
Depreciation	355,970	21,425	377,395
Balance at 31 December 2013	901,368	71,271	972,639
<u>Carrying Amount</u>			
Balance at 1 January 2012	791,990	57,279	849,269
Balance at 31 December 2012	721,789	35,854	757,643
Balance at 31 December 2013	1,091,239	14,429	1,105,668

## 5. INVESTMENT PROPERTIES

The Group	Shoplots RM
<u>Fair Value</u>	
Balance at 1 January 2012	600,000
Movement during the year	0
Balance at 31 December 2012	600,000
Movement during the year	0
Balance at 31 December 2013	600,000

The fair values of investment properties were measured based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2).

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 6. DEVELOPMENT EXPENDITURE

	The Group RM	The Company RM
<u>Cost</u>		
Balance at 1 January 2012	4,545,248	0
Additions - internal development	24,377	0
Write-offs	(146,971)	0
Balance at 31 December 2012	4,422,654	0
Additions - internal development	2,304,046	2,232,559
Balance at 31 December 2013	6,726,700	2,232,559
<u>Accumulated Amortisation</u>		
Balance at 1 January 2012	891,890	0
Amortisation	928,641	0
Balance at 31 December 2012	1,820,531	0
Amortisation	940,625	0
Balance at 31 December 2013	2,761,156	0
<u>Carrying Amount</u>		
Balance at 1 January 2012	3,653,358	0
Balance at 31 December 2012	2,602,123	0
Balance at 31 December 2013	3,965,544	2,232,559

## 7. INVESTMENTS IN SUBSIDIARIES

The Company	2013 RM	2012 RM
Unquoted shares, at cost	8,542,012	8,542,012
Impairment loss	(499,999)	(499,999)
	8,042,013	8,042,013

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 7. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business	Effective Ownership Interest		Principal Activity
		2013	2012	
ViTrox Technologies Sdn. Bhd.	Malaysia	100%	100%	Development and production of automated vision inspection system and digital automated vision inspection equipment and modules
ViE Technologies Sdn. Bhd.	Malaysia	100%	100%	Design, development and manufacture of printed circuit board assemblies for microprocessor applications
ViTrox International Sdn. Bhd.	Malaysia	100%	100%	Investment holding
ViTrox Technologies (Suzhou) Co., Ltd.*	China	**100%	**100%	As sales and support office

\* Not audited by Crowe Horwath

\*\* Interest held through ViTrox International Sdn. Bhd.

## 8. INVENTORIES

The Group	2013 RM	2012 RM
Raw materials	23,508,810	21,188,617
Work-in-progress	1,935,477	690,935
Finished goods	11,533,556	6,092,929
	<u>36,977,843</u>	<u>27,972,481</u>

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 9. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables:-				
- Subsidiary	0	0	164,300	0
- Unrelated parties	48,936,704	37,769,081	0	0
- Allowance for impairment	(140,765)	(796,076)	0	0
	48,795,939	36,973,005	164,300	0
Grants receivable	2,286,364	2,044,885	0	2,044,885
Proceeds from reissue of treasury shares	602,804	0	602,804	0
Other receivables:-				
- Subsidiaries	0	0	13,045,047	8,341,818
- Unrelated parties	203,664	285,996	2,559	56,028
- Allowance for impairment	(100,967)	(100,967)	0	0
	102,697	185,029	13,047,606	8,397,846
	<u>51,787,804</u>	<u>39,202,919</u>	<u>13,814,710</u>	<u>10,442,731</u>

The currency profile of trade and other receivables is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	7,158,865	6,764,100	13,814,710	10,442,731
US Dollar	44,606,677	32,425,051	0	0
Others	22,262	13,768	0	0
	<u>51,787,804</u>	<u>39,202,919</u>	<u>13,814,710</u>	<u>10,442,731</u>

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 9. TRADE AND OTHER RECEIVABLES (cont'd)

### Trade Receivables

Trade receivables are unsecured and non-interest bearing. The amount owing by subsidiary is repayable on demand. The credit terms granted to unrelated parties range from 30 to 270 days.

The movements in allowance for impairment are as follows:-

	The Group	
	2013 RM	2012 RM
Balance at 1 January	796,076	691,631
Impairment loss recognised	0	459,896
Impairment loss reversed	(655,311)	(355,451)
Balance at 31 December	<u>140,765</u>	<u>796,076</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Not past due	42,091,439	24,615,106	164,300	0
Past due 1 to 30 days	3,398,001	6,175,491	0	0
Past due 31 to 120 days	1,452,078	4,199,532	0	0
Past due more than 120 days	1,854,421	1,982,876	0	0
	<u>48,795,939</u>	<u>36,973,005</u>	<u>164,300</u>	<u>0</u>

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 9. TRADE AND OTHER RECEIVABLES (cont'd)

### Trade Receivables (cont'd)

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2013, there was 1 (2012 : NIL) major group of customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from this major group amounted to RM11,466,410 (2012 : NIL). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	8,358,664	6,516,018	164,300	0
China	9,195,951	8,068,328	0	0
Taiwan	3,839,978	5,377,238	0	0
United States of America	15,886,734	10,677,553	0	0
Others	11,514,612	6,333,868	0	0
	<u>48,795,939</u>	<u>36,973,005</u>	<u>164,300</u>	<u>0</u>

### Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of refundable deposits which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

	The Group	
	2013 RM	2012 RM
Balance at 1 January	100,967	100,967
Impairment loss recognised	53,200	0
Impairment loss written off	(53,200)	0
Balance at 31 December	<u>100,967</u>	<u>100,967</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 10. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group	2013 RM	2012 RM
Derivatives classified as held for trading, at fair value	(121,020)	14,110

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2013, the Group had contracts with financial institutions due within 1 year to buy RM8,612,000 (2012 : RM3,684,000) and sell USD2,650,000 (2012 : USD1,200,000) at contractual forward rates.

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

## 11. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Highly liquid investments	12,053,641	12,706,509	5,825,315	5,668,044
Term deposits with licensed banks (fixed rate)	14,437,753	16,244,197	2,473,158	3,028,246
Cash and bank balances	13,966,818	14,964,499	140,068	138,142
	<u>40,458,212</u>	<u>43,915,205</u>	<u>8,438,541</u>	<u>8,834,432</u>

A term deposit of the Group amounting to RM128,897 (2012 : RM187,621) has been pledged as security for credit facilities granted to the Group. Accordingly, this term deposit is not freely available for use.

The effective interest rates of term deposits as at 31 December 2013 ranged from 2.6% to 3.6% (2012 : 2.6% to 3.6%) per annum.

The currency profile of cash and cash equivalents is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	27,882,199	30,200,080	8,438,541	8,834,432
US Dollar	12,463,072	13,599,617	0	0
Others	112,941	115,508	0	0
	<u>40,458,212</u>	<u>43,915,205</u>	<u>8,438,541</u>	<u>8,834,432</u>

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables:-				
- Subsidiary	0	0	0	5,995
- Unrelated parties	5,368,258	6,793,955	357,678	23,769
	5,368,258	6,793,955	357,678	29,764
Other payables:-				
- Subsidiary	0	0	0	9,854
- Unrelated parties	11,913,141	9,981,493	1,667,655	2,006,375
	11,913,141	9,981,493	1,667,655	2,016,229
	17,281,399	16,775,448	2,025,333	2,045,993

The currency profile of trade and other payables is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	12,842,305	14,355,665	1,589,714	2,043,978
US Dollar	3,492,388	1,844,563	435,619	2,015
Others	946,706	575,220	0	0
	17,281,399	16,775,448	2,025,333	2,045,993

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

### Trade Payables

Trade payables are unsecured and non-interest bearing. The amount owing to subsidiary was repayable on demand. The credit terms granted by unrelated parties range from 30 to 120 days.

### Other Payables

Other payables are unsecured and non-interest bearing. The amount owing to subsidiary was repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 60 days.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 13. TERM LOAN - SECURED

The Group	2013 RM	2012 RM
Term loan (floating rate and denominated in US Dollar)	12,191,911	12,588,591
Disclosed as:-		
- Current liabilities	1,337,771	1,249,430
- Non-current liabilities	10,854,140	11,339,161
	12,191,911	12,588,591

Term loan is secured against the long-term leasehold land and buildings (Note 4). The effective interest rate as at 31 December 2013 was 2.4% (2012 : 2.4%) per annum.

Term loan is repayable over 10 years. The repayment analysis is as follows:-

	2013 RM	2012 RM
Gross loan instalments:-		
- Within 1 year	1,593,925	1,515,129
- Later than 1 year and not later than 2 years	1,561,816	1,485,002
- Later than 2 years and not later than 5 years	4,496,050	4,278,493
- Later than 5 years	5,933,476	6,897,585
Total contractual undiscounted cash flows	13,585,267	14,176,209
Future finance charges	(1,393,356)	(1,587,618)
Present value of term loan:-		
- Within 1 year	1,337,771	1,249,430
- Later than 1 year and not later than 2 years	1,312,626	1,223,345
- Later than 2 years and not later than 5 years	3,937,879	3,670,033
- Later than 5 years	5,603,635	6,445,783
	12,191,911	12,588,591

The fair value of term loan is measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair value measured is considered to be reasonably close to the carrying amount reported as the observable current market interest rates also approximate to the effective interest rate of term loan.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 14. DEFERRED TAX LIABILITIES

The Group	2013 RM	2012 RM
Balance at 1 January	635,000	800,000
Deferred tax expense/(income) relating to origination and reversal of temporary differences	79,000	(123,000)
Deferred tax expense relating to change in tax rate	9,000	0
Deferred tax liabilities under/(over) provided in prior year	40,000	(42,000)
Balance at 31 December	<u>763,000</u>	<u>635,000</u>
In respect of taxable temporary differences of:-		
- Property, plant and equipment	658,000	512,000
- Investment properties	9,000	0
- Development expenditure	96,000	123,000
	<u>763,000</u>	<u>635,000</u>

## 15. DEFERRED INCOME ON GOVERNMENT GRANTS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Balance at 1 January	781,274	822,869	346,361	387,062
Grants related to:-				
- Property, plant and equipment	1,182,068	110,387	5,240	106,099
- Capitalised development expenditure	1,033,675	29,196	1,033,675	0
	2,215,743	139,583	1,038,915	106,099
Amortisation	(371,163)	(181,178)	(156,185)	(146,800)
Balance at 31 December	<u>2,625,854</u>	<u>781,274</u>	<u>1,229,091</u>	<u>346,361</u>

The Group and the Company received grants from the local government for certain research and development projects. The grants covered 50% to 100% of the project costs subject to the limits approved by the local government.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 16. SHARE CAPITAL

	2013 RM	2012 RM
Authorised:-		
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>	<u>25,000,000</u>
Issued and fully paid-up:-		
232,500,000 ordinary shares of RM0.10 each	<u>23,250,000</u>	<u>23,250,000</u>

### Purchase of Own Shares

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 21 November 2008, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders. The details of the shares purchased from the open market using internally generated funds and held as treasury shares are as follows:-

	2013		2012	
	No. of Shares	RM	No. of Shares	RM
Balance at 1 January	1,240,300	909,802	230,000	176,773
Shares purchased	516,900	394,953	1,010,300	733,029
Shares reissued	(500,000)	(371,260)	0	0
Balance at 31 December	<u>1,257,200</u>	<u>933,495</u>	<u>1,240,300</u>	<u>909,802</u>
Average unit cost for the year		<u>0.76</u>		<u>0.73</u>

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

	2013 No. of Shares	2012 No. of Shares
Balance at 1 January	231,259,700	232,270,000
Shares purchased	(516,900)	(1,010,300)
Shares reissued	500,000	0
Balance at 31 December	<u>231,242,800</u>	<u>231,259,700</u>

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 17. REVENUE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Income from sale of goods	106,104,243	88,870,691	164,300	0
Gross dividends from subsidiaries	0	0	13,600,000	11,600,000
	<u>106,104,243</u>	<u>88,870,691</u>	<u>13,764,300</u>	<u>11,600,000</u>

## 18. DIRECTORS' REMUNERATION

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Fees	144,000	144,000	144,000	144,000
Other short-term employee benefits	612,046	659,410	233,093	243,678
Defined contribution plans	158,083	182,728	70,620	79,446
	<u>914,129</u>	<u>986,138</u>	<u>447,713</u>	<u>467,124</u>

## 19. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term employee benefits	16,620,641	15,202,878	6,204,880	5,969,178
Defined contribution plans	1,855,641	1,797,082	681,721	675,614
	<u>18,476,282</u>	<u>16,999,960</u>	<u>6,886,601</u>	<u>6,644,792</u>

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 20. PROFIT BEFORE TAX

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax is arrived at after charging:-				
Allowance for slow moving inventories	2,419,141	2,388,215	0	0
Auditors' remuneration	39,500	39,500	12,000	12,000
Development expenditure written off	0	146,971	0	0
Direct operating expenditure for investment properties:-				
- Generating rental income	2,462	0	0	0
- Not generating rental income	0	2,582	0	0
Fee expense for financial instruments not at fair value through profit or loss	60,311	59,181	2,299	3,284
Impairment loss on loans and receivables	53,200	459,896	0	0
Interest expense for financial liabilities not at fair value through profit or loss	298,465	274,154	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	117,160	0	0	0
Loss on foreign exchange:-				
- Realised	0	292,525	2,440	0
- Unrealised	191,421	555,718	13,635	0
Property, plant and equipment written-off	255	0	0	0
Rental of premises	190,212	119,872	45,043	44,574
Research and development expenditure	14,231,532	13,731,301	9,020,499	8,587,725
and crediting:-				
Amortisation of deferred income	371,163	181,178	156,185	146,800
Gain on disposal of assets held for sale	0	1,912,612	0	0
Gain on disposal of property, plant and equipment	0	1,136	0	0
Gain on financial instruments at fair value through profit or loss (classified as held for trading)	0	291,892	0	0

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 20. PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Gain on foreign exchange:-				
- Realised	1,845,448	0	0	4,623
- Unrealised	0	0	0	5
Grants related to income:-				
- Current year	1,671,113	4,044,402	534,078	3,055,986
- Prior year	(562,093)	0	(562,093)	0
Interest income for financial assets not at fair value through profit or loss	716,905	917,435	228,103	248,866
Rental of investment properties	30,000	0	0	0
Reversal of allowance for slow moving inventories	2,388,215	2,418,197	0	0
Reversal of impairment loss on loans and receivables	655,311	355,451	0	0

## 21. TAX EXPENSE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Tax based on results for the year:-				
Malaysian income tax	697,322	1,226,335	17,708	23,085
Overseas income tax	17,093	0	0	0
Deferred tax	88,000	(123,000)	0	0
	<u>802,415</u>	<u>1,103,335</u>	<u>17,708</u>	<u>23,085</u>
Tax (over)/under provided in prior year:-				
Malaysian income tax	(98,141)	4,677	(1,336)	(11,194)
Deferred tax	40,000	(42,000)	0	0
	<u>744,274</u>	<u>1,066,012</u>	<u>16,372</u>	<u>11,891</u>

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 21. TAX EXPENSE (cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2013 %	2012 %	2013 %	2012 %
Applicable tax rate	25.00	25.00	25.00	25.00
Non-deductible expenses	3.98	5.89	1.87	16.15
Non-taxable income	(1.84)	(7.44)	(88.51)	(71.31)
Pioneer income exempted	(32.33)	(30.50)	0.00	0.00
Effect of differential tax rates	8.42	12.17	62.09	30.61
Average effective tax rate	<u>3.23</u>	<u>5.12</u>	<u>0.45</u>	<u>0.45</u>

The Company may distribute its entire retained profits as tax exempt dividends under the single tier tax system.

## 22. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year by the weighted average number of ordinary shares in issue during the year as follows:-

	2013	2012
Profit for the financial year (RM)	<u>24,062,747</u>	<u>20,489,782</u>
Number of shares in issue as at 1 January	231,259,700	232,270,000
Effect of shares purchased	(216,274)	(713,274)
Effect of shares reissued	42,469	0
Weighted average number of shares in issue	<u>231,085,895</u>	<u>231,556,726</u>
Basic earnings per share (sen)	<u>10.41</u>	<u>8.85</u>

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 23. DIVIDENDS

The Group and the Company	2013 RM	2012 RM
In respect of financial year ended 31 December 2011:-		
- Final tax exempt dividend of 0.5 sen per share	0	1,157,895
- Special tax exempt dividend of 0.5 sen per share	0	1,157,895
In respect of financial year ended 31 December 2012:-		
- Interim tax exempt dividend of 1 sen per share	2,312,597	0
- Final tax exempt dividend of 0.5 sen per share	1,155,950	0
- Special tax exempt dividend of 0.75 sen per share	1,733,927	0
In respect of financial year ended 31 December 2013:-		
- Interim tax exempt dividend of 1 sen per share	2,307,428	0
	<u>7,509,902</u>	<u>2,315,790</u>

## 24. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Key management personnel compensation:-				
- Short-term employee benefits	756,046	909,147	377,093	387,678
- Defined contribution plans	158,083	194,172	70,620	79,446
	<u>914,129</u>	<u>1,103,319</u>	<u>447,713</u>	<u>467,124</u>
Dividends declared from subsidiaries	0	0	13,600,000	11,600,000
Sales of goods to subsidiary	0	0	164,300	0
Purchase of goods from subsidiary	0	0	0	5,450

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 25. SEGMENT REPORTING

The Group

### Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the development and production of vision inspection system and printed circuit board assemblies for microprocessor applications.

### Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	25,115,830	28,059,211	36,590,365	33,347,215
China	17,077,377	10,838,466	5,646	6,333
Singapore	389,618	12,540,389	0	0
Taiwan	15,173,765	11,752,115	0	0
United States of America	21,124,990	17,792,044	0	0
Others	27,222,663	7,888,466	0	0
	<u>106,104,243</u>	<u>88,870,691</u>	<u>36,596,011</u>	<u>33,353,548</u>

### Major Customers

The major groups of customers that contributed 10% or more of the Group's total revenue are as follows:-

	External Revenue	
	2013 RM	2012 RM
Group I*	26,064,203	6,982,463
Group II*	12,677,961	19,404,350
Group III*	<u>905,959</u>	<u>12,888,067</u>

\* The identity of the major group has not been disclosed as permitted by MFRS 8 Operating Segments.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 26. CAPITAL COMMITMENT

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Contracted but not provided for:-				
- Property, plant and equipment	128,000	2,073,000	5,000	0
- Development expenditure	459,000	2,691,000	459,000	2,691,000

## 27. CONTINGENT LIABILITIES - UNSECURED

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to a subsidiary up to a total limit of approximately RM25,519,000 (2012 : RM25,519,000). The total utilisation of these credit facilities as at 31 December 2013 amounted to approximately RM13,066,000 (2012 : RM13,619,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the subsidiary defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

## 28. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

### Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to a subsidiary. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 27.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 28. FINANCIAL RISK MANAGEMENT (cont'd)

### Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

### Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currency within the Group is Ringgit Malaysia ("RM") whereas the major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	Increase/ (Decrease) in Profit 2013 RM	Increase/ (Decrease) in Profit 2012 RM	Increase/ (Decrease) in Profit 2013 RM	Increase/ (Decrease) in Profit 2012 RM
Appreciation of USD against RM by 10%	4,138,545	3,159,151	(43,562)	(202)
Depreciation of USD against RM by 10%	(4,138,545)	(3,159,151)	43,562	202

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2013



## 28. FINANCIAL RISK MANAGEMENT (cont'd)

### Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	Increase/ (Decrease) in Profit 2013 RM	Increase/ (Decrease) in Profit 2012 RM
Increase in interest rates by 50 basis points	(60,270)	(62,144)
Decrease in interest rates by 50 basis points	60,270	62,144

## 29. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

	The Group	
	2013 RM	2012 RM
Total loans and borrowings	12,191,911	12,588,591
Total equity	131,220,030	114,452,840
Total capital	143,411,941	127,041,431
Debt-to-equity ratio	9%	11%

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

## Supplementary Information

### - Realised and Unrealised Profits or Losses



	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained profits of the				
Company and its subsidiaries:-	111,411,767	94,895,313	929,603	4,520,377
- Realised	(914,421)	(1,136,608)	(13,635)	5
- Unrealised	110,497,346	93,758,705	915,968	4,520,382
Consolidation adjustments and eliminations	(6,498,595)	(6,312,799)	0	0
Total retained profits as per statement of financial position	103,998,751	87,445,906	915,968	4,520,382

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

## List of Properties



No	Name of Registered Owner / Postal Address / Title Identification	Approx Age of Building / Tenure / Date of Expiry of Lease	Description / Existing Use	Land Area / Build Up Area Sq Metre	Net Book Value as at 31 December 2013 RM	Year of Valuation / Acquisition
1.	<i>ViTrox Technologies Sdn. Bhd.</i>  HSD 21704, Lot No. PT 5286, Mukim12, Daerah Barat Daya, Pulau Pinang  <u>Bearing Postal Address</u> No. 85A, Lintang Bayan Lepas 11 Bayan Lepas Industrial Park Phase IV, 11900 Bayan Lepas, Penang	7 years / 60 years lease expiring on December 26, 2066	ViTrox Innovation Centre	12,152 / 13,510	28,640,349	July 27, 2004  (Date of Acquisition)
2.	<i>ViTrox Technologies Sdn. Bhd.</i>  Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang  <u>Bearing Postal Address</u> Level No. 04, Unit No. 20, Kristal Point II, Lebu Bukit Kecil 6, 11900 Bayan Lepas, Penang	9 years / 99 years lease upon issuance of strata title	Shoplot for investment purposes	- / 96	300,000	December 31, 2013  (Date of Valuation)
3.	<i>ViTrox Technologies Sdn. Bhd.</i>  Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang  <u>Bearing Postal Address</u> Level No. 04, Unit No. 21, Kristal Point II, Lebu Bukit Kecil 6, 11900 Bayan Lepas, Penang	9 years / 99 years lease upon issuance of strata title	Shoplot for investment purposes	- / 96	300,000	December 31, 2013  (Date of Valuation)

# Statistics of Shareholdings

As At 30 April 2014



## SHARE CAPITAL

Authorised Capital	: RM50,000,000.00
Issued and Paid-up Capital	: RM23,250,000.00
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One voting right for one ordinary share

## DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Holders	No. of Shares	%
1 – 99	44	2,354	0.00
100 – 1,000	472	129,145	0.06
1,001 – 10,000	557	2,676,207	1.15
10,001 – 100,000	312	10,511,135	4.52
100,001 – 11,624,999	107	75,207,992	32.35
11,625,000 and above	3	143,973,167	61.92
<b>Total</b>	<b>1,495</b>	<b>232,500,000</b>	<b>100.00</b>

## THIRTY LARGEST SECURITIES HOLDERS

No.	Name	Shareholdings	%
1	Chu Jenn Weng	68,692,068	29.54
2	Siaw Kok Tong	49,104,814	21.12
3	Yeoh Shih Hoong	26,176,285	11.26
4	HSBC Nominees (Asing) Sdn Bhd Qualifier: Exempt an for The Hongkong And Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	6,367,149	2.74
5	Teng Soo Fong	4,758,200	2.05
6	Sim Ah Yoong	3,854,849	1.66
7	Kiew Kwong Sen	3,750,000	1.61
8	Tan Hong Soon	3,750,000	1.61
9	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Exempt an for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	3,566,900	1.53
10	Tan Booi Charn	2,175,000	0.94
11	Wong Ting Lik	2,035,394	0.88
12	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Cheong Siew Chyuan (470322)	2,000,000	0.86
13	Wixtali Sdn. Bhd.	1,800,000	0.77
14	Chua Siew Kim	1,754,749	0.75
15	Amanahraya Trustees Berhad Qualifier: MIDF Amanah Strategic Fund	1,681,000	0.72
16	Citigroup Nominees (Asing) Sdn Bhd Qualifier: CIPLC for PHEIM SICAV-SIF	1,514,200	0.65
17	Ang Nya @ Ang Ah Nya	1,500,000	0.65
18	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Employees Provident Fund Board (PHEIM)	1,458,300	0.63

# Statistics of Shareholdings

As At 30 April 2014



## THIRTY LARGEST SECURITIES HOLDERS (cont'd)

No.	Name	Shareholdings	%
19	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	1,337,800	0.58
20	Lim Yee @ Lim Wei Yee	1,307,900	0.56
21	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Commerce Trustee Berhad - Kenanga Growth Fund	1,294,200	0.56
22	Chua Siew Kim	1,220,000	0.52
23	Su Peik Hoon	1,070,116	0.46
24	Chong Kok Cheng	1,050,000	0.45
25	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Booi Charn (471694)	1,000,000	0.43
26	Goh Thong Beng	900,000	0.39
27	Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: Malaysian Trustees Berhad for KAF Vision Fund (00-10033-000)	880,000	0.38
28	Cheng Ming Hann	871,199	0.37
29	Kenanga Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Mak Tian Meng	780,000	0.34
30	Ahmad Fadzil Bin Mohamad Hani	750,000	0.32

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	68,692,068	29.54	-	-
Siaw Kok Tong	49,143,214	21.14	-	-
Yeoh Shih Hoong	26,176,285	11.26	-	-

## DIRECTORS' SHAREHOLDING

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	68,692,068	29.54	-	-
Siaw Kok Tong	49,143,214	21.14	-	-
Yeoh Shih Hoong	26,176,285	11.26	-	-
Dato' Seri Kiew Kwong Sen	3,750,000	1.61	-	-
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	750,000	0.32	-	-
Chuah Poay Ngee	15,000	0.01	-	-
Chang Mun Kee	150	-	6,367,149*	2.74

\* Registered in the name of HSBC Nominees (Asing) Sdn Bhd - Exempt an for the HongKong and Shanghai Banking Corporation Limited. HSBC Nominees (Asing) Sdn Bhd - Exempt an for the HongKong and Shanghai Banking Corporation Limited is the trustee of a discretionary trust, for charity and estate planning purpose, where the beneficiaries of which are members of Mr Chang Mun Kee's family and himself.

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# Share Buy-Back Statement



## 1. Disclaimer Statement

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused this Share Buy-Back Statement prior its issuance, and hence, take no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the content of the Statement.

## 2. Rationale For the Share Buy-Back By ViTrox Corporation Berhad (“ViTrox” or “the Company”) Of its Own Ordinary Shares of RM0.10 Each (“Shares”) of up to 10% of its Existing Issued and Paid-Up Share Capital at any given point in time (“Proposed Share Buy-Back”)

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

- a. To allow the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of the Shares and hence, enhance investors’ confidence;
- b. To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity; and
- c. The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s).

## 3. Retained Profits and Share Premium

Based on the audited financial statements of ViTrox as at 31 December 2013, the retained profits and share premium of the Company stood at RM915,968 and RM4,894,282 respectively.

## 4. Funding for the Proposed Share Buy-Back

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back as the Company has net cash and cash equivalent balance of approximately of RM8.44 million based on the audited financial statements of ViTrox as at 31 December 2013. The fund utilised by the Company for the Proposed Share Buy-Back will reduce the resources available to ViTrox for its operations by a corresponding amount for shares bought back.

## 5. Interests of Directors’ and Substantial Shareholders’ and Persons Connected to them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Substantial Shareholders of ViTrox nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of treasury shares.

## Share Buy-Back Statement



### 5. Interests of Directors' and Substantial Shareholders' and Persons Connected to them (cont'd)

Based on the Register of Directors and Register of Substantial Shareholders of ViTrox as at 30 April 2014 and assuming that ViTrox implements the Proposed Shares Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to them of ViTrox are as follows:-

	As at 30 April 2014 <sup>(a)</sup>				After Proposed Share Buy-Back <sup>(b)</sup>			
	Direct	Direct	Indirect	Indirect	Direct	Direct	Indirect	Indirect
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Directors and Substantial Shareholders</b>								
Chu Jenn Weng <sup>1</sup>	68,692,068	29.54	-	-	68,692,068	32.83	-	-
Siaw Kok Tong	49,143,214	21.14	-	-	49,143,214	23.49	-	-
Yeoh Shih Hoong	26,176,285	11.26	-	-	26,176,285	12.51	-	-
<b>Directors</b>								
Dato' Seri Kiew Kwong Sen	3,750,000	1.61	-	-	3,750,000	1.79	-	-
Prof Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	750,000	0.32	-	-	750,000	0.36	-	-
Chuah Poay Ngee	15,000	0.01	-	-	15,000	0.01	-	-
Chang Mun Kee <sup>2</sup>	150	Negligible	6,367,149	2.74	150	Negligible	6,367,149	3.04
<b>Person Connected to Director/Substantial Shareholder</b>								
Su Pek Fuen <sup>1</sup>	572,099	0.25	-	-	572,099	0.27	-	-
HSBC Nominees (Asing) Sdn Bhd - Exempt An For The Hong Kong and Shanghai Banking Corporation Limited <sup>2</sup>	6,367,149	2.74	-	-	6,367,149	3.04	-	-

Notes:-

- (a) Based on the existing issued and paid-up share capital of 232,500,000 Ordinary Shares of RM0.10 each.
  - (b) Based on the issued and paid-up share capital of 209,250,000 Ordinary Shares after the Proposed Share Buy-Back is carried out in full and all the shares purchased are held as treasury shares.
- 1 Being spouse to the Director/Substantial Shareholder.
  - 2 HSBC Nominees (Asing) Sdn Bhd - Exempt An For The Hong Kong and Shanghai Banking Corporation Limited is the trustee of a discretionary trust, for charity and estate planning purpose, where the beneficiaries are members of Mr Chang Mun Kee's family and himself.



## 6. Potential Advantages and Disadvantages of the Proposed Share Buy-Back

### 6.1 Potential Advantages of the Proposed Share Buy-Back

The Potential Advantages of the Proposed Share Buy-Back are set out in Section 2 of this Statement.

### 6.2 Potential Disadvantages of the Proposed Share Buy-Back

- a. The Proposed Share Buy-Back, if implemented, will reduce the financial resources of the Group and may result in the Group foregoing interest income and/or better investment opportunities that may emerge in the future; and
- b. As the Proposed Share Buy-Back can only be made out of retained profits and share premium accounts of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Proposed Share Buy-Back is not expected to have any potential material disadvantage to the shareholders of the Company as well as the Group as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on the shareholders of the Company.

## 7. Material Financial Effects of The Proposed Share Buy-Back

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets (NTA), working capital, earnings, dividends and the substantial shareholders' shareholdings in ViTrox are set out below:

### a. Share Capital

As at 30 April 2014, the issued and paid-up capital of ViTrox was RM23,250,000 comprising 232,500,000 Shares. In the event that the 23,250,000 Shares representing 10% of the issued and paid-up share capital of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

	No. of Shares
Issued and fully paid-up share capital as at 30 April 2014	232,500,000
Assumed the Shares purchased and cancelled	(23,250,000)
Resultant issued and paid-up capital	<u>209,250,000</u>

If the Purchased Shares are retained as treasury shares, the Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company. However, the rights attached to them in relation to voting, dividends and participation in any other distribution or otherwise will be suspended and the treasury shares shall not be taken into account in calculating the number or percentage of Shares or of a class of shares for any purposes including, without limiting the generality of Section 67A(3C) of the Companies Act, 1965, the provisions of any law or requirements of the Articles or the listing rules of a stock exchange on substantial shareholding, take-overs, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on the resolution at a meeting.



### 7. Material Financial Effects of The Proposed Share Buy-Back (cont'd)

#### b. Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group will depend on, inter alia, the purchase prices of the Shares, the number of Shares purchased, the effective funding cost to ViTrox to finance the purchase of Shares or any loss in interest income to the Group and the proposed treatment of the Purchased Shares.

If the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Share Buy-Back will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.

#### c. NTA

The effect of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase prices of the Shares, the number of Shares purchased and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share of the Group if the purchase price exceeds the consolidated NTA per Share at the time of the purchase, and vice versa.

In the event the treasury shares are resold on Bursa Securities, the consolidated NTA per Share will increase if the Company realizes a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the consolidated NTA per Share will decrease by the cost of the treasury shares.

#### d. Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital and cash flow of the Group, the quantum of which will depend on the purchase prices of the Shares, the number of Shares purchased and any associated costs incurred in making the purchase.

#### e. Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

#### f. Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of ViTrox (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2014 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by ViTrox in the future would depend on, inter-alia, the profitability and cashflow position of the Group.



## 8. Implication of the Proposed Share Buy-Back Relating to the Malaysian Code on Take-overs and Mergers, 2010 (“Code”)

Pursuant to Paragraph 10.1 of Practice Note 9 of the Code, a mandatory offer obligation arises when:-

- (a) a person\* obtains controls in a company as a result of a buy backs scheme by the company;
- (b) a person\* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company), as a result of a buy back scheme by the company, increases his holding of the voting shares or voting rights of the company by more than 2% in any six-month period;
- (c) a person\* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company), acquires more than 2% of the voting shares or voting rights of the company when he knows or reasonably ought to know that the company would carry out a buy back scheme.

“a person” includes persons acting in concert.

Pursuant to the Code, the affected Substantial Shareholder and/or the Group of Persons Acting in Concert may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Paragraph 24.1 of Practice Note 9 of the Code.

The Board is aware of the requirements of the Code and will be mindful of the requirement when making any purchase of ViTrox Shares pursuant to the Proposed Share Buy-Back.

## 9. Purchases made by the Company of its own shares in financial year ended 31 December 2013

The information on purchases made by the Company of its own shares during the financial year ended 31 December 2013 is as set out on page 50 of this annual report.

## 10. Public Shareholding Spread

As at 30 April 2014, the Record of Depositors of ViTrox showed that 77,034,035 Shares representing approximately 33.13% of the issued and paid-up share capital were held by the public shareholders. In this regard, the Board undertakes that the Proposed Share Buy-Back will be conducted to the extent that the public shareholding spread of ViTrox shall not fall below 25% of the issued and paid-up share capital of the Company (excluding treasury shares) at all times in accordance with the laws and regulations prevailing at the time of the purchase as stipulated in Paragraphs 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements (LR).

## 11. Directors’ Statement

The Board of Directors, having taken into consideration the rationale for the Proposed Share Buy-Back, is of the opinion that Proposed Share Buy-Back is in the best interest of the Company.

## 12. Directors’ Recommendation

The Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM to give effect to the Proposed Share Buy-Back.

## 13. Further Information

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

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## Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at the Auditorium of ViTrox Innovation Centre, 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang on Friday, 20 June 2014 at 10.30 a.m. for the following purposes:-

### AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2013 together with the reports of the Directors and Auditors thereon. (Please refer to Note A)
2. To declare the following Dividends for the year ended 31 December 2013:-
  - a) A Special Dividend of 1.5 sen per share exempt from Income Tax; (Resolution 1)
  - b) A Final Dividend of 0.5 sen per share exempt from Income Tax. (Resolution 2)
3. To approve the payment of Directors' Fee of up to RM144,000 for the financial year ending 31 December 2014. (Resolution 3)
4. To re-elect the following directors retiring under the Article 85 of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:-
  - a) Chu Jenn Weng (Resolution 4)
  - b) Yeoh Shih Hoong (Resolution 5)
  - c) Chang Mun Kee (Resolution 6)
5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 7)
6. AS SPECIAL BUSINESSES

To consider and if thought fit, to pass the following resolution:-

#### ORDINARY RESOLUTIONS

- a) Retention of Dato' Seri Kiew Kwong Sen as Independent Non-Executive Director (Resolution 8)  
"To retain Dato' Seri Kiew Kwong Sen as Independent Non-Executive Director of the Company in accordance with the Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012."
- b) Authority to Issue Shares (Resolution 9)  
"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

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## Notice of Annual General Meeting



### 6. AS SPECIAL BUSINESSES (cont'd)

#### c) Renewal of Authority to Purchase its own Shares

(Resolution 10)

"That subject to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits or share premium account of the Company. As at the latest financial year ended 31 December 2013, the audited retained profits and share premium account of the Company stood at RM915,968 and RM4,894,282 respectively;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
  - to cancel the shares so purchased; or
  - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
  - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act, 1965, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

### 7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board  
HOW WEE LING (MAICSA 7033850)  
OOI EAN HOON (MAICSA 7057078)  
Secretaries

Penang  
Date : 28 May 2014

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## Notice of Annual General Meeting



### NOTES:

- A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

### Proxy

- 1. For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 16 June 2014. Only a depositor whose name appears on the Record of Depositors as at 16 June 2014 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.*
- 2. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- 3. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- 4. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
- 5. The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.*

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# Notice of Annual General Meeting



## Explanatory Note On Special Business:

### 1. Resolution 8 - Retention of Dato' Seri Kiew Kwong Sen as Independent Non-Executive Director

Dato' Seri Kiew Kwong Sen is the Independent Non-Executive Director and Chairman of the Company who has served on the Board since 8 July 2005. His term of office will be 9 years cumulatively by 7 July 2014. In accordance with the Malaysian Code on Corporate Governance 2012 (Code), the tenure of an independent director should not exceed a cumulative term of nine years. After having assessed the independence of Dato' Seri Kiew and also the assessment by the Nominating Committee, regards him to be independent based amongst others, he has remained objective and independent in exercising his judgment when a matter is put before him for decision, he also has the necessary knowledge of the business and operations of the Group and has the experience to make informed decision and participate actively and contribute positively during deliberations or discussions at Board Meetings. To that, the Board with the recommendation of the Nominating Committee, recommend Dato' Seri Kiew be retained as Independent Non-Executive Director of the Company.

### 2. Resolution 9 - the Authority to issue Shares

The proposed Resolution No. 9, if passed, will grant a renewed general mandate (Mandate 2014) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

The Mandate 2014 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Ninth Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

### 3. Resolution 10 - Authority to Purchase its own Shares

The proposed Resolution No. 10, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

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## Notice of Dividend Entitlement and Payment



NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2013, if approved, will be paid on 24 July 2014 to depositors registered in the Records of Depositors on 30 June 2014:-

- a) A Special Dividend of 1.5 sen per share exempt from Income Tax; and
- b) A Final Dividend of 0.5 sen per share exempt from Income Tax.

A Depositor shall qualify for entitlement to the Dividends in respect of:-

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 June 2014 in respect of ordinary transfers;
- b) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board,

HOW WEE LING (MAICSA 7033850)  
OOI EAN HOON (MAICSA 7057078)  
Secretaries

Penang

Date: 28 May 2014

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# Proxy Form

No of ordinary shares held



I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a Member of the above Company hereby appoint (Proxy 1) \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ and\*/or failing him\* (Proxy 2),  
\_\_\_\_\_ of \_\_\_\_\_

and\*/or failing him\*, the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the TENTH ANNUAL GENERAL MEETING of the Company to be held at the Auditorium of ViTrox Innovation Centre, 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang on Friday, 20 June 2014 at 10.30 a.m. and at any adjournment thereof as indicated below:-

The proportions of my/our holdings to be represented by my/our proxy(ies) are as follows:-

Proxy 1 - \_\_\_\_\_ % In case of a vote by show of hand, Proxy 1\*/Proxy 2\* shall vote on my/our behalf.  
Proxy 2 - \_\_\_\_\_ %  
\_\_\_\_\_ 100 %

\* Strike out whichever is inapplicable

I/We hereby indicate with an "X" in the spaces provided how I/we wish my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

	Resolutions	For	Against
1	To declare a Special Dividend of 1.5 sen per share exempt from Income Tax for the year ended 31 December 2013.		
2	To declare a Final Dividend of 0.5 sen per share exempt from Income Tax for the year ended 31 December 2013.		
3	To approve the payment of Directors' Fee of up to RM144,000 for the financial year ending 31 December 2014.		
4	To re-elect the following directors retiring under the Article 85 of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:- Chu Jenn Weng		
5	Yeoh Shih Hoong		
6	Chang Mun Kee		
7	To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
8	<u>Special Business</u> <u>Ordinary Resolutions</u> To retain Dato' Seri Kiew Kwong Sen as Independent Non-Executive Director of the Company		
9	To approve the resolution pursuant to Section 132D of the Companies Act, 1965.		
10	To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares.		

Signature of Member: .....

Signed this: .....

Proxy

- For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 16 June 2014. Only a depositor whose name appears on the Record of Depositors as at 16 June 2014 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.
- A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.

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STAMP

The Company Secretaries  
**ViTrox Corporation Berhad**  
**(Company No. 649966-K)**  
57-G Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang.

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*Fold along this line*

**ViTrox Corporation Berhad** (649966-K)

No. 85-A, Lintang Bayan Lepas 11,  
Bayan Lepas Industrial Park, Phase 4,  
11900 Bayan Lepas, Penang, Malaysia.

Tel : 604 646 6227

Fax : 604 646 6327

**ViTrox Vision Lab**

Ground Floor, Faculty of Computing and Informatics,  
Multimedia University,  
63100 Cyberjaya, Selangor.

Tel : 603 8312 5451

**China Division**

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Wei He Road, Wei Ting Town,  
Suzhou Industrial Park,  
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