

VITROX 



百尺竿头

更进一步

Sustain**ability**

ANNUAL REPORT **2016**



CORPORATE VISION, MISSION, OBJECTIVES, STRATEGIES AND CORE VALUES

Corporate Vision

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

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.

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.



Sustainability

As a popular symbol of virtue in classic Chinese philosophy, the traditional ink wash painting of bamboo emblemises ViTrox's commitment to its core values and practices. Graphics of printed circuit board on bamboo leaves manifest the company's belief that values provide a strong internal stimulus for its growth and progress. Though slender in appearance, bamboo plants grow upward sturdily, an apt metaphor for the company's strength and resilience; while the plant's characteristic straightness throughout its life cycle symbolises how ViTrox is able to maintain positive values of integrity and accountability despite factors in the external environment. Yet another parallel can be seen in how various segments of the bamboo embody different members of a modest, united team working together to forge ever better results with humility, trust and respect ("百尺竿头，更进一步").

Along with the theme of "Sustainability", the company's corporate outlook of achieving responsible, viable growth, with strong values as its cornerstone, is succinctly expressed.

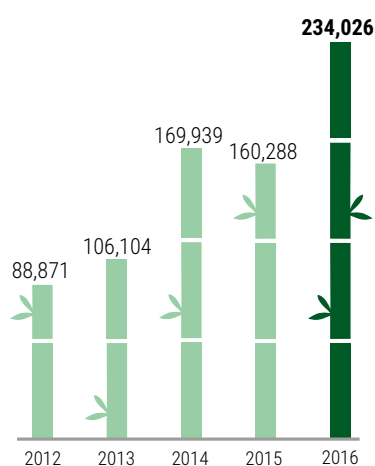
CONTENTS

01	Contents
02	Financial Highlights
03	Principal Activities & Corporate Structure
04	Corporate Information
05	Board of Directors
06-10	Profile of Directors
11-13	Senior Management
14-15	Chairman's Statement
16-27	Management Discussion and Analysis
	Financial Performance
	Product Innovation
	Operation
	Research and Development
	Sales & Marketing
	Business Strategies
	People Orientation
	Corporate Conscience
28-33	Highlights of 2016
34-35	Media News
36-52	Sponsor Ads
53-67	Corporate Governance Statement
68-70	Audit Committee Report
71-73	Statement on Risk Management and Internal Control
74	Statement of Directors' Responsibilities
75-76	Additional Compliance Information
77-127	Financial Statements
128	List of Properties
129-130	Statistics of Shareholdings
131-135	Share Buy-Back Statement
136-139	Notice of Annual General Meeting
140	Notice of Dividend Entitlement and Payment
141	Proxy Form

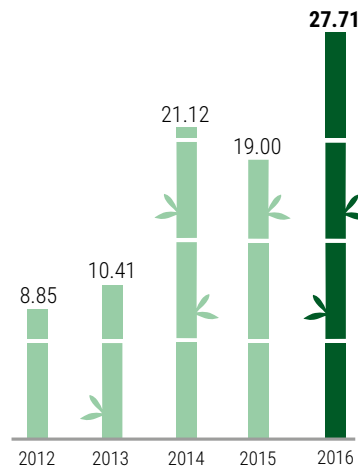
FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
Revenue (RM'000)	88,871	106,104	169,939	160,288	234,026
Profit Before Tax (RM'000)	21,556	24,807	50,023	55,730	60,920
Profit After Tax (RM'000)	20,490	24,063	49,109	44,322	64,849
Basic Earnings Per Share (Sen)	8.85	10.41	21.12	19.00	27.71
Total Equity (RM'000)	114,453	131,220	174,820	208,920	261,862
Return on Equity	18%	18%	28%	21%	25%

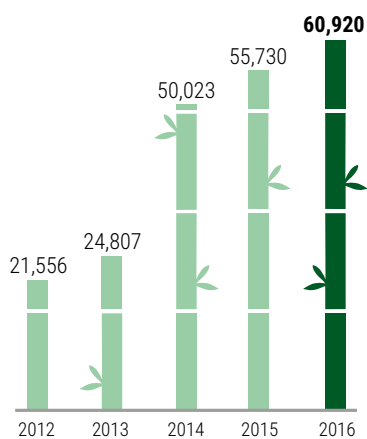
Revenue
(RM'000)



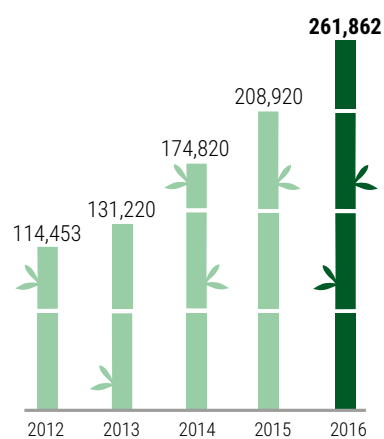
Basic Earnings Per Share
(Sen)



Profit Before Tax
(RM'000)



Total Equity
(RM'000)



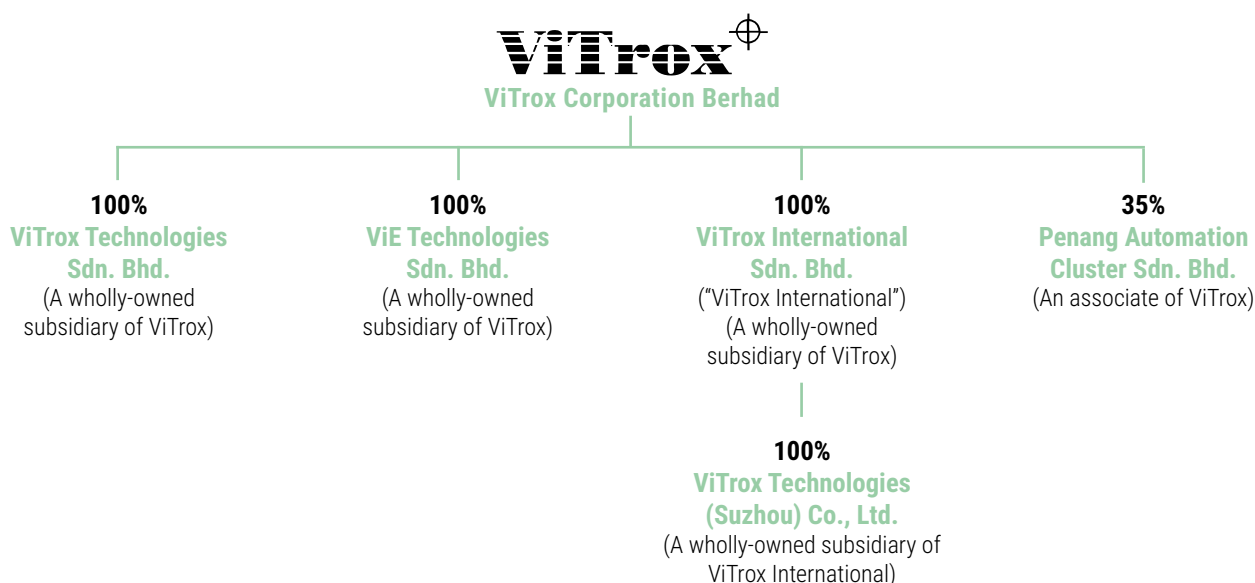
PRINCIPAL ACTIVITIES

ViTrox Corporation Berhad ("ViTrox") is principally involved in investment holding and development of 3D and line scan vision inspection system. As at 31 December 2016, ViTrox has in operation three (3) wholly-owned direct subsidiaries and a wholly-owned indirect subsidiary. On 16 January 2017, ViTrox has acquired a new associate company. The principal activities of these subsidiaries and associate 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.
Penang Automation Cluster Sdn. Bhd.	16 January 2017/ Malaysia	35%	Providing technological design, research, value added engineering development, metrology shared services, 3-D prototyping, smart manufacturing system and technical training to the Automation Cluster Companies.

CORPORATE STRUCTURE

ViTrox Corporation Berhad ("ViTrox"), Subsidiaries & Associate as at 31 March 2017



CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' SERI DR. 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 NGE

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 Dr. Kiew Kwong Sen

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Chang Mun Kee

NOMINATING COMMITTEE

Chuah Poay Ngee

Chairman

Dato' Seri Dr. Kiew Kwong Sen

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Chang Mun Kee

REMUNERATION COMMITTEE

Chang Mun Kee

Chairman

Dato' Seri Dr. Kiew Kwong Sen

Chu Jenn Weng

ESOS COMMITTEE

Chang Mun Kee

Chairman

Dato' Seri Dr. Kiew Kwong Sen

Chu Jenn Weng

Siaw Kok Tong

Yeoh Shih Hoong

RISK MANAGEMENT COMMITTEE

Yeoh Shih Hoong

Chairman

Chu Jenn Weng

Siaw Kok Tong

Lim Yee @ Lim Wei Yee

EXECUTIVE COMMITTEE

Chu Jenn Weng

Chairman

Siaw Kok Tong

Yeoh Shih Hoong

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

Level 6, Wisma Penang Garden

42, 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

Alliance Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name : VITROX

Stock Code : 0097

BOARD OF DIRECTORS



1 Dato' Seri Dr. Kiew Kwong Sen
Chairman / Independent Non-Executive Director

2 Chu Jenn Weng
Managing Director / President / CEO

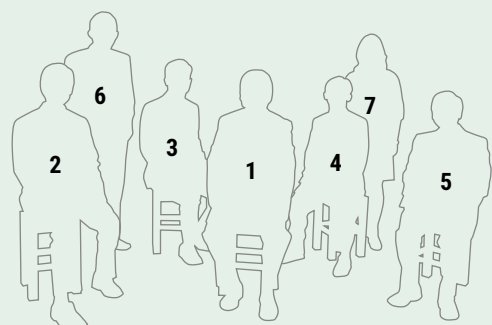
3 Siaw Kok Tong
Executive Director / Senior Vice President

4 Yeoh Shih Hoong
Executive Director / Senior Vice President

5 Chang Mun Kee
Independent Non-Executive Director

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

7 Chuah Poay Ngee
Independent Non-Executive Director



PROFILE OF DIRECTORS



DATO' SERI DR. KIEW KWONG SEN

Ph.D. (Hon), DPPN, DGPN, DSPN

Chairman / Independent Non-Executive Director

Age / Gender / Nationality

69 / Male / Malaysian

Qualification

- Bachelor of Science in Mechanical Engineering Degree from National Taiwan University
- Master of Science in Industrial Engineering Degree from the University of California, Berkeley, USA
- Honorary Doctorate Degree by Toyohashi University of Technology

Date first appointed to the Board

8-Jul-2005

Membership of Board Committees

- Audit Committee (Member)
- ESOS Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Working Experience

- Hewlett Packard Malaysia- Product Line Manager (1975-1984)
- Offshore Manufacturing Manager, Hewlett Packard Component Group San Jose California (1984-1998)
- President of Gibraltar Semiconductor (2000-present)
- President of Mini-Circuits Malaysia, Taiwan and China (2000-present)

Occupation

Director

Present Appointment

- Chairman / Independent Non-Executive Director, Unimech Group Berhad
- Chairman and President of Mini-Circuits Technologies Malaysia
- President of Gibraltar Semiconductor, San Jose, California
- President of Blue Cell Technologies, Sacramento, California
- Chairman of Mini-Circuits Taiwan Ltd
- Director of ACX Ceramic Taiwan
- Chairman of the Penang SME Management Council
- Director of Penang Science Council and Penang Green Council

Past Appointment

- Independent Non-Executive Director of Pentamaster Corporation Berhad
- Member of Penang Competitiveness Committee

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

3/4

PROFILE OF DIRECTORS



CHU JENN WENG

Managing Director / President / CEO

Age / Gender / Nationality

47 / Male / Malaysian

Qualification

- Bachelor Degree in Electrical and Electronics Engineering, USM
- Post graduation study in image processing, USM

Date first appointed to the Board

7-Jul-2005

Membership of Board Committees

- Executive Committee (Chairman)
- ESOS Committee (Member)
- Remuneration Committee (Member)
- Risk Management Committee (Member)

Working Experience

- Senior Engineer, Hewlett-Packard (Malaysia) Sdn Bhd (1995-1999)

Occupation

Managing Director

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

4/4

PROFILE OF DIRECTORS



SIAW KOK TONG

Executive Director / Senior Vice President

Age / Gender / Nationality

46 / Male / Malaysian

Qualification

- Bachelor Degree (First Class Honours) in Computer Science, USM

Date first appointed to the Board

7-Jul-2005

Membership of Board Committees

- ESOS Committee (Member)
- Risk Management Committee (Member)
- Executive Committee (Member)

Working Experience

- Senior Engineer, Hewlett-Packard (Malaysia) Sdn Bhd (1995-1999)

Occupation

Director

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

3/4

PROFILE OF DIRECTORS



YEOH SHIH HOONG

Executive Director / Senior Vice President

Age / Gender / Nationality

45 / Male / Malaysian

Qualification

- Bachelor Degree (First Class Honours) in Computer Science, USM

Date first appointed to the Board

7-Jul-2005

Membership of Board Committees

- Risk Management Committee (Chairman)
- ESOS Committee (Member)
- Executive Committee (Member)

Working Experience

- R&D Engineer, ViTrox Technologies Sdn Bhd (1997 - present)

Occupation

Director

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

4/4



PROF. IR. DR. AHMAD FADZIL BIN MOHAMAD HANI

Non-Independent Non-Executive Director

Age / Gender / Nationality

57 / Male / Malaysian

Qualification

- Bachelor Degree (First Class Honours) in Electronics Engineering, University of Essex, United Kingdom
- Master Degree in Telematics, University of Essex, United Kingdom
- PhD in Image Processing, University of Essex, United Kingdom

Date first appointed to the Board

8-Jul-2005

Membership of Board Committees

- Audit Committee (Member)
- Nominating Committee (Member)

Working Experience

- Lecturer, University of Essex (1984 - 1997)
- Senior Research Officer, University of Essex (1984 - 1997)
- Dean of School of Electrical and Electronics Engineering, Universiti Sains Malaysia (1992 - 1997)
- Dean of The Engineering Faculty, Universiti Teknologi Petronas (1997 - 1998)
- Director of Academic Studies, Universiti Teknologi Petronas (1999 - 2003)
- Director of Postgraduate, Universiti Teknologi Petronas (2004 - 2006)
- General Manager, Frontier Research, PETRONAS Research Sdn Bhd (2007 - 2009)
- Deputy Vice-Chancellor (Academic), Universiti Teknologi Petronas (2011 - 2016)

Occupation

Director

Present Appointment

- Fellow with the Academy of Sciences Malaysia
- Fellow of the Institution of Engineers Malaysia
- Registered Professional Engineer with the Board of Engineers, Malaysia
- Senior Member of IEEE, USA
- Board of Directors, Prince Court Medical Centres Sdn Bhd
- President and Group CEO of SIRIM Berhad

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

Possible Breaches of Section 69F of the Companies Act, 1965 (the Act) as imposed by Companies Commission Malaysia (CCM) due to delay in notification of changes in Director's Interest pursuant to Section 135 of the Act to Bursa Malaysia Securities Berhad

Number of board meetings attended in the financial year

3/4

PROFILE OF DIRECTORS



CHANG MUN KEE

Independent Non-Executive Director

Age / Gender / Nationality

52 / Male / Malaysian

Qualification

- Bachelor of Science in Mechanical Engineering, University of Texas, Austin, USA
- Master of Science in Mechanical Engineering, Massachusetts Institute of Technology, USA

Date first appointed to the Board

25-Jun-2010

Membership of Board Committees

- ESOS Committee (Chairman)
- Remuneration Committee (Chairman)
- Audit Committee (Member)
- Nominating Committee (Member)

Working Experience

- Process Engineer, Kendall International (1990 - 1991)
- Manufacturing Manager, Kendall International (1992 - 1993)
- Regional Director of Sales & Marketing, Kendall International (1994 - 1996)
- Founder, Jobstreet.com Sdn Bhd (1996 - present)

Occupation

Chief Executive Officer

Present Appointment

- Non-Independent Non-Executive Director, Innity Corporation Berhad
- Executive Director, Jobstreet Corporation Berhad
- Independent Director, 104 Corporation, Taiwan
- Independent Director, MOL Global Inc

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

4/4



CHUAH POAY NGE

Independent Non-Executive Director

Age / Gender / Nationality

47 / Female / Malaysian

Qualification

- Bachelor of Business (Accountancy), Deakin University, Australia
- Certified Practising Accountant of the Australian Society of Certified Practising Accountants
- Chartered Accountant of Malaysian Institute of Accountants
- Certified Corporate Secretary with the University Malaya Centre of Continuing Education

Date first appointed to the Board

15-Nov-2006

Membership of Board Committees

- Audit Committee (Chairman)
- Nominating Committee (Chairman)

Working Experience

- Tax and Audit Assistant, Matthew & Partners (1994 - 1995)
- Group Accountant, Grand Circuits Industry Sdn Bhd (1995 - 2000)
- Senior Finance & Administration Manager, Golden Fresh Sdn Bhd (2001 - 2006)
- Financial Controller, Mini-Circuits Technologies (M) Sdn Bhd (2007 - 2010)
- Finance Manager, Dynacraft Industries (M) Sdn Bhd (2011 - 2016)

Occupation

Chartered Accountant

Present Appointment

- Independent Non-Executive Director, LNG Resources Berhad

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

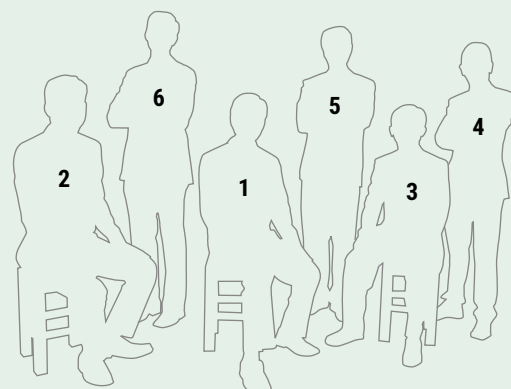
4/4

SENIOR MANAGEMENT



- 1 Chu Jenn Weng**
Managing Director / President / CEO
- 2 Siaw Kok Tong**
Executive Director / Senior Vice President
- 3 Yeoh Shih Hoong**
Executive Director / Senior Vice President

- 4 Lim Kim Seng**
CFO
- 5 Lim Yee @ Lim Wei Yee**
Senior Vice President / COO
- 6 Wee Kah Khim**
Senior Vice President /
General Manager



SENIOR MANAGEMENT



LIM KIM SENG

CFO

Age / Gender / Nationality

51/ Male / Malaysian

Qualification

- Bachelor of Accounting (Hons) of University of Malaya
- Chartered Accountant of Malaysian Institute of Accountants

Date first appointed to the Key Senior Management

15-Aug-2016

Working Experience

- Finance Manager, Sony (1991 - 2000)
- Business Finance Consultant, Agilent (2000 - 2003)
- Senior Operations Controller, Philips Lumileds (2003 - 2012)
- Financial Controller, Integrated Device Technology (2012 - 2016)
- Chief Financial Officer, ViTrox Corporation Berhad (2016 - present)

Occupation

Chief Financial Officer

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None



LIM YEE @ LIM WEI YEE

Senior Vice President / COO

Age / Gender / Nationality

54 / Male / Malaysian

Qualification

- Bachelor Degree (First Class Honours) in Mechanical Engineering, University Malaya

Date first appointed to the Key Senior Management

1-Mar-2007

Membership of Board Committee

Risk Management Committee (Member)

Working Experience

- Engineering Section Manager, Hewlett Packard (1986 - 1995)
- Vice President, LKT Industrial Berhad (1995 - 2006)
- Chief Operating Officer, ViTrox Corporation Berhad (2007 - present)

Occupation

Chief Operating Officer

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

SENIOR MANAGEMENT



WEE KAH KHIM

Senior Vice President / General Manager

Age / Gender / Nationality

48 / Male / Malaysian

Qualification

- Bachelor of Science in Electrical Engineering (Hons), Washington University in Saint Louis, USA

Date first appointed to the Key Senior Management

1-May-2009

Working Experience

- Firmware R&D Engineer, Motorola (1992-1994)
- Design Validation Engineer, Nortel (1994-1998)
- R&D Director, Agilent Technologies (1998-2009)
- Senior Vice President, ViTrox Corporation Berhad (2009 - present)

Occupation

Senior Vice President

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

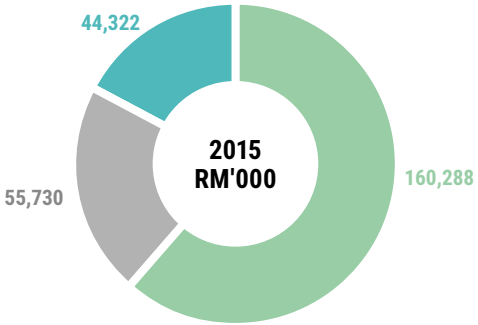
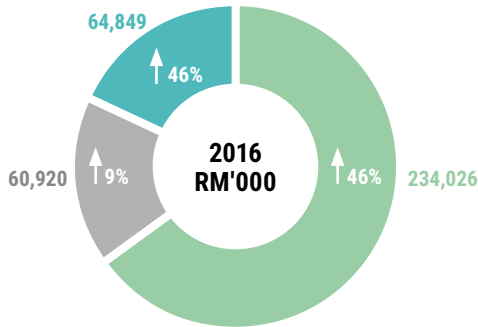
CHAIRMAN'S STATEMENT



ViTrox Group recorded **revenue of RM234.03 million** in 2016, an **increase of 46%** over the **RM160.29 million** in previous financial year.

The increase was a result of strong demand of Tray Inspection, Advanced X-ray Inspection System and Advanced Optical Inspection System. We also experienced positive acceptance of our products, especially Tray Inspection and Advanced X-ray Inspection System enabling higher demands from a larger diversified customer base, which in turn will pave ways for future growth. Consequently, the PBT achieved RM60.92 million in 2016, an increase of 9% over RM55.73 million recorded in previous year. The PAT achieved RM64.85 million in 2016, an increase of 46% over RM44.32 million recorded in previous year mainly due to lower provision for taxation with effective of Pioneer Status granted by MITI. As such, basic earnings per share were 27.71 sen in 2016 against 19.00 sen in 2015.

FINANCIAL PERFORMANCE



● Revenue ● Profit Before Tax ("PBT") ● Profit After Tax ("PAT")

CHAIRMAN'S STATEMENT

DIVIDEND

A tax exempt interim dividend of 2.5 sen per ordinary share each amounting to RM5.9 million for financial year ended 31 December 2016 was paid to shareholders on 20 January 2017.

The Board of Directors has recommended a final tax exempt dividend of 4.0 sen per ordinary share each for the financial year ended 31 December 2016. If approved at the forthcoming Annual General Meeting, the final tax exempt dividends are estimated to be a total distribution of RM9.4 million. In total, ViTrox is expected to declare a total dividend of 6.5 sen per share, with a total distribution of approximately RM15.3 million for the year.



*Best
Company for IR*

*Best
IR Professional*

ACHIEVEMENTS IN 2016

Malaysia Investor Relations (IR) Awards 2016

ViTrox won the Malaysia IR Awards 2016 in the category of Best Company for IR and Best IR Professional. These awards are aimed to recognize the achievements of top IR from the Malaysian listed entities through a comprehensive, independent IR Survey and poll of over 1,500 relevant buy-side and sell-side firms investing in or covering Malaysian equities.

The awards were presented on 21 July 2016 at Sime Darby Convention Centre, Kuala Lumpur.

FUTURE OUTLOOK AND FOCUS

Since its inception, ViTrox continues to deliver profitable financial performance. In year 2013, ViTrox broke a new record by achieving annual sale turnover of more than RM100 million. Encouraged by this performance, ViTrox again broke another new record by achieving turnover of more than RM200 million and new PBT record of RM61 million in 2016.

We envision further growth in the coming years. We look forward to develop new technologies and expand our product offerings as we have been doing previously. 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 2017 will be a growth year considering the continuing strengthening of the global semiconductor industry.

We are poised to make further progress in new technology while gaining customer loyalty with our demonstrated performance in previous years especially Advanced 3D 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 Dr. Kiew Kwong Sen

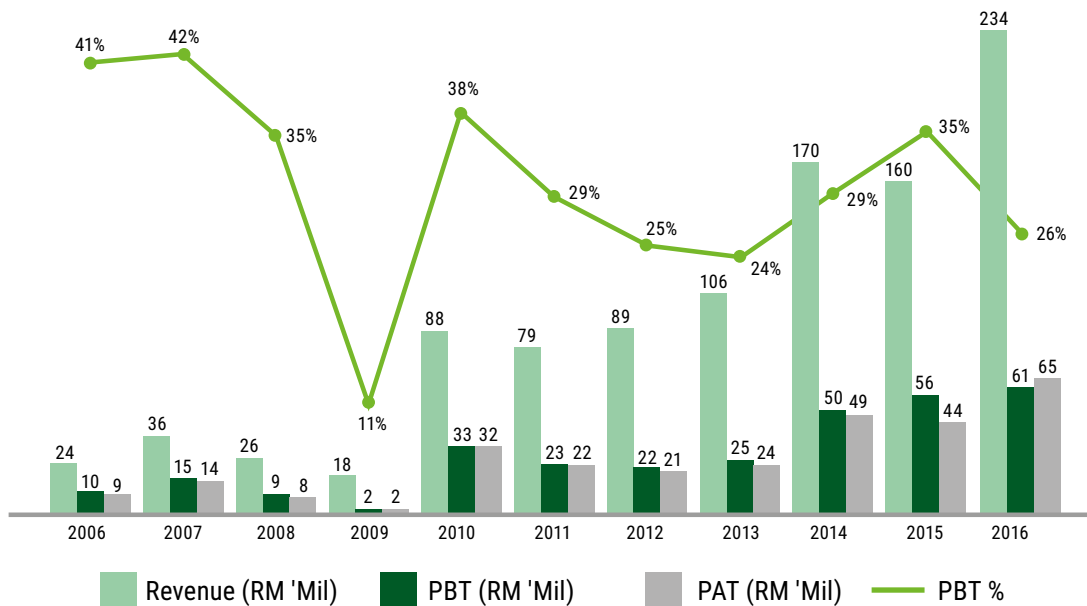
Ph.D (Hon), DPPN, DGPN, DSPN

Chairman / Independent Non-Executive Director

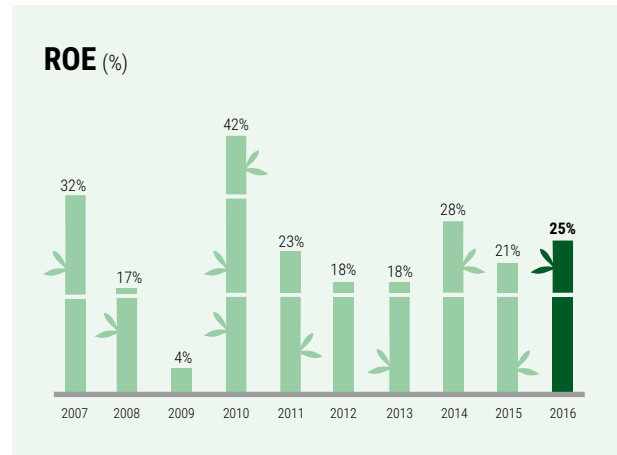
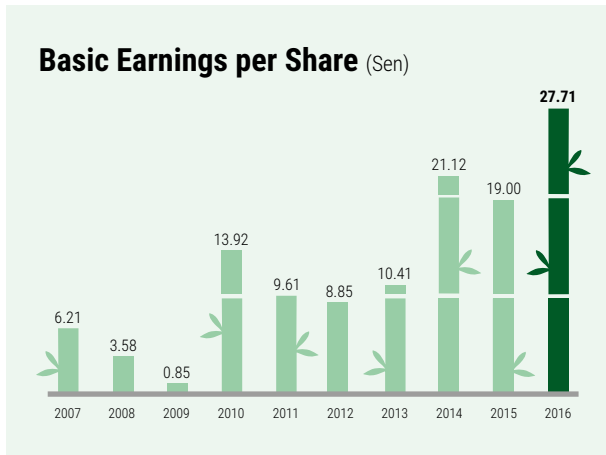
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

ViTrox set a new revenue and profit records in 2016 since its inception 16 years ago. **Revenue** recorded at **RM234.0 million** which was a double-digit **growth of 46.0%** compared to a year ago. It successfully broke another revenue milestone of RM 200 million within three years. **Profit Before Tax** stood at **RM60.9 million** which representing a **9.3% growth**. With the confirmation of effective date of pioneer status from the relevant authorities, **net profit** also hit the highest record in the history of **RM64.8 million** which representing a double-digit **growth of 46.3%**.



MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL PERFORMANCE (cont'd)

The strong revenue in FY2016 was mainly attributed to the successful execution of the market penetration strategies in growth areas namely China, US, Taiwan, Mexico and Brazil. The new and improved series of inspection system and equipment, serving the growing semiconductor back-end and the electronics manufacturing industries also contributed to the record high revenue this year.

The financial position remains stable and healthy with cash and cash equivalent of RM110.1 million as of 31 December 2016 compared to RM64.0 million a year ago. Long-term debt was at RM32.1 million as of 31 December 2016, compared to RM3.9 million a year ago. The increase in borrowing was raised to finance the construction of the ViTrox 2.0 Campus at Batu Kawan Industrial Park which is scheduled to be completed in FY2017.

Earnings per share (EPS) rose to 27.71 sen from 19.00 sen a year ago and return on equity increased to 25% from 21% a year ago.

ViTrox continued its phenomenal record of 16 consecutive years of profitability through sheer determination and hard work from all of its high-spirited ViTroxians! The right people, product and culture help in shaping the strong business fundamental for continuous growth!

PRODUCT INNOVATION

ViTrox product innovation is always centered around delivering innovative, advanced and cost effective machine vision and embedded electronics solution & services to our customers with uncompromised quality. ViTrox Business Development and Research & Development team work hand in hand to offer customers long-term inspection solution fulfilling their immediate and future needs for better productivity, efficiency, quality and ease of use. ViTrox will continue to invest in product innovation for the Semiconductor and Electronics Assembly industries while exploring new opportunities in other high growth sectors.

ViTrox comprises four core business units, (1) Machine Vision System - Standard (MVSS); (2) Machine Vision System – Tray based (MVST); (3) Automated Board Inspection (ABI) and (4) Electronics Communication System (ECS).

The product innovation strategy to launch at least two new or enhanced products into the market every 12 months for every business unit will be continued. This strategy, which was started 5 years ago, successfully uplift ViTrox's products' performance and quality to world class standard and hence well position ViTrox as the world leading solution provider of advanced machine vision technology for the Semiconductor back-end assembly and test and electronics assembly industries.

To better position ViTrox products to meet the need of industrial 4.0, ViTrox initiated a multi-year initiative (Codename: V-ONE) two years ago focusing on exploration and research & development of smart tools and features related to real-time machine-to-machine communication, data visualization and analytic, automated alert trigger, self-diagnostic, self-learning and predictive maintenance. All these on-going development will ultimately make ViTrox's machine smarter in delivering optimized values to our customers to achieve highest productivity and quality.

MANAGEMENT DISCUSSION AND ANALYSIS

New Products Released

ViTroX launched more than eight new and enhanced vision inspection systems and equipments, and embedded electronics communication system devices to support our customers in FY2016. Some of the highlights are:-

Machine Vision System – Standard (MVS-S)

- (a) **VR20i Post Seal Vision Handler:** The enhanced version extends the capability of the machine by introducing new track for carrier tape with 2mm pocket pitch and speed improvement up to 80,000 unit per hour. Besides, the new VR20i also complies with CE Marking.



Machine Vision System – Tray based (MVS-T) (cont'd)

- (b) **Multi-bin Tray to Tray Vision Handler/Sorter:** The enhanced tray-to-tray vision handler, developed based on the standard TH1000Si model, includes an additional output tray (total of 4) to enable multiple binning of IC packages based on the individual identifier (QR Code). Besides the usual 2D and 3D inspection capabilities, the new model acts as a IC device sorter, based on the inspection results. This enhanced model enables our customers to segregate products based on its characteristics such as quality, performance and grading.



Machine Vision System – Tray based (MVS-T)

- (a) **Smart-Reel Changer (SRC):** It enables automated changing of tape/reel upon completion of a production lot. Vision handler that comes with this innovative module can support up to 10 reels capacity (8mm tape width) before user intervention is required, thus reducing machine idle time and increasing machine utilization.



Automated Board Inspection (ABI)

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

- (a) **New generation Advanced 3D Solder Paste Inspection System (SPI) (V310i):** The newly launched SPI system with higher throughput Programmable Spatial Light Modulation (PSLM) and new 5M Pixel camera have improved the throughput of the SPI system by 40%. The improved measurement accuracy in the new generation SPI helps us to compete effectively with the market leader. When integrate with the Intelligent Link, V510 2D/3D AOI and V810 AXI system, we can now create the value of having all the measurement results from the three inspection systems available for Statistical Process Control (SPC) analysis and buy off.

MANAGEMENT DISCUSSION AND ANALYSIS

Automated Board Inspection (ABI) (cont'd)

(b) **Advanced 3D Optical Inspection System (AOI) (V510i Optimus 3D):** The new 3D AOI Graphical User Interface (GUI) known as Jet Power with many advancements improves the user friendliness and to reduce programming time is released in December 2016. Examples of the new values created include full boards view, multiple delete features, Statistic Chart on measurement data for ease of fine tuning, new algorithm/fiducial trainer and many others. In addition, a new set of algorithm for solder profiling, coplanarity and tall component measurement capability is released in FY2016.

(c) **V510i 2D/3D XXL platform:** The new AOI platform is with dual staging inspection capability without the extended conveyor. This has increased the board size inspection coverage to 620mm by 683mm.

(d) **Robotics Vision Inspection for Solid State Drive (V910i):** The V910i is released in FY2016 to address the inspection requirement of Solid State Device (SSD) product. The system is capable of inspecting various cosmetic defects, finishing, and measuring of the mechanical dimension of critical parts. The implementation of this fully automated inspection capability in the SSD assembly lines has helped our customers to assure the finishing quality of SSD, improving the production efficiency and reducing the overall manufacturing cost.

ViTrox's commitment to product innovation and relentless efforts in continuous improvement have increased customer confidence in ViTrox's value proposition. With a broader range of new products in the pipeline, ViTrox is ready to expand its market share and customer base to a bigger geographical area covering Asia, America and Europe.

OPERATION

In FY2016, the focus in operation remained to streamline ViTrox value stream processes and systems through lean initiative while supporting the business ramp. Some of the key accomplishments are:

- In the effort to achieve ViTrox's operation excellence and long-term business sustainability, proactive actions are being taken to reduce the Group's inventory holding cost and aged account receivables while supporting business expansion in FY2016. Led by the Group Chief Financial Officer, a task force comprises business unit heads and key operation leaders are formed to mitigating these key risk areas. For the aged receivables, a more rigorous payment term to new customers, weekly and monthly review and follow up on outstanding account receivables as well as making the right stakeholders accountable for the improvement of their respective account receivables are implemented. With cohesive efforts from the team, the Group's Day Sales Outstanding (DSO) was successfully reduced by 20% from 158 days in FY2015 to 127 days in FY2016.

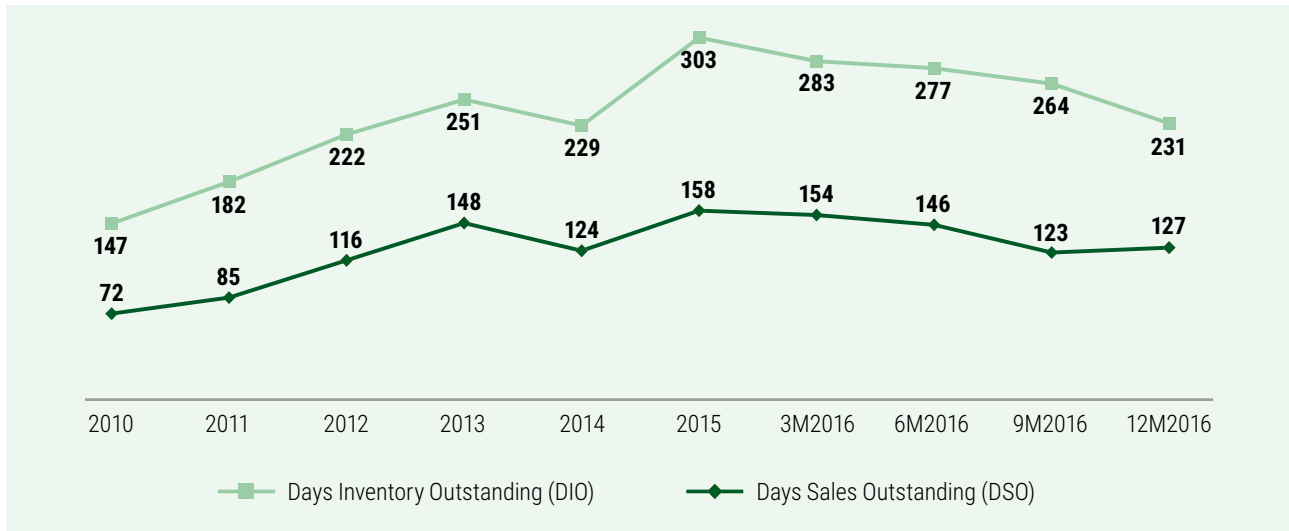
For inventory cost, a cross-functional team consists of the Finance, Business Development, Service and Support, Manufacturing and Store were set-up to look into the issue and take necessary steps to reduce the holding cost and hence improve efficiency. A more stringent inventory reserve policy was implemented for aged raw material, semi-finished goods, work-in-progress, finished goods and demo units. Besides, monthly aged inventory review meeting with all stakeholders was conducted to study and to derive countermeasures for inventory cost reduction and hence improve the Days Inventory Outstanding (DIO) of the Group. As a result, the DIO was successfully reduced by 24% from 303 days in FY2015 to 231 days in FY2016.

The management team is committed to continuously improving the DIO and DSO to match or exceed the world class standard in the industry.

- Direct material cost reduction initiatives were being carried out for critical high-cost items. This objective was accomplished through dual sourcing strategy and alternative supply strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION (cont'd)



- An initiative to streamline assembly resources towards variable cost model was being implemented to achieve higher flexibility and better cost structure. Furthermore, the assembly resources were being trained to support more ranges of systems building to enhance resource flexibility in operation to support business ramp.
- New Product Introduction (NPI) is part of ViTrox's strategic activity to stay competitive as the technology leader. The cross-functional team consists of Research & Development, Procurement and Manufacturing were being formed to ensure smoother hand-over of NPI projects to manufacturing, from both cost and manufacturability perspectives.

The journey to becoming Lean Enterprise continue to be ViTrox's focus in the year under review. ViTrox relentlessly proliferates the culture of Kaizen in whole company with total 194 Spot Kaizen sessions accomplished in the area of Productivity, Quality and Cost Improvement in FY2016.

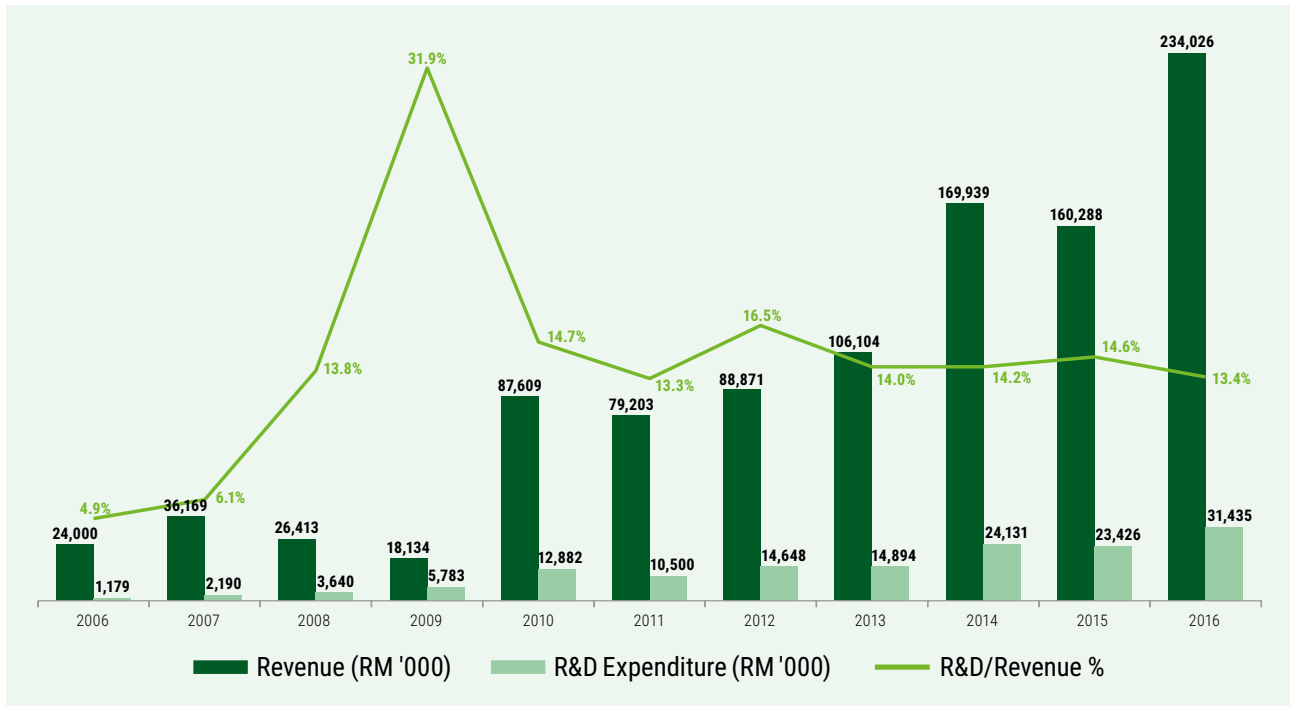
All these ideas from the Spot Kaizen are submitted by all level of employees, interns and sub-con staffs from cross functional departments. As part of the efforts to inculcate Lean Culture in the company, the brand new Lean Deployment Function (LDF) portal was launched in Q4 2016. Employees can now learn Lean knowledge through this online portal, on top of that all ViTroxians also can visualize the end to end Value Stream Mapping (VSM) online. This helps to facilitate the culture of focusing on the customer and enabling all ViTroxians to surface up the non-value added activities in the end-to-end VSM.

In FY2016, ViTrox signed a MoU with Malaysia Productivity Corporation (MPC) to run a program of High Productivity Through Lean implementation. Through collaboration with MPC and CADVision System Sdn Bhd, ViTrox trained and guided total 510 SMEs in adopting Lean practices and culture. This collaboration is part of ViTrox's effort to becoming a Learning and Teaching Organization. Through this program, ViTrox also helps to enhance and strengthen lean manufacturing knowledge of its suppliers and vendors.

ViTrox declared FY2017 as Year of Quality and the Quality Awareness campaign was launched on 17 November 2016 with the tagline of "Quality Starts from Me." The objective of this campaign is to raise awareness of quality in everything we do. ViTrox is committed to continuously improve the quality of ViTrox's products and services to fulfill customers' expectation through the implementation of stringent quality and process control in product design, manufacturing, testing, and commissioning. Meantime, various trainings are provided to ViTroxians to improve their competencies in lean and quality on a regular basis.

On top of that, the company also in the middle of revamping its whole Lean Quality Management System with the aim to become ISO 9001:2015 certified company in FY2017.

MANAGEMENT DISCUSSION AND ANALYSIS



RESEARCH AND DEVELOPMENT

ViTrox is committed to invest significant amount of resources for research and development of vision inspection and embedded electronics technologies. R&D investment has been growing at a Compound Annual Growth Rate (CAGR) of 38.9% in the past 10 years. In an average, ViTrox invested 14.1% of its revenue for R&D per year, which is more than 15 times of Malaysia's average R&D expenditure over Gross Domestic Product (GDP). In FY2016, ViTrox invested RM31.4 million, representing 13.4% of our revenue, for research and development activities across all business units in ViTrox.

Major research and development breakthroughs in FY2016:-

- Wafer Inspection Solution:** Wafer inspection capability for 6" and 8" wafer in both wafer ring and hoop ring format is successfully developed. The setup is capable of inspecting for die surface defects up to 5 um in length. Defects such as contamination, scratches, chipped off, cracked and discoloration can be automatically detected and mapped in just a split of a second by ViTrox's proprietary hardware and software algorithm. This solution helps to eliminate manual inspection process which is tedious, labor-intensive and inconsistent in quality.
- XL BGA Inspection:** The enhanced hardware and software capabilities enable inspection of extra-large size BGA (supporting dimensions/sizes up to 62.5mm). Using an additional inspection station, inspection of large-sized IC packages can now be accomplished without compromising the inspection accuracy and speed for other conventional IC packages.
- µCrack Inspection:** The next generation of ultra-high resolution optics enhances the system's capability to detect µCrack as small as 0.7µm (bare-die surface). The primary challenge usually faced, when inspecting surface at such minute level, is appearance of non-related background noises (e.g. grinding lines on the surface). Using advanced and proprietary lighting techniques, these image noises can be filtered consistently to reduce risk of over-reject.
- High-speed POP (Package On Package) Inspection:** The newly developed Phase-shift Profilometry (PSP) hardware enables more consistent projections of fringe patterns over a larger coverage area, hence enabling multiple POP IC packages to be inspected concurrently. This effectively increases the throughput of POP inspection at least by two times and hence reducing the return of investment period.

MANAGEMENT DISCUSSION AND ANALYSIS

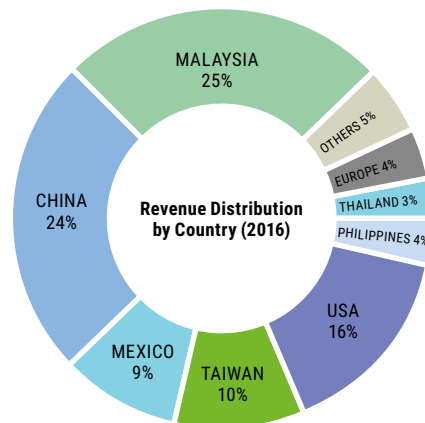
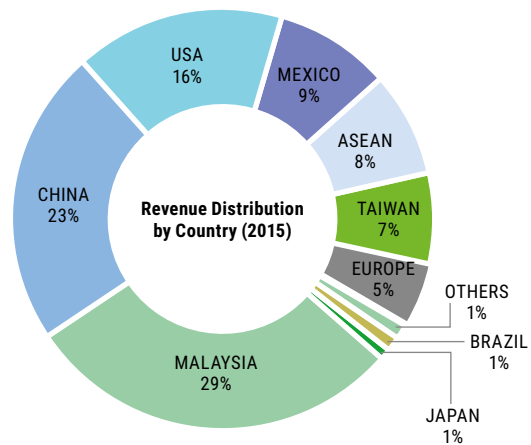
RESEARCH AND DEVELOPMENT (cont'd)

- V510i 3D AOI Series II:** This NPI comes with in house developed projectors with twice the Field of View (FOV), higher resolution fringe pattern and faster projection speed. Combine with the 12M pixel CoExpress camera and high performance Graphic Processing Unit, the speed and height measurement accuracy have been improved by two times. The new system successfully turned 3D AOI inspection speed similar or faster than 2D AOI which was not possible in the past. It will position V510 3D AOI Series II as the market leader.
- Robotics Vision Inspection for mechanical parts (V920i):** This system is initiated to serve the stringent inspection needs of mechanical parts in the automotive industry, one of the world's most important economic sector by revenue. These mechanical parts are used in automobile engines, thus high precision and strict quality requirement must be ensured. By deploying this intelligent high speed robotic vision inspection for mechanical fabricated parts, the outgoing quality of these parts are now controlled, highly consistent and predictable as compared to manual human inspection.
- High resolution AXI system (V810i):** Development of the 2x2 and 1x1 binning capability on the V810i system to increase the magnification as high as 3um per pixel is in good progress. This is feasible with the adoption of world fastest and finest resolution Time Delay Integration (TDI) camera developed in house. This enhanced camera technology, planed to be released in FY2017, will improve the HIP and solder defect detection capability for Ultra-fine Pitch Component.

SALES & MARKETING

For the year under review, ViTrox exported 75% of goods and services to more than 20 countries including China, the United States, Taiwan, the Philippines, Thailand, Mexico, United Kingdom, Singapore, India, Vietnam, Brazil, Japan and Hungary. Our expansion of Sales Channel Partners (SCPs) and the direct sales and support team in China produced promising results with revenue contribution increased by 54% from RM 37 million in FY2015 to RM 57 million in FY2016. China is also the highest revenue contribution country from abroad. In addition, revenue contribution from Taiwan also improved from RM12 million in 2015 to RM24 million, representing an increase of more than 100% growth due to improved demand of tray inspection handler from Outsourced Semiconductor Assembly and Test (OSAT) companies in Taiwan.

Our strategy to widen our customer base is propelling our expansion globally, especially in emerging markets around the world.



MANAGEMENT DISCUSSION AND ANALYSIS

SALES & MARKETING (cont'd)

Through increasing number of SCPs and internal sales and support personnel abroad, ViTrox's customer base in China, Taiwan, the United States, Europe and Southeast Asia have been increasing over the last 3 years. The strategy worked well as there was a substantial increase in revenue contribution from these countries.

Machine Vision System – Tray based (MVS-T)

FY2016 recorded a significant improvement in sales, up by 110% as compared to FY2015. Correspondingly, unit shipment also recorded a triple digit percentage growth. The significant improvement in results was attributed to the increase in new customer qualified accounts and introduction of new products and functions. Machine orders from new customers attributed a significant 49%, whereas new products contributed 8% of MVST's total sales for FY2016. Top three buying customers contributed 42% of MVST's total sales, which is a healthy diversification indicator.

To reiterate the past year's strategy, MVST will continue to focus on expanding its customer base in order to further diversify and stabilise the annual revenue growth. Additionally, MVST is increasing its product offerings via NPIs to create compelling value differentiation for its customers. The goal remains to be amongst the top-tier tray-based vision handler solutions provider within the next two to three years in Asia Pacific.

Automated Board Inspection (ABI)

FY2016 finished with surpassing news from all market segments especially in the last two quarters of FY2016. Market is expected to be strong in FY2017. This is well supported by the Global Purchasing Managers' Index (PMI) leading indicator where it reached its highest point since October 2014 signaling that seasonally adjusted world manufacturing growth will accelerate during first half of FY2017. ABI has been riding on this wave with the sales increased much higher than its competitors mainly contributed by the confidence of existing and new customers with respect to the product value differentiation, dedicated service and sales excellency.

Taiwan-listed Original Design Manufacturer (ODM) companies' November revenues reflected the strong close to FY2016 and business outlook continue to be very encouraging. In FY2016, ViTrox's Advanced X-ray Inspection (AXI) has been well accepted by many ODM companies, ABI will embark FY2017 by taking this advantage and grow together with the Taiwan ODMs through the success story in FY2016.

With Trump's efforts to encourage more manufacturing activities returning back to the USA, ABI will be benefited as most of the key Contract Manufacturers (CMs) and Original Equipment Manufacturers (OEMs) in the USA are ABI's value customers.

ABI will continue its best effort to protect the stronghold in USA which is important as it has helped the business unit to win new customers very effectively through the good words from existing customers.

ABI foresees that the 5DX replacement initiative will accelerate in FY2017 where the team will be working hand in hand with its customers to ensure flawless transition from 5DX to V810 platform. In FY2016, there were approximately ten V810i sold due to 5DX replacement plan from customers. This number is expected to grow twice or even higher in FY2017.

Similarly, ABI shall continue to promote the new 3D AOI to the market by winning the AVL from the top CMs, OEMs and ODMs in the world. The effort will prolong in order to ride on the wave of this disruptive innovation with substantial market growth opportunity.

FY2016 revenue contribution from 3D AOI is 11% of ABI revenue with sales of more than 30 3D AOI systems.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS STRATEGIES

ViTrox will continue to uphold its core and long term strategy to focus on research and development in machine vision and embedded electronics technologies supporting industrial 4.0, global market expansion and diversification as well as business process optimization through lean implementation across all operation in the organization.

Market Outlook: Semiconductor

Based on IC Insight's McClean Report, March 2017 Update, semiconductor unit shipments totaled USD 868.8 billion in 2016 and are forecasted to climb to USD 1,002.6 billion devices in 2018.

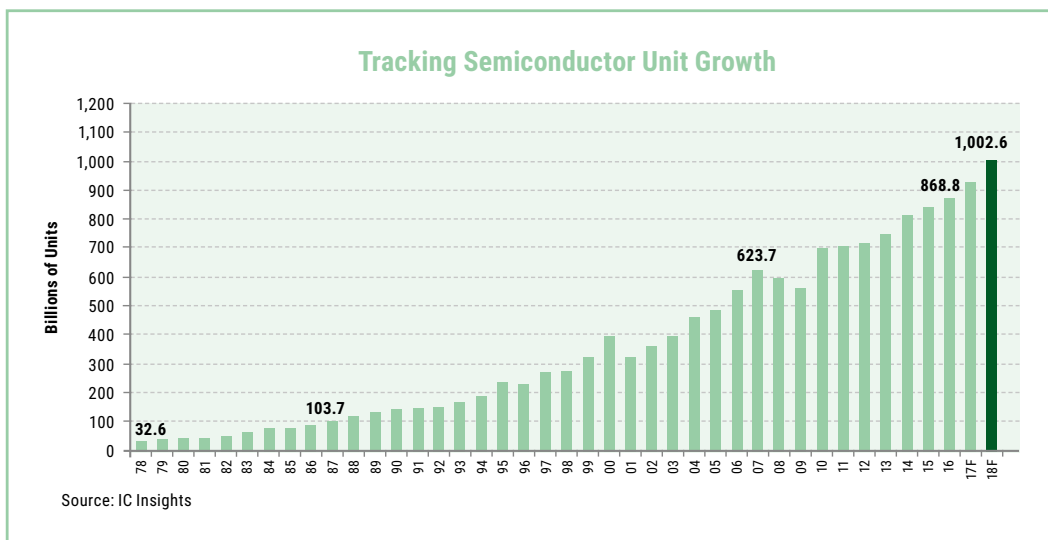
For 2017, semiconductor products showing the strongest unit growth rates are essential building-block components in smartphones, new automotive electronics systems, and within systems that are helping to build out of Internet of Things. Among Opto, Sensor & Discrete (O-S-D) devices, CCDs and CMOS image sensors, laser transmitters and every type of sensor product (magnetic, acceleration and yaw, pressure, and other sensors) are expected to enjoy strong double-digit unit growth this year, according to the IC Insight, March 2017 Update.

Market Outlook: Electronics Manufacturing

According to The Global Market for Electronics Contract Manufacturing and Design Services published by BBC Research in July 2015, the global market for electronics contract manufacturing services should reach nearly USD 845.8 billion by 2021 with five-year CAGR of 8.6% from 2016-2021.

Meantime, from the latest market research report "Surface Mount Technology Market by Equipment, Application, Geography – Global Forecast to 2022", the SMT equipment market is expected to be valued at USD 5.42 billion by 2022, growing at a CAGR of 8.9% between 2017 and 2022 where inspection equipment is expected to grow at the highest rate between the forecast period.

Inspection equipment plays a vital role in the SMT manufacturing industry as placement defects can occur both before and after reflow. The SMT inspection equipment market is driven by the improving product technology, responsiveness, reliability, and quality of inspection. The increasing need for this equipment in telecom, automotive, consumer electronics, and computing & storage is expected to drive its demand during the forecast period, according to the report.



MANAGEMENT DISCUSSION AND ANALYSIS

Market Outlook: Electronics Manufacturing (cont'd)

According to the latest market outlook research "SMT Inspection Market Outlook – Market Forecast, Trend and Analysis Through 2020", the market is expected to grow at a CAGR of 7.4% from 2016 – 2020. The SMT inspection market is expected to reach nearly USD 1.37 billion by 2020. On equipment type, AXI is expected to grow at a higher rate compared to AOI and SPI.

The uptrend market outlook in the semiconductor and electronics assembly manufacturing sectors in the next 2-3 years coupled with ViTrox's strong line-up of innovative, advanced and cost effective machine vision inspection products, and dedicated sales channel partners worldwide, ViTrox is well positioned to capture bigger market shares in both sectors in the next few years.

At ViTrox, we envision that the demand for our smart vision inspection machines in the semiconductor and electronics assembly manufacturing sectors will continue to grow. The two main driving factors for the demand are:- (1) Increased complexity of semiconductor packages such as 3D stacking or package on package devices and the miniaturization of consumer electronics products and rapid innovation in the consumer electronics and gadgets will demand more and more inspection capabilities to ensure better product quality. (2) Adoption of industrial 4.0 or smart manufacturing features by major customers to improve productivity and operation efficiency, where data will be collected from everywhere, anytime and subsequently analyzed to achieve the most optimum overall equipment effectiveness (OEE).

The purpose of inspection machine is now shifted from mere defect detection to defect prevention and ViTrox inspection machines are and will be equipped with smart features to cater for the needs of our customers in supporting the industrial 4.0 for higher productivity and efficiency. Manufacturers must upgrade their facilities with smarter connected machines and intelligent software system to stay competitive and relevant in the business.

With its 16 years of unwavering focus on machine vision inspection technology for the semiconductor and electronics assembly manufacturing industries, ViTrox is well-positioned as a competitive and leading smart vision inspection solution provider of advanced 2D & 3D optical and X-Ray inspection equipment for the semiconductor back-end manufacturing as well as electronics assemblies manufacturing companies around the world.

NPIs, especially targeting new IC package and sensor variants, wider customer coverage and joint collaboration with key semiconductor IDMs, IC design houses and OSAT, will ensure sustainable growth for MVST in the next 3-5 years.

FY2016 has been an outstanding year for ABI where we grew our revenue by 44%. The key contributors towards the growth are from new product, market share expansion and technology evolution that create higher demand for 3D AXI.

In FY2017, we will continue with the initiative to add new and capable SCPs in order to expand the market reach, release new technology differentiation to maintain market leadership position, launching new products to capture the white space and advancing V-ONE to enable Industry IoT implementation. In addition, we will be driving the following new strategies as the grow engine for ABI in FY2017.

- Launching New Product for adjacent market: The V910i Robotic Vision for high value Final Visual Inspection (FVI) and V920i Robotic Vision for Mechanical Part inspection for automotive industry. We believed that there is a huge market for these 2 products where we can leverage our existing worldwide SCPs to promote and sell the product.
- Penetrate into China and India's CM, ODM and OEM market: We have been working with multiple SCPs from China and India to grow our market share in the local CM, ODM and OEM market in the past two years. The result is encouraging. As we strengthen our branding in the world, the trust from China and India SCPs has been strengthen where we are seeing them promoting our product aggressively in Q4 FY2016. We are confidence that this well reputable and capable SCPs will bring us many new CM, ODM and OEM customers from China and India in helping us to penetrate into these challenging markets.

MANAGEMENT DISCUSSION AND ANALYSIS

PEOPLE ORIENTATION

ViTroxians always strive for excellence in everything we do with IACTG spirit. Through sheer will and determination, the team accomplished a challenging mission by growing the business by more than 45% amidst a soft and volatile market condition.

In the year under review, while multinational companies shut down or downsize their operation in Malaysia due to unfavorable economic and market condition, ViTrox decided to turn this situation to our advantage through aggressive hiring drive in which we took part in 11 career fairs and 18 career talks across 11 universities and colleges.

71 new faces joined ViTrox family in FY2016, making the total headcount to 441 from 370 a year ago, to support the business expansion and NPI. Many of the new hires are engineering or science graduates who are later assigned to work in the area of research & development, technical and application support, manufacturing as well as shared services.

In ViTrox, we firmly believe employee development is important not only for professional but also their personal growth, especially in sharpening their competencies, enhancing employee engagement and emotional intelligence, and realizing their capabilities to the fullest potential. In FY2016, ViTrox invested more than RM 800,000 in 204 training sessions comprising of 17,000 hours (equivalent to 41 hours on average per employee) of learning and development in various technical and soft skill development programs.

Aside from technical training, the value of soft skill training matters no less too. Over the years, we have introduced soft skill training such as Dale Carnegie Leadership Program to fellow ViTroxians to tap into and further strengthen their personality traits, positive attributes, communication and leadership skills.

When employees are engaged to and feel appreciated at work, organizational performance will too, excel as a whole.

We are living in the age of innovation, and the technology is set to be a seemingly inexorable march. ViTrox's Centre of Excellence for Machine Vision (CoE) was established since 2014 and geared to head spear the creation of an ecosystem for advanced manufacturing technologies in Malaysia.

The ViTrox's CoE acts as a platform to share knowledge and insights of machine vision technologies and how it could impact us in this fast moving world. To drive the growth of ecosystem, ViTrox encourages local small and medium enterprises (SME) and students to explore the wonders by providing technical training and hosting learning visitations to the company.

We recognize the importance of key players in the ecosystem, thus ViTrox's internal subject matter experts work closely with external experts to design and deliver quality training for the benefit of SMEs and universities students.

Over the years, we have connected with more than 1,500 local small and medium enterprises via various training and networking activities on the awareness and exposure to machine vision technology. With the effort of expanding the growth of machine vision system, we have paired with our strategic collaboration partners to offer a dynamic and diversified range of advanced knowledge to our local small and medium enterprises. With consistent knowledge sharing of machine vision technologies, our local small and medium enterprises are aspired to send more of their employees to learn more, after attending our training.

With that, ViTrox has also worked with local technology accelerators to promote the growth and emergence of new local starts-up to nurture the adoption of machine vision technology.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE CONSCIENCE

ViTrox is a value driven organization where we aim to create a meaningful company culture where our people strive to make a positive difference to the world through technology breakthrough and innovation. ViTrox is also determined to make a positive social impact in the community we operate in with loving kindness through our corporate conscience programme reaches out to different areas, including community development, education and environmental protection.

For the year under review, we initiated a series of corporate conscience programs. Our serving was not limited to monetary funds only as we also lent our time and effort to help bringing about changes in the lives of others.

Community

Volunteerism as an integral part of ViTrox's employee engagement strategy to create a unique and harmonious working culture. There are nine special interest clubs established in ViTrox to cultivate the spirit of volunteerism among employees. For the year under review, 105 ViTroxians collectively contributed 1,068.5 hours of volunteer time in various community and social activities.

ViTrox initiated 'V-Meal Green Monday Lunch' program to serve and subsidize vegetarian meal for all ViTroxians with the aim to promote good health and save our future generations by protecting our mother nature. In order to encourage more employees to participate in this program, ViTrox subsidizes RM3 for every meal and donates RM1 for every meal ordered by employees for charity purpose.

To further cultivate environment protection culture, ViTrox encourages every employee to practice the habit of 5Rs (Rethink, Reduce, Reuse, Repair and Recycle) in their daily life. Recycle bins and recycle center were set-up in various corners in ViTrox to collect recyclable items brought in by ViTroxians from their workplace and home. Proceeds from selling recyclable items were donated to NGO on regular basis. In addition, 'V-Sell' Program was also launched to provide a platform for employees to sell or purchase second hand items with the purpose to prolong item's life cycle. A total of 98 secondhand items were sold in year 2016.

Besides cultivating the effort in preserving the environment, ViTrox also encouraged employees to volunteer themselves to contribute to the community. ViTrox introduced 'V-Serve' program with the aim to cultivate the spirit of serving, giving and loving for the betterment of our communities. ViTrox donates RM50 for every hour contributed by volunteers to NGOs. 45 employees participated in this program and contributed total of 197 volunteer hours in year 2016 in various community activities which include Eden Charity Fair, World Vision, Tzu-Chi dialysis center's learning tour, blood donation, school fund raising events and public talks.

Education

On the education front, ViTrox sponsored events organized by universities and colleges to support the initiative of nurturing local young talents in Engineering & Science. These sponsored events are RoboArms Challenge in University of Nottingham Malaysia Campus, Intercampus Robotics Competition at UTAR, Robofest Competition in USM and Inaugural Young Leadership Accelerator Programme at KDU.

To promote innovative culture in engineering design work, tackle real-world problems with practical engineering solutions, and churn out brightest talents for product development, further research, and commercialization, ViTrox sponsored and led a new design track in one of the most prestigious undergraduate engineering design competition, the Innovate Malaysia 2016, where the program successfully attracted 16 teams from various local universities to participate in the ViTrox's track to design and develop machine vision solution to solve real-world problems.

Apart from that, our team regularly hosts industry learning visits to the ViTrox campus for students from secondary and tertiary schools, with the aim to inspire them on how science and technology have made a great impact on our world today.

Striving to be an organisation that cares for its community, ViTrox will continue the corporate conscience programmes in the focus areas to create a more positive social impact.

HIGHLIGHTS OF 2016

January

ViTrox Successfully Exhibits at Nepcon Japan 2016

Representatives from ViTrox and Kyoritsu showcased new products to visitors as well as networked with global customers and potential leads during Nepcon Japan 2016, a three-day event which took place from 13th to 15th Jan 2016.



ViTrox Highlights New Products in Semicon China 2016

ViTrox also participated in the Semicon China 2016 at the Shanghai New International Expo Centre from 15th to 17th Mar 2016. The company demonstrated the newly enhanced Tray Reel Vision Handler – TR2000i, 3DBGGA Ball Grid Array Inspection System and VR20i Post Seal Vision Handler.

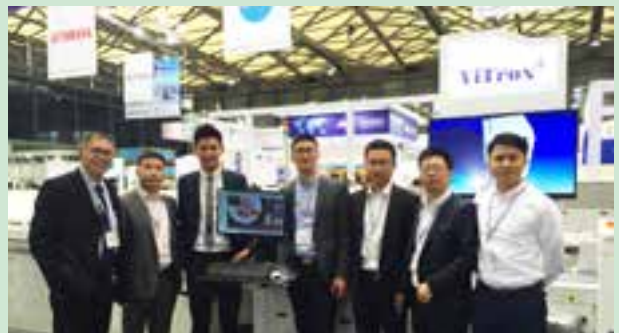
ViTrox Participates in Productronica China 2016

On 15th - 17th Mar 2016, ViTrox took part in Productronica China 2016 at the Shanghai International Expo Centre and introduced the upgradeable V510i G2 AOI system with 3D inspection capabilities at the show.

March

ViTrox Unveils A New Inspection System: V310i 3D SPI

Designed for paste print inspection, ViTrox V310i Advanced 3D Solder Paste Inspection (SPI) is built to inspect PCB board sizes up to 510mm x 505mm, with applications for different fields including mobile phones, tablet PCs, computers and accessories, digital cameras, camcorders, automotive, medical, server, LED, FPC, communication products and more.



HIGHLIGHTS OF 2016

ViTrox Participates in IPC Apex Expo 2016

ViTrox had participated at the 2016 IPC APEX EXPO held in Las Vegas, US from 15th to 17th March. It showcased to visitors products such as SPI, AOI & AXI Inspection Systems and also debuted V-ONE, a one-stop real-time monitoring software solution at the event.



ViTrox Organises User Group Meetings in Suzhou & Dongguan

Along with Linkways, ViTrox successfully conducted two user group meetings with customers in two respective Chinese cities of Suzhou and Dongguan. The meetings, covered several topics, chiefly the new product launches of V310i SPI, V-ONE, Intelligent Link as well as the introduction of new features of AOI and AXI. Users' supportive feedback was a vote of confidence that encouraged the two companies to continually enhance their products and services in future.



April

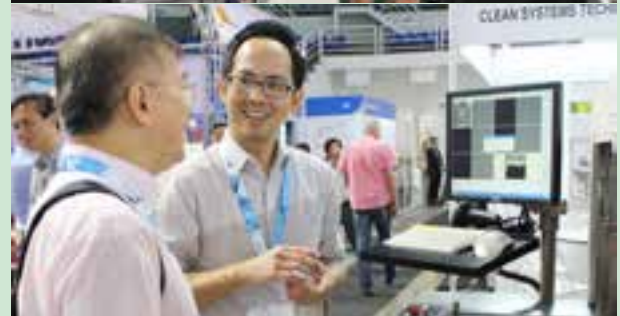
ViTrox Launches An Inspiring New Innovation – V-ONE

ViTrox launches its revolutionary smart software suite named V-ONE. By connecting the inspection systems and equipments in SMT production lines to monitor machine performance on a real-time basis, V-ONE allows smarter factory management and optimisation of factory resources across geographical locations.



ViTrox Connects with Visitors at Semicon South East Asia 2016

ViTrox took part in Semicon SEA 2016 at SPICE Arena, Penang from 26 to 28 April. Products exhibited included the V510i Optimus 3D (Advanced 3D Optical Inspection System), TH1000Si (High Speed Tray to Tray Vision Handler), VR20i Series (Post Seal Vision Handler), 3DBGA (3D Ball Grid Array Inspection System), V-ONE (One-stop Solution Suite), and ViNET Series (Remote Isolated Input/Output Modules).



HIGHLIGHTS OF 2016

ViTrox Showcases Products at Nepcon Shanghai 2016

ViTrox was one of the exhibiting companies at Nepcon Shanghai 2016. As part of the event, it showcased products and innovations such as SPI, AOI, AXI Inspection Systems & V-ONE – One-Stop Solution Suite to visitors.



ViTrox Launches New AXI Mini Inspection System

ViTrox launches a new model of Advanced X-Ray Inspection System named V810i Mini. As an Advanced 3D in-line X-Ray Inspection System (AXI) with the smallest footprint, it provides optimal resolution and excellent 3D CT images with 14 cameras.



May

ViTrox signed Memorandum of Understanding (MOU) with Malaysia Productivity Corporation (MPC)

ViTrox signed the MoU on Lean Partnership with MPC to signify greater collaboration and networking between members of both parties, thereby strengthening its capabilities to organise programmes and activities that complement governmental objectives of working towards becoming a high-income nation through economic transformation.

- sourced from: **Pocket News**



June

ViTrox Reveals Product Innovation at Nepcon Thailand 2016

In collaboration with its Strategic Channel Partners (SCPs) MTSC Solution Sdn Bhd and iRCTechnologies, ViTrox participated in Nepcon Thailand 2016 which took place from 22nd to 25th June at Bangkok International Trade & Exhibition Centre (BITEC). Highlights included award-winning products V510i Optimus 3D AOI, V810i Mini Advanced X-Ray Inspection System (AXI) and its first ever Solder Paste Inspection System, V310i SPI.

HIGHLIGHTS OF 2016

ViTrox Employees Take Part In Eden Handicap Charity Food Fair

13 ViTroxians served tirelessly as event volunteers for the Eden Handicap Charity Food Fair event on 11th June. Through the V-Serve program, they had the opportunity to reach out to people with disabilities at Caring Society Complex. At the same time, ViTrox donated certain amount to the benefitted NGO(s) based on the voluntary hours contributed by the participated ViTrox employees.



July

ViTrox Nabs Honours at MIRA Investor Relations Awards

ViTrox emerged as "Best Company for IR" and "Best IR Professional" in the MIRA Investor Relations Awards 2016. The Awards recognise individuals and companies who have displayed excellence in their implementation of Investor Relations (IR), after a polling process with over 1,500 asset managers and investment professionals from brokerage firms taking part.



August

ViTrox Offers a One-Stop Solution for SMT Lines at NEPCON South China 2016

The annual Nepecon South China 2016 was successfully held from 30th August to 1st September 2016 at Shenzhen Convention & Exhibition Centre. The event provided an opportunity for ViTrox to officially launch its One-Stop Solution for the SMT lines – V310i 3D SPI, V810i Mini AXI and V-ONE.



HIGHLIGHTS OF 2016

ViTrox Challenges Youth At 2016 Innovate Malaysia Design Competition

At Innovate Malaysia Design Competition, ViTrox challenged young inventors to realise their innovations via various platform tracks, to make machine vision a reality.



September

ViTrox Participates in Productronica India 2016

As part of Productronica India 2016 which took place at Bangalore International Exhibition Centre from 21st to 23rd October 2016, ViTrox collaborated with its strategic channel partners Kyoritsu and iNETest to showcase V510i 3D AOI and V510i G2S AOI systems to visitors.



ViTrox Campus 2.0 - Midway To Reach Accomplishment

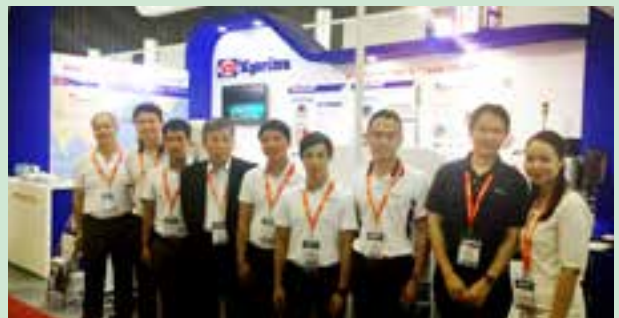
ViTrox Campus 2.0 had broken ground on 27th October 2015, and has been achieving favourable progress. The 1st level had been successfully constructed. On the upcoming year, an approximately 400k square feet campus will be ready for move-in and operation.



October

ViTrox's First Exhibit at Nepcon Vietnam 2016

Collaborating with its strategic partner Kyoritsu (Vietnam), ViTrox showcased its best-selling product V510i Optimus 3D AOI to visitors. Despite being its first time at the event at SECC, Ho Chi Minh, ViTrox managed to attract a large number of visitors to its booth during the three-day show from 6th to 8th October.



HIGHLIGHTS OF 2016

ViTrox's Participation in Blood Donation Campaign

On 23rd October, ViTroxians participated in a blood donation drive co-held with Persatuan Penderma Darah Seberang Perai Utara (SPU). Every Facebook 'like' received on photos uploaded by participants was matched with a donation of RM1. ViTrox managed to obtain 326 blood bags from its staff with donations to the organiser totalling RM1,000.



November

环保 · 人文, ViTrox 运用科技做环保

ViTrox运用科技减少资源的浪费, 用慈悲打造人文空间, 培养团队在人文素养上的提升, 期许能让企业能永续经营及成长。

Kyoritsu - New Sales Representative in Indonesia, India and Vietnam

Kyoritsu Electric (Vietnam) Co., Ltd. and PT. Kyoritsu Electric Indonesia are officially appointed as ViTrox's Strategic Channel Partners. Kyoritsu is authorized to distribute ViTrox's products, such as Advanced 3D Optical Inspection (AOI), Advanced 3D X-Ray Inspection (AXI) and Advanced 3D Solder Paste Inspection System (SPI) throughout its territory. The company's worldwide connections will help ViTrox to establish a stronger customer base in the mentioned countries.



MEDIA NEWS

11 Malaysian firms on Forbes Asia Bub List

The screenshot shows the top portion of a Forbes magazine article. The main headline reads "11 Asian companies in Forbes Asia's 'Best Under A Billion' 2015". Below the headline, there is a list of companies and their respective rankings. The article is from the "EDGE MARKETS" section, dated 11/11/2015.

50 Fastest Growing Companies

The screenshot shows a business news article with the headline "Why Case 10 is special for us". The article features several sub-headlines and portraits of individuals, likely executives or industry figures. The text discusses various business strategies and market trends.

Milestone Anniversaries- Global SMT & Packaging

The screenshot is a commemorative article for Global SMT & Packaging. It features several portraits of key personnel and large numbers (15, 35, 40) indicating milestones. The text celebrates the company's growth and achievements over the years.

Javad Experiences ViTrox's Advantages with Purchase of V810 Series2 XXL AXI System

The screenshot is an advertisement for ViTrox's V810 Series2 XXL AXI System. It features a headline, a sub-headline, and several paragraphs of text describing the system's benefits. There are also images of the equipment and a small diagram.

Malaysia Version Of Google

The screenshot is a Focus Malaysia article titled "Malaysia's version of Google!". It features a large photo of a person at a computer, a sub-headline, and several paragraphs of text. The article discusses the local market and technology trends.

Mitac成为伟特科技在中国大陆首台V810 XXL 和首台V810 S2EX AXI用户

The screenshot is a Mitac advertisement in Chinese. It features a headline, a sub-headline, and several paragraphs of text. There are also images of the equipment and a small photo of people.

MoU Signing Between ViTrox And MPC



MoU Signing Between ViTrox And MPC

ViTrox Technologies Berhad (ViTrox) and Malaysian Polymer Corporation (MPC) have signed a Memorandum of Understanding (MoU) to explore the possibility of joint venture and investment in the area of polymer technology and products.



The signing ceremony was held at the ViTrox headquarters in Penang, Malaysia. The MoU outlines the terms and conditions for the joint venture, which is expected to be completed within the next few months. The joint venture will focus on the development and production of high-quality polymer products for various applications, including automotive, construction, and packaging.

The MoU also includes provisions for the sharing of resources, expertise, and technology between the two companies. This collaboration is expected to enhance the competitive advantage of both companies and contribute to the growth of the polymer industry in Malaysia.



The signing of the MoU marks a significant milestone in the relationship between ViTrox and MPC. It demonstrates the commitment of both companies to innovation and growth through strategic partnerships.

ViTrox Corp Allocates RM120mil to Expand Penang Operations



ViTrox Corp allocates RM120mil to expand Penang operations

Penang, 10 March (The Star) — ViTrox Technologies Berhad (ViTrox) has announced that it has allocated RM120 million to expand its operations in Penang. The company, which is a leading manufacturer of polymer products, plans to invest in new production facilities and equipment to meet the growing demand for its products in the region.

The expansion program is expected to create new jobs and boost the local economy. ViTrox has also committed to maintaining high standards of quality and environmental sustainability in its operations. The company's products are used in a wide range of applications, from automotive parts to consumer goods.

The investment in Penang is part of ViTrox's broader strategy to strengthen its presence in the Southeast Asian market. The company has a long history of innovation and excellence, and this expansion is a testament to its commitment to growth and development.

积极、快乐、动力槟城 讲座会



《積極、快樂、動力檳城》講座會 講者齊 講壇精彩 三民共促穩定秩序

【檳城訊】由「三民」聯合主辦的《積極、快樂、動力檳城》講座會，將於本月廿九日（星期六）晚八時，在檳城會議中心舉行。屆時將有來自不同領域的專家學者，就如何建立積極、快樂、動力檳城，以及如何促進三民共促穩定秩序等課題，與聽眾進行深入探討。

講座會的主題是「積極、快樂、動力檳城」，旨在探討如何通過個人的積極態度和快樂心情，為社會和國家做出貢獻。此外，講座還將討論如何通過三民（政府、民間、企業）的共同努力，促進檳城的穩定和繁榮。

講座會將邀請多位嘉賓演講，包括政府官員、企業家、學者等。演講內容將涵蓋經濟發展、社會和諧、環境保護等多個方面。此外，現場還將設有問答環節，讓聽眾有機會與嘉賓進行交流。

《積極、快樂、動力檳城》講座會不僅是一場知識的盛宴，更是一次心靈的洗禮。它將激發聽眾的積極情緒，增強他們的責任感和使命感，為建設美好家園貢獻力量。

ViTrox Technologies Picks up a Global Technology Award for the V810 S2EXi during its Launch at Productronica



ViTrox Technologies Picks up a Global Technology Award for the V810 S2EXi during its Launch at Productronica

ViTrox Technologies Berhad (ViTrox) has been awarded a Global Technology Award for its V810 S2EXi product line during the launch event at Productronica. The award recognizes the company's innovative design and advanced manufacturing capabilities. The V810 S2EXi is a high-performance surface-mount technology (SMT) product that offers superior reliability and performance for various applications.



The award is a testament to ViTrox's commitment to research and development and its dedication to providing high-quality products to its customers. The V810 S2EXi product line is expected to gain widespread adoption in the market, further solidifying ViTrox's position as a leader in the SMT industry.

ViTrox · 环保人文



ViTrox 環保·人文

多倫多與社區公益的進取，與環境人文交響，展現現代人字樣式的魅力，讓世界更和諧與共進。

「誠信、責任、和諧、發展」

The report highlights ViTrox's commitment to environmental and social responsibility. It details the company's initiatives to reduce carbon emissions, conserve resources, and support local communities. The report also discusses the company's efforts to improve employee welfare and foster a positive corporate culture.

ViTrox is committed to sustainable development and believes that a balance between economic growth, environmental protection, and social responsibility is essential for long-term success. The report provides a comprehensive overview of the company's progress and future goals in these areas.

GOKOSHA

Distributing Precision Products and Solutions



GOKOSHA is a Japanese trading company. Our mission is to contribute manufacturing in Malaysia by supplying precision products with speedy response and reasonable price. Of course, we will provide not only merchandise but also solutions so that you settle problems, thus we prove worth of our existence. Our mottos are "sincere", "faith" and "honesty". We relentlessly pursue to be recognized as the general trading firm with consolidated expertise to maintain your trust in us. Not only below mention products, we also able to bring in any Japanese's brand to suit your need.



Primary Products

THK
The Mark of Linear Motion



THK is the first company in the world to develop a method of linear motion with rolling contact. They are always pioneer of LM guide and ball screw and enjoy big market share. THK is the most reliable manufacturer in terms of quality, capacity and wider product offering.

DAISHIN



DAISHIN is one of the biggest parts feeder makers in Japan. They have been evolving itself uniquely in its own way through many years R&D activities. Their piezoelectric stack para feeder system meets electronic components miniaturization and high speed conveying.

Mitutoyo



Needless to say, **Mitutoyo** is mega company specializing in measuring instruments with high metrological technology. They are leading the world in the development of larger, more complex, more sensitive measuring instruments such as optical comparators, CMM and so on.

GOKOSHA (M) SDN. BHD. (915589-M)

No.C-8-8 (Level 10) Menara Uncang Emas
85, Jalan Loke Yew 55200
Kuala Lumpur, Malaysia

TEL: (603) 9200 3214 FAX: (603) 9200 3215

E-Mail: malaysia@gokosha.co.jp

www.gokosha.co.jp/english/

Special thanks to ViTroX for years of rewarding partnership



MAKINO develops high speed and high precision machining centers. Their machines show high productivity and secure quality in limited cycle time. Also MAKINO wins recognition in various industries such as IT related, automotive and aerospace due to its high potential machine tools.



TRUSCO NAKAYAMA is specialized in all kind of professional tools for manufacturing industry with its PRO TOOLS. In Japan they called it "ORANGE BOOK".



TUNGALOY is the first company who developed cemented carbide tools in Japan. Throughout history of more than 70 years, Tungaloy has been leading cutting tools industry. They offer indexable inserts , steel products, PCB drills and wear resistant tools.



NACHI-FUJIKOSHI has more than 80 years history and is well known as drill, endmill, broach manufacturer. They offer wide range of drills and endmills with innovative technology.



OKAZAKI is famous for its wide range of reamers and side milling cutters. Their strengths are quick delivery and competitive price.



GOKOSHA Co., Ltd.

3-33-10 Shinmeidai Hamura-shi

Tokyo, Japan 205-9181

TEL: (81) 42 554 0224 FAX: (81) 42 554 9181

www.gokosha.co.jp

五光社

MIMI MULTI MOULD INDUSTRIES SDN. BHD. (381942-V)



Base



Base Plate



Welding



Alu Casting



Y Axis



Cast Iron

Special thanks to ViTrox for years of rewarding partnership!

For More Information

PT14495, Persiaran Batu Gajah Perdana 4,
Kawasan Perindustrian Batu Gajah Perdana,
31000 Batu Gajah, Perak,
Malaysia.

Tel: 6012-518 0000, 6012-537 6800
Email: cs_loh@mmsb.com Website: www.mmsb.com





U-Metal Engineering Sdn. Bhd.



Honoured 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 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



For More Information

Plot 87A, Lintang Bayan Lepas 9,
Bayan Lepas Industrial Park, Phase 4,
11900 Bayan Lepas, Penang
Tel: +(60)4-6455855
Fax: +(60)4-6455955



STG Southernpak Enterprise Sdn. Bhd.

No. 290, Blok H, Jalan Batu Maung,
11960 Bayan Lepas, Penang, Malaysia.

Tel: 604 - 6264 194/ 6266 802 **Fax:** 604 - 6263 654

Website: www.stgsouthernpak.com.my

Email: sales@stg-malaysia.com.my

Proud to be Partnered with ViTrox

HAVE A TOUGH JOB? **WE CAN HELP.**

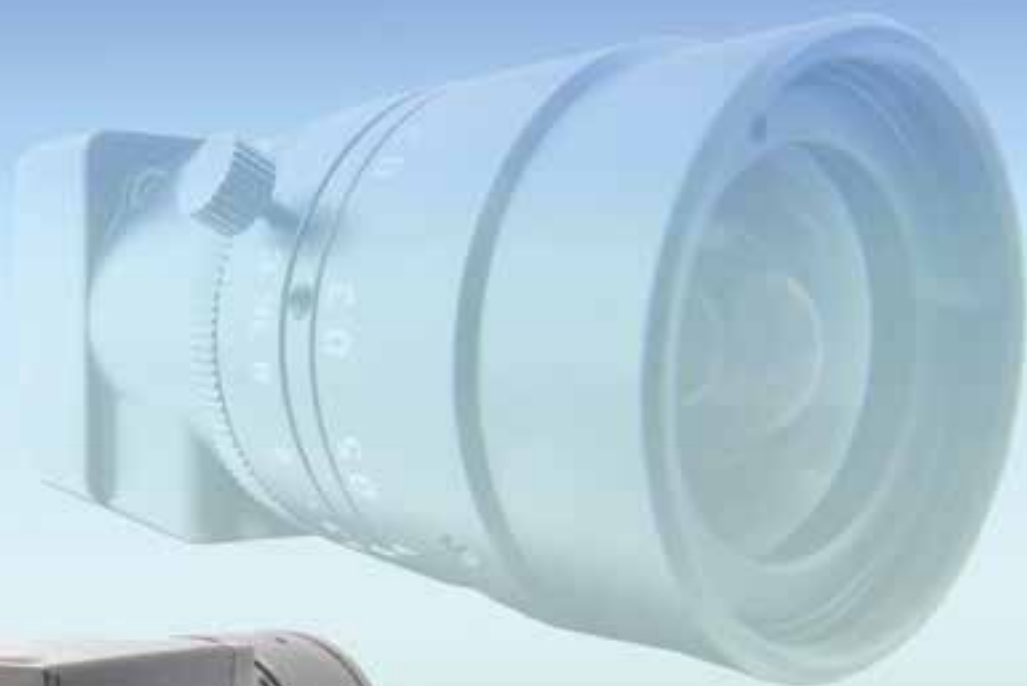
Your Reliable Partner of Moving, Crating, Material Handling, Palletizing

We are serving *Wooden Crating, Machinery Moving & Relocation, Plant Removal, Material Handling and Palletizing*. STG provides turnkey solutions for machinery, a broad range of service for industrial equipment, customized packing and crating for different shipments and pallet design. We ensure each customer receives the equipment according to the special requirement agreed upon as well as on-time delivery at a competitive price.



Thank You !

Proud to be Partnered with ViTrox !



Vital Vision

www.vitalvisiontechnology.com

TOSHIBA TELI CORPORATION

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.**

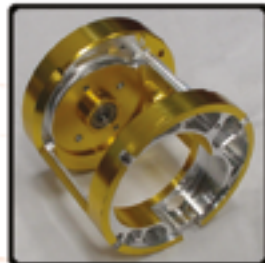
To be one of the leading supplier for semiconductor and disc drives industries with our **excellence quality and delivery.**

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



With Best Compliments



CKB Engineering



*Special thanks to ViTroX for years
of rewarding partnership*



SE CONTROL SDN. BHD. (933364-M)

**No. 15, Lorong Perindustrian Bukit Minyak 6,
Bukit Minyak Industrial Park, 14000 Bukit Mertajam, Penang.**

Tel : 04-508 3858

Fax : 04-507 3858

Manufacturing Service

We specialized in:-

- **Sub Assembly- electronic, mechanical, and or electro-mechanical**
- **Alignment and fine tuning**
- **Instrument and Electrical systems integration**
- **Troubleshooting**
- **Wiring from wire harnesses to full chassis wiring like cables, panel and chassis wiring**
- **Electrical & Electronic components assembly like sensor, motor (servo and stepper), pneumatics parts, switches, L.E.D. and etc**
- **PC Board Assembly of single and double sided thru-hole printed circuit boards**
- **Machine installation, servicing and maintenance**
- **Rework on product that was assembled or wired incorrectly and make that “worthless” assembly usable again**



蓮城軸承(馬)有限公司
LOTUS CITY BEARINGS (M) SDN. BHD.
(496918-M)



NSK
Distributor

Japan's No. 1
Since 1916

Proud to be Partnered with ViTrox

The Products that We Have:-



Direct Drive Motor
(Megatorque Motor)



Electric Actuators

- Economy
- Universal
- Press
- Compact

HEADQUATER

No. 99, Grd Floor, Jalan Bendahara,
31650 Ipoh, Perak, Malaysia.
Hunting Line: +6 05 254 0000 | +6 05 253 3373 | +6 05 242 3373
Fax: +6 05 243 2268 Email: headquarters@lotuscitybearings.com

KL BRANCH

No.32, Jalan Puteri 5/6, Bandar Puteri,
47100 Puchong, Selangor, Malaysia.
Tel: +6 03 8051 6112
Fax: +6 03 8066 9994 Email: klbranch@lotuscitybearings.com

PENANG BRANCH

No 4667, Jalan Chain Ferry,
12100 Butterworth, Penang, Malaysia.
Hunting Line: +6 04 310 1800 | +6 04 310 1801 | +6 04 310 1802
Fax: +6 04 310 1200 Email: pgbranch@lotuscitybearings.com

SEREMBAN BRANCH

No 345, Jalan Tun Dr. Ismail,
70200 Seremban, Negeri Sembilan, Malaysia.
Hunting Line: +6 06 764 1700 | +6 06 764 2700 | +6 06 764 3700
Fax: +6 06 764 0700 Email: nsbranch@lotuscitybearings.com

MELAKA BRANCH

No 5, Jalan Berkat 1, Taman Malim Jaya,
75250, Melaka, Malaysia.
Hunting Line: +6 06 335 1000 | +6 06 337 3002 | +6 06 336 5002
Fax: +6 06 334 6000 Email: mikbranch@lotuscitybearings.com

JOHOR BRANCH

No 39, Jalan Ros Merah 2/1, Taman Johor Jaya,
81100 Johor Bahru, Johor.
Hunting Line: +6 07 351 9500 | +6 07 351 9501 | +6 07 351 9502
Fax: +6 07 352 9500 Email: jbranch@lotuscitybearings.com

SABAH BRANCH

Address : TB 15126 Lot 402, Bandar Sri Indah, BT 10 Jalan Apas, TWU,
91000 Tawau.
Tel: 089-758880/ 758881
Fax: 089- 758884 Email: sbhbranch@lotuscitybearings.com

LOTUS CITY BEARINGS (THAILAND) CO., LTD

11/18 Moo 9 Lumlukka Road, Tambol Koo-Khod,
Amphur Lumlukka,
12130 Pathumthani Province, Thailand
Hunting Line: +0066 02 994 8834 | +0066 02 994 8835
Fax: +0066 02 994 8735 Email: thailand@lotuscitybearings.com

Zhang Hung Engineering Sdn Bhd

*Proud to be Partnered with **ViTrox***

We strive to build a strong and dedicated team to support and deliver service that exceed our customer's expectations.

Our customers are our partners to Success.



Zhang Hung Engineering Sdn Bhd
No 16, Ground Floor, Lorong Helang 3
Desa Permai Indah, Sungai Dua
11700 Gelugor, Pulau Pinang.
Tel: (604) 657 3293
Fax: (604) 655 3293
Email: Zhanghung_lee@yahoo.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 System Integrators, Manufactures 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

“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: +604-6262308 / 6111802
H/P: +017-4777308 / 012-4788308
Fax: +604-6262309
Email: sales@micropex.com
Web : www.micropex.com





*Proud to be Partnered
with ViTrox*

ACH SEIKI Engineering Sdn. Bhd. was established on 2008, a fully local owned company based in the Northern Region of Malaysia.

We Specialized in:-

- Design
- Fabrication of jigs and fixtures
- Precision machine parts
- Precision tools and dies
- Metal works
- Automation system

ACH SEIKI Engineering Sdn. Bhd.

312-E, Lorong Chemor,
Jalan Perak, 11600 Penang, Malaysia.

Tel/Fax +604- 2811 218

H/P +6012- 4512 478

Email achengineering@gmail.com

The paramount importance of ACH SEIKI is meeting and satisfying customers demand, through the maintenance of the quality materials, components, skills and technologies.

We strive to keep customers satisfaction in every aspect.

CS Advance Engineering Sdn Bhd

Honoured to be Partnered with ViTrox

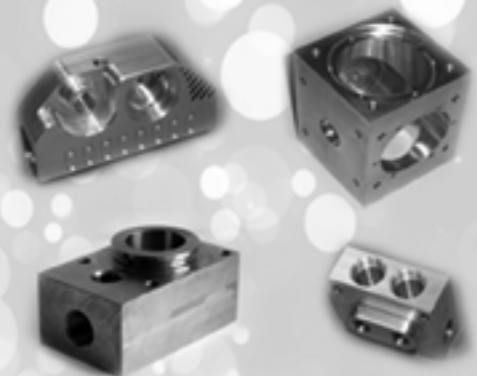
CS Advance Engineering started its operations in 2003 with an objective to be one of the top fabrication houses in Northern Region.

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.



CS Advance Engineering Sdn. Bhd.

No.1, Lorong Mak Mandin 5/3,
Kawasan Perindustrian Mak Mandin,
Butterworth, 13400, Penang, Malaysia.

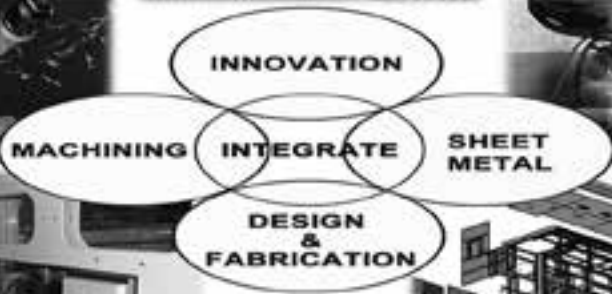
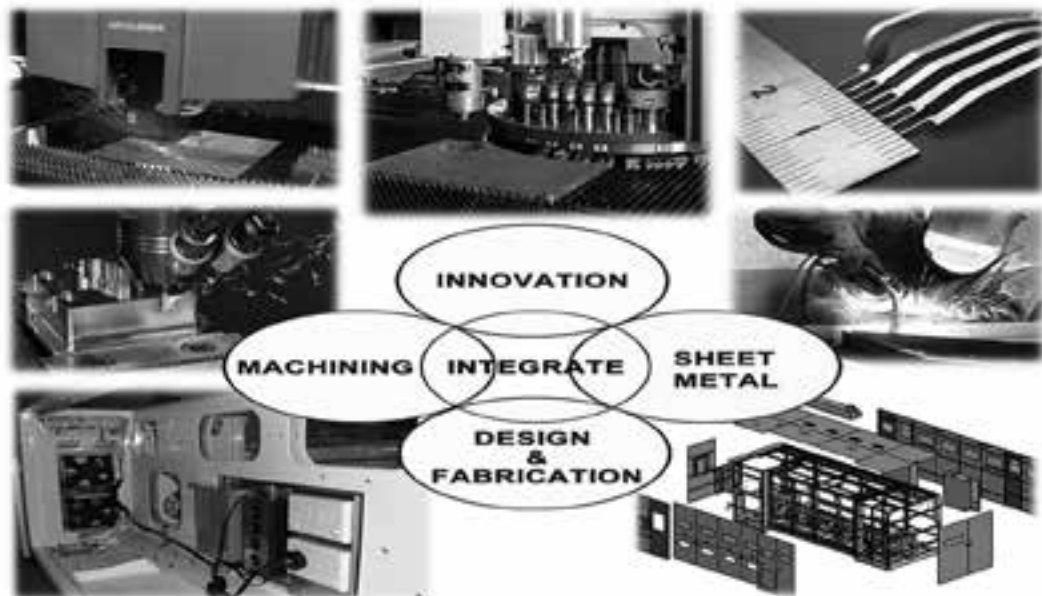
Tel: 04-3248403

Fax: 04-3328403

URL: www.csbrighten.tripod.com/csbright
Email: csadvanceeng@yahoo.com

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

Proud to be Partnered with ViTrox



2518 & 2699,
 Lorong Perusahaan Baru 2,
 Prai Industrial Estate, 13600
 Prai, Penang, MALAYSIA.

T: +604-399 2408
 F: +604-399 2402
 E: sales@starcnc.com.my
 W: www.starcnc.com.my

Your One-Stop Engineering & Manufacturing Solution Partner



SWISSPAC

The Computer Store!

YOUR BEST DIGITAL TRANSFORMATION & SECURITY SOLUTIONS PARTNER

We are the solutions partner for:

Intel/AMD/Dell/Hp/Lenovo/Apple/Acer/Acer/Oligabyte/MSI/Samsung/Cisco/APC/Emerson/Lantek/Sapphire/Matrox/Corsair/Kingston/Apacer/Transcend/Kingmax/EG/Bea/Philips/Viewsonic/Lite-On/Panasonic/Epson/Canon/Brother/Toshiba/Hitachi/Ricoh/Fujitsu/Sony/DKI/NEC/Fuji/Xerox/Zebra/Seagate/Western Digital/Platters/AMP/Beider/Panduit/Fluke/Sonic/Wall/Fortigate/ASA/Polycom/Pepwave/Extreme/Cat5/lan/F3/Racknet/Aruba/Peplink/Alparit/Ligowave/Utkapoy/Eigentec/Meraki/Jawwal/Alteq/Abtin/Noguar/Trendnet/Synergy/Quip/Disher/Auxima/Lagitech/Keremington/BeKlar/3M/Cosler/Mazze/Adel/D-link/TP-Link/Linksys/Pro-link/Sandisk/Atashi/Wacom/Sensitiser/Targus/Jawbone/Platinum/Alex/Razer/Steel/Serice/Stein/Gear/DJI/Titan/GoVision/Stranys/Makarhof/Ultraker/Vigilance/Esxy/Pan/Mikrotik/Dasa-Max/Argus/Honeywell/TIME/Mavis/Stranys/Unit/YEN/Microsoft/Autodesk/Adobe/Win-ware/Hyper-V/Symantec/Kaspersky/E-sat/McAfee/Wahoon/Office 365/Avast/Webex/DynDNS/CallCox/Wet & Email/Testing/Embedded/Data Recovery/Preventive Maintenance/Networking/Cable Management



www.swisspac.com.my

BJ Complex Outlet (BJO)
 3A-4/9, 301, Kompleks Bukit Jambul,
 Jalan Kuching, Bayan Lepas
 11000 Penang
 Tel: 014-644 3778 Fax: 014-644 8779

Perak Road-Main Office (PRM)
 124-A, Jalan Perak,
 01010, Penang
 Tel: 04-228 1779 Fax: 04-228 5778

ICT Komtar Outlet (IKO)
 13-30 & 13-31 Komtar,
 Jalan Prang, Georgetown
 10000 Penang
 Tel: Fax: 04-264 5778

Petaling Jaya Office (PJO)
 No 212, Jalan Cempaka,
 6/3, Seksyen 6, PJU 15,
 Kota Damansara, Petaling Jaya,
 47810, Selangor
 Tel: 03-6142398 Fax: 03-6142 2967

Banarworth Outlet (BWO)
 PS 19A & 19B, Jalan Pta Jaya 2,
 Bandar Pta Jaya,
 13600 Prai, Penang
 Tel: Fax: 04-399 3778

Perak Road Outlet (PRO)
 124A, Jalan Perak,
 01010 Penang, Malaysia
 Opening soon June 2017



PUNCH

Proud to be Partnered with ViTrox



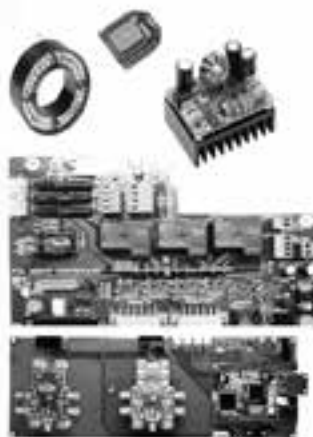
Nature of business:
We specialize in:
**Profile punches,
Carbide & Steels Punches,
Pin general machining,
Precision Components for
mold and die, Jig & fixture
and automation system.**

PUNCH ENGINEERING (INCORPORATED)
NO 15, SOLOK KEBABU 1, PERMATANG DAMAR LAUT,
11950 BAYAN LEPAS, PENANG, MALAYSIA
TEL NO : 604-6264292 FAX NO : 6046265292
E-MAIL ADDRESS : punch_eng@yahoo.com

AFFINEX
Affinex Innovation Sdn. Bhd.

Proud to be Partnered
with ViTrox

*Your Trusted Electronics ODM PCBA
Turnkey Solution Partner*



Specialist in:

- ODM for Automation Embedded Controller Card
- Customize Test & Measurement Signal Switching
- Custom PCBA Multi-Function PCBA
- Customize Small Equipment Controller Card
- Customize LEDs Light Up, LEDs Indicator, Vision Lighting Driver and Controller
- Customize DC-DC Power Supply
- Customize DC Motor Controller

Affinex Innovation Sdn. Bhd.
Krystal Point B-2-8,
303, Jalan Sultan Azlan Shah,
11900 Penang, Malaysia.
Direct Line : 04-6441898
Fax No : 04-6465893



Email: sales@affinex.com.my
URL: www.affinex.com.my

Cadbon Venture

No. 723-X-1, Jalan Sungai Dua, Vanda Business Park,
11700, Gelugor, Penang, Malaysia
Tel: 04-655 4036 | 04-659 4036
Fax: 04-657 4036
E-Mail: sales@cadbon.com
Website: www.cadbon.com



Our Products and Services:

- Ergonomic Class 100 Cleanroom Lifting Devices & Industries Manipulators
- Specialize in Packaging Machineries & Material Handling Equipment
- Packaging Materials, Adhesive Tapes, PET/PP Strap and Labels
- Industrial Supplies
- Data Collection Equipment

Special thanks to ViTrox for years of rewarding partnership!

MT

Ometick Tooling Sdn. Bhd.

Precision Tooling & Fabrication Maker

Honoured to be partnered with ViTrox

We are committed to:-

- 100% conforming with ISO 9001 standard, customer and Ometick Tooling QMS requirements
- Provides dependable delivery commitment to customers
- Continually improve the established QMS in order to enhance customer satisfaction



For More Information:

Address
No.1, Lorong Jelawat 8,
Seberang Jaya,
13700 Peral, Pulau Pinang, Malaysia.

Phone
+604 3866 611
Fax
+604 3866 622
Website
www.Ometick.com.my





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

Special thanks to ViTrox for years
of rewarding partnership!

📍 1038, Jalan Dato Ismail Hashim,
Sungai Ara, 11900 Bayan Lepas,
Penang, Malaysia

☎ +604 643 6122 📠 +604 643 2199

☎ +6-012-459 1919

✉ cklm@genetic.com.my



our business

Honoured to be partnered with ViTrox

XYREON Technology Sdn. Bhd. 怡和科技
Authorized distributor and channel partner for:

ADVANTECH **OTEKSYS** **Winsonic**
Quantax **ASRock** **Panasonic**

www.ckim-multitech.com | www.xyreon.com.my | www.otek.com.my | 1900-88-6118

This page is intentionally left blank

CORPORATE GOVERNANCE STATEMENT

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 review and approval include the annual business plan and budget, 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 set up the clear task and responsibilities to the Senior Management. Management Meetings were held periodically between the Executive Directors and the Senior Management to discuss the major business affairs of the Group. Besides, the Board has also delegated the authority to Senior Management in respective subsidiaries to run the daily errand in pursuant to the authority matrix set.

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 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 2016 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 2016 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 2016 Corporate Hoshin Plan and, where required, in identifying alternative measures to be taken to ensure the successful realisation of the strategies.

CORPORATE GOVERNANCE STATEMENT

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 Management reviewed the results of the 2016 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 risk management and internal control systems, the Board has established an internal audit function with the assistance of an external professional firm.

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 organisation.

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 Risk Management and Internal Control set out on pages 71 to 73 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.

CORPORATE GOVERNANCE STATEMENT

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

1.2 Clear roles and responsibilities (cont'd)

1.2.4 Succession planning (cont'd)

The shareholders of the Company had via its Extraordinary General Meeting held on 27 February 2014, amongst others, approved the Establishment of an Employees' Share Option Scheme ("ESOS"). An ESOS Committee was established by the Board on 15 May 2014 to oversee the administration as well as to ensure proper implementation of the ESOS in accordance with the By-Laws of the ESOS. The rationale of the Scheme is, *inter alia*, to motivate, retain and reward Eligible Person(s) who, upon exercising their options, would be given the opportunity to participate in the equity of the Company and thereby relate their contribution directly to the performance of the ViTrox Group.

The members of the ESOS Committee are as follows:-

Chairman	: Chang Mun Kee
Members	: Dato' Seri Dr. Kiew Kwong Sen Chu Jenn Weng Siaw Kok Tong Yeoh Shih Hoong

1.2.5 Overseeing the development and implementation of a shareholder communications policy for the Company

As part of the implementation of investor relation programme, the CEO is tasked to handle investor relation related matter in the Group. Besides, shareholders or investors may convey any concern / grievances to the Independent Directors of the Company accordingly. During the financial year, the Company communicated material news on the Company to its shareholders vide release of public announcement. ViTrox's Facebook also serves a communication platform of its stakeholders with Corporate development, functions, products information, etc. 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 Dr. Kiew Kwong Sen
Email: kelvinkiew@yahoo.com

1.2.6 Reviewing the adequacy and the integrity of the management information and internal controls system of the Company

Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines with the assistance from the Internal Auditors, External Auditors and Company Secretary.

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.

CORPORATE GOVERNANCE STATEMENT

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

1.3 Formalised ethical standards through Code of Ethics (cont'd)

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 seeks to foster an environment where integrity and ethical behavior 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 Group's 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.

A whistleblower may make a complaint to the Chairman of the Audit Committee of any detrimental action committed by any person against the whistleblower or any person related to or associated with the whistleblower. Any report can be submitted confidentially via email to vitroxwhistle@gmail.com.

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.

Agenda and documents relevant to the Board meetings are circulated at least 7 days in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings. Any additional information requested by the directors will be provided in timely manners.

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.

CORPORATE GOVERNANCE STATEMENT

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

1.6 Qualified and competent Company Secretaries

Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. 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 also keep the Board updated on changes in the Listing Requirements and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

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. The Board reviewed its charter on 24 February 2017 and the revised Board charter of ViTrox is available at its corporate website.

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
Member	: Dato' Seri Dr. 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.

CORPORATE GOVERNANCE STATEMENT

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 ("AGM"). 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 AGM 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 2016, 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 establishes 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.

CORPORATE GOVERNANCE STATEMENT

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)

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 24 February 2017, an assessment of the effectiveness of the Board, respective Board Committee and Independence ("the Assessment") were carried out in respect of the FYE 2016. 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.

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 AGM to be held on 23 June 2017; .
- reminded the Directors 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.

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 caliber 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 Remuneration Committee ("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
Member	: Dato' Seri Dr. Kiew Kwong Sen
	Chu Jenn Weng

CORPORATE GOVERNANCE STATEMENT

2. Strengthen composition (cont'd)

2.3 Remuneration policies (cont'd)

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:-

- 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.
- Directors' Fees are based on a standard fixed fee and are subject to approval by its shareholders at the AGM.
- 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.
- Benefits-in-kind – only Executive Directors of the Group are entitled to benefits-in-kind provided by the Group.
- The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

Details of the Directors' remunerations for FYE 2016 are as follows:-

Category	Salaries, Bonuses, Employees Provident Fund & Other Emoluments				Share-Based Payments	Allowances	Total
	Fees RM	RM	RM	RM			
Executive	-	941,984	94,699	108,000		1,144,683	
Non-Executive	144,000	22,308	174,071	27,600		367,979	
Total	144,000	964,292	268,770	135,600		1,512,662	

The remuneration bands of the Directors are as follows:-

Range	Number of Directors	
	Executive	Non-Executive
RM50,001 – RM100,000	-	3
RM100,001 – RM150,000	-	1
RM350,001 – RM400,000	2	-
RM400,001 – RM450,000	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.

CORPORATE GOVERNANCE STATEMENT

2. Strengthen composition (cont'd)

2.3 Remuneration policies (cont'd)

On 27 February 2014, the Company established its ESOS applicable throughout the 10-year from the effective date on 4 March 2014. The details of the ESOS entitlement of the respective Director and person connected to Director during FYE 2016 are as follows:-

Directors / Persons Connected	Designation	Number of ESOS Option granted	
		Offer on 15 May 2014 Option Price/ Share : RM1.63	Offer on 20 Oct 2014 Option Price/ Share : RM2.02
Dato' Seri Dr. Kiew Kwong Sen	Chairman/ Independent Non-Executive Director	200,000	200,000
Chu Jenn Weng	Managing Director/ President/ CEO	0	180,000
Siaw Kok Tong	Executive Director/ Senior Vice President	0	144,000
Yeoh Shih Hoong	Executive Director/ Senior Vice President	0	144,000
Chuah Poay Ngee	Independent Non-Executive Director	150,000	150,000
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	Non-Independent Non-Executive Director	150,000	150,000
Chang Mun Kee	Independent Non-Executive Director	150,000	150,000
Su Pek Fuen*	Employee	21,000	21,000

Note:-

* Person connected with Chu Jenn Weng

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").

3.2 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.

CORPORATE GOVERNANCE STATEMENT

3. Reinforce Independence (cont'd)

3.2 Tenure of Independent Directors (cont'd)

- 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 judgement 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:-

- a) Dato' Seri Dr. Kiew Kwong Sen who is the Independent Non-Executive Chairman of the Company and has served the Board for a cumulative term of more than eleven (11) years. Dato' Seri Dr. Kiew has demonstrated through out the terms of his office to be independent by exercising independent judgement 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.
- b) Ms. Chuah Poay Ngee, an Independent Non-Executive Director of the Company has served on the Board for a cumulative term of more than ten (10) years. Her vast experience in the finance, accounting and taxation areas enabled her to provide the Board with a diverse set of experience, expertise and independent judgement and thereby, able to make informed decision and performed her duty diligently and in the best interest of the Company. She also participated actively and contribute positively during deliberations 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 Dr. Kiew and Ms. Chuah to continue to serve as Independent Non-Executive Directors of the Company at the AGM to be held on 23 June 2017.

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.

CORPORATE GOVERNANCE STATEMENT

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 Dr. 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 Dr. Kiew Kwong Sen
Email: 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 FYE 2016, as set out in the table.

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

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.

During the FYE 2016, Ms. Chuah Poay Ngee has notified the Company on her appointment as an Independent Non-Executive Director of LNG Resources Berhad on 2 December 2016.

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.

4.2 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.

CORPORATE GOVERNANCE STATEMENT

4. Foster Commitment (cont'd)

4.2 Continuing Education Programmes (cont'd)

All the Directors of the Company attended various seminars and training programmes during FYE 2016 as follows:-

Name of Director	Mode of Training	Course Title	No. of hour/day spent
Dato' Seri Dr. Kiew Kwong Sen	Workshop	Practical Environmental Aspect Determination	8 hours
	Workshop	Strategic Approach to Risk Based Thinking	8 hours
Chu Jenn Weng	Briefing	生命的真善美和爱	1.5 hours
	Briefing	V-TEA Art	1.5 hours
	Workshop	CEO Conference: Revolution Leadership & Corporate Transformation Journey	8 hours
	Briefing	Basic Western Dining Etiquette	1.5 hours
	Briefing	One ViTroxian-How to build a strong teamwork	1.5 hours
	Briefing	“以爱为管理” 完结篇之 “幸福之道”	1.5 hours
Siaw Kok Tong	Briefing	The End of Cloud Computing	1.5 hours
	Briefing	生命的真善美和爱	1.5 hours
	Briefing	V-TEA Art	1.5 hours
	Workshop	Dale Carnegie Review Session	8 hours
	Briefing	Basic Western Dining Etiquette	1.5 hours
Yeoh Shih Hoong	Briefing	生命的真善美和爱	1.5 hours
	Workshop	Safety Committee Training	8 hours
	Workshop	Explore, Discover, Connect and Collaborate with DIMECC	8 hours
	Briefing	V-TEA Art	1.5 hours
	Workshop	Advanced Semiconductor Technology Conference (ASTC)	18 hours
	Briefing	Green Experience for Business (O'Right)	1.5 hours
	Workshop	BIGIT Technology Malaysia 2016	16 hours
	Workshop	EQ Mindfulness Training	16 hours
	Briefing	Life Economics II	1.5 hours
	Briefing	Dale Carnegie Review Session	1.5 hours
	Workshop	ViTrox COE Training : Feature Extraction	14.5 hours
	Workshop	Optimizing Debayer Implementation Using SSE/AVX2 Intrinsic Session 1	12 hours
	Briefing	TEAM	1.5 hours
	Workshop	ISO 9001: 2015 Awareness & Strategic Implementation Training	7.5 hours
	Workshop	CEO Conference: Revolution Leadership & Corporate Transformation Journey	7.5 hours
	Workshop	EU Sea Big Data Summit 2016	16 hours
Briefing	Festo Private Seminar-Industry 4.0 and The Future Automation (Private Seminar)	5 hours	
Briefing	One ViTroxian-How to build a strong teamwork	1.5 hours	

CORPORATE GOVERNANCE STATEMENT

4. Foster Commitment (cont'd)

4.2 Continuing Education Programmes (cont'd)

Name of Director	Mode of Training	Course Title	No. of hour/day spent
Yeoh Shih Hoong (cont'd)	Briefing	Industry-University Collaboration Projects in Germany	2 hours
	Briefing	“以爱为管理” 完结篇之 “幸福之道”	1.5 hours
	Briefing	The Lessons of Half-Century	1.5 hours
Chuah Poay Ngee	Workshop	Risk Management and Internal Control Workshop	8 hours
	Workshop	Financial Analysis & Modelling in Excel	16 hours
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	Workshop	PETRONAS Cultural Beliefs (PCB) Forum	2 days
	Workshop	International Research Conference- "Funding Research on a Changing Landscape"	1 day
	Briefing	ASM Envisioning Malaysia 2050 Foresight Talk	0.5 day
	Workshop	Workshop on Intelligent Signal & Imaging for Biomedical Applications 2016 (WISIBA)	2 days
	Workshop	UTP Research Institutes Roadmapping Workshop	2 days
	Workshop	QS Asia Pacific Professional Leaders Conference and Exhibition	2 days
Chang Mun Kee	Workshop	Genuine of Warren Buffett	3 days
	Workshop	Taiwan Board of Director	1 day

In the future, the Board will continue to identify training needs amongst the Directors and enroll the directors for training programmes, 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 74 of this Annual Report 2016.

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.

In this regard, the main activities, amongst others, undertaken by the AC during the financial year are detailed in page 68 to 70 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

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. Three discussion sessions between the AC and the external auditors were held on 25 February 2016, 5 April 2016 and 17 November 2016 respectively.

Messrs. Crowe Horwath, had via the Audit Review Memorandum dated 22 February 2017 confirmed that:-

- they have complied with the ethical requirements regarding independence with respect to the audit of the Group for FYE2016 in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*;
- they have reviewed the non-audit services provided to the Group during the financial year and related safeguards have been applied to reduce the threats to an acceptable level.

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 13th 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 Company had also formed its Risk Management Committee (RMC) on 6 Oct 2015 to closely monitor the Group's risk profile. The RMC will review and recommend to the Board the type and level of business risks of ViTrox Group and the appropriate framework and policies for managing such risks.

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 organisation.

The Statement on Risk Management and Internal Control set out on pages 71 to 73 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

CORPORATE GOVERNANCE STATEMENT

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.

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 2016 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 12th AGM of the Company held on 24 June 2016, 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 2015, payment of special and final dividend, re-election of retiring Directors, payment of Directors' fees, re-appointment of external auditors, retention of Independent Director to continue in office and share buy-backs. As such, the resolutions put forth for shareholders' approval at the 12th AGM were voted on by a show of hands.

8.3 Effective communication and proactive engagement

At the 12th AGM, the Independent Non-Executive Chairman, 2 Independent Non-Executive Directors and 3 Executive 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 12th AGM included the CEO's presentation of the Company's operating and financial performance for 2015, the presentation of the business outlook 2016, and a Q&A session during which the Chairman of the Meeting 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. Also CEO and external auditors were in attendance to respond to the shareholders' queries.

COMPLIANCE STATEMENT

The Board is satisfied that in 2016, the Company complied with the principles and recommendations of the Code.

This Statement is made in accordance with the resolution of the Board dated 18 April 2017.

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee ("Committee") was established by the Board of Directors of ViTrox Corporation Berhad ("the Company") on 8 July 2005 as a Committee of the Board. The present members of the Committee comprise:-

Chuah Poay Ngee
Chairman
Independent, Non-Executive Director

Dato' Seri Dr. 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

This composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Bursa Securities Main Market Listing Requirements (Main LR). Ms. Chuah Poay Ngee, the Chairperson of the Audit Committee is a Chartered Accountant of the Malaysian Institute of Accountants. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of the Main LR.

Attendance at Meetings

The information on the attendance of each member at the Committee meetings held during the Financial Year Ended ("FYE") 2016 is as follows:

Member	No. of Meetings Held	No of Meetings Attended
Chuah Poay Ngee	5	5
Dato' Seri Dr. Kiew Kwong Sen	5	4
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	5	4
Chang Mun Kee	5	4

Activities of the Audit Committee

The activities carried out by the Committee during the FYE 2016 in the discharge of its duties and responsibilities are as follows:-

1. Financial Reporting

- In overseeing the Company's financial reporting, the Committee reviewed the quarterly financial statements for the fourth quarter of 2016 and the annual audited financial statements of 2016 at its meeting held on 24 February 2017 and 22 March 2017 respectively.

The quarterly financial statements for the first, second and third quarters of 2016, which were prepared in compliance with *MFRS 134, "Interim Financial Reporting"*, issued by the Malaysian Accounting Standards Board ("MASB") and the disclosure requirements as set out in Appendix 9B of the Main LR and the Condensed Report also complies with *IAS34: Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB"), were reviewed at the Committee meetings held on 24 May 2016, 18 August 2016 and 17 November 2016 respectively. On 24 February 2017, the Committee reviewed the quarterly financial statements for the fourth quarter of 2016. The Committee's recommendations were presented for approval at the subsequent Board meeting.

AUDIT COMMITTEE REPORT

Activities of the Audit Committee (cont'd)

2. External Audit

The Committee has on 25 February 2016, 5 April 2016, 17 November 2016, 24 February 2017 and 22 March 2017 respectively met with the External Auditors without the presence of the Executive Members.

On 25 February 2016, the External Auditors met up with the Committee to update the status of audit progress for FYE2015 and also, some pending information/documents in relation to the audit.

During the Meeting on 5 April 2016, the External Auditors tabled the Audit Review Memorandum for FYE2015 for the Committee's information and discussion. Besides, the Committee took note on the key amendments of the Main LR and key changes in the financial reporting standards and updates which are applicable to the Group. The Committee also enquired whether the Auditors encountered any matter/concern/issue during the course of audit that warrant the Committee's attention. There were no critical areas of concern raised by the External Auditors.

On 17 November 2016, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for financial year ending 2016, more particularly outlined the nature and scope of audit, audit timetable, list of management communication term and audit engagement team to the Audit Committee.

At the Meeting held on 24 February 2017, the External Auditors tabled and the Committee reviewed the Audit Review Memorandum of the Group for FYE 2016. The Committee also took note on a few outstanding issues identified during the course of audit as highlighted by the External Auditors and further highlighted the same to the Board for deliberation. The Committee also noted that the External Auditors have identified 2 Key audit matters i.e. Allowance for inventories and Impairment of loans and receivables, to be presented in its Independent Auditors' Report. In reply to the Committee's enquiry, the External Auditors confirmed that the Group has been providing full co-operation during their course of audit and no major audit issues that warrant the Committee's concern thus far. At the same Meeting, copies of the External Auditors Performance and Independence Checklist in respect for the FYE 2016 was being distributed for review (the Assessment). The Committee concluded that based on the Assessment, amongst others as set out below, the External Auditors Performance for year 2016 was found adequate and thereby recommended the re-appointment of Messrs. Crowe Horwath as the External Auditors of the Group to the Board for approval by its shareholders:-

- after having satisfied with its audit independence and the performance of Messrs. Crowe Horwath throughout its course of audit FYE 2016;
- highly satisfied that the quality processes/ performance of External Auditors;
- able to give adequate technical support when audit issue arises;
- adequate experience and resources of Messrs. Crowe Horwath and audit engagements.

AUDIT COMMITTEE REPORT

3. Internal Audit Function

The Group has engaged the services of an independent professional accounting and consulting firm, Finfield Corporate Services Sdn Bhd (FCS) to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. FCS reports directly to the Committee on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes. The annual cost for the Group's internal audit function is RM7,500.

On 25 February 2016, the Internal Audit Plan 2016 was tabled for Committee's discussion. The Committee resolved such Plan was required fine-tuning.

On 24 May 2016, the Committee reviewed the revised Internal Audit Plan 2016 and the Internal Auditors were requested to further review the Plan.

The revised Internal Audit Plan 2016 was again tabled at the Meeting held on 18 August 2016 and the Committee approved the said Plan.

During the FYE 2016, Internal Auditors have conducted review on internal control of its subsidiary(ies) in September 2016 focusing on the following areas:-

Company	Audit Areas	Reporting Date
ViTrox Technologies Sdn Bhd	1. Inventory management; and 2. Accounts receivable	17 November 2016

The Internal Auditors also presented its findings together with recommendation and management action plan to the Committee at the Meeting on 17 November 2016.

The Audit Committee reviewed the Statement on Risk Management and Internal Control in respect of FYE 2016 on 22 March 2017 for publication in the Annual Report 2016. Information pertaining to the Company's internal controls is shown in the Statement on Risk Management and Internal Control set out on page 71 to 73 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND 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.

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 organisation 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Internal Control Structure (cont'd)

Risk Management Framework (cont'd)

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.

The Company has on 6 October 2015 established the Risk Management Committee (RMC) and comprise of:-

Yeoh Shih Hoong
Chairman
Executive Director / Senior Vice President

Chu Jenn Weng
Member
Executive Director / Managing Director / President / CEO

Siaw Kok Tong
Member
Executive Director / Senior Vice President

Lim Yee @ Lim Wei Yee
Member
COO / Senior Vice President

The RMC will meet at least twice in a financial year to review the risk management reports it receives from the Risk Management Working Group (RMWG) and assess risk at Group level.

Internal Audit Function

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

Internal audit is carried out 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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 68 to 70 of this Annual Report.

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 programmes 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.

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 Chief Financial Officer ("CFO") 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 18 April 2017.

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 18 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

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

Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2016 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follow:-

Category	Audit Fees (RM)	Non-Audit Fees (RM) [^]
Company	30,000	4,500
Subsidiaries	58,500	18,000
Total	88,500	22,500

[^] Non-audit fees consist of reviewing Statement on Risk Management and Internal Control, tax fees and government grant verification.

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.

Employees' Share Scheme

The shareholders of the Company had via its Extraordinary General Meeting held on 27 February 2014, amongst others, approved the Establishment of an Employees' 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.

During the financial year ended 31 December 2016, the total number of ESOS granted, exercised and outstanding are set out below:-

Category	Number of ESOS options as at 31 December 2016				Balance 31 December 2016
	Balance 1 January 2016	Granted	Exercised	Lapsed	
Directors	1,222,600	-	(535,400)	-	687,200
Employees	898,050	-	(388,250)	(38,500)	471,300
Total	2,120,650	-	(923,650)	(38,500)	1,158,500

Pursuant to the Company's ESOS, not more than 70% of the options available under scheme shall be allotted, in aggregate, to Directors and senior management.

Since the commencement of the scheme, 64.82% of the options under the scheme have been granted to Directors and senior management.

ADDITIONAL COMPLIANCE INFORMATION

Employees' Share Scheme (cont'd)

During the financial year, no options have been granted to Directors and senior management.

The table below set out the ESOS granted to, exercised by the Non-Executive Directors pursuant to the ESOS in respect of the financial year ended 31 December 2016:-

Name of Director	Balance 1 January 2016	Number of ESOS Options		Balance 31 December 2016
		Granted	Exercised	
Dato' Seri Dr. Kiew Kwong Sen	220,000	-	140,000	80,000
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	165,000	-	105,000	60,000
Chuah Poay Ngee	210,000	-	150,000	60,000
Chang Mun Kee	300,000	-	-	300,000
Total	895,000	-	395,000	500,000

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 2016 or entered into since the end of the previous financial year.

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 minimising the use of hazardous compound in its manufacturing process to protect the environment.



FINANCIAL REPORT CONTENTS

78 - 82	Directors' Report
83	Statement by Directors
83	Statutory Declaration
84 - 87	Independent Auditors' Report
88	Consolidated Statement of Financial Position
89	Consolidated Statement of Comprehensive Income
90	Consolidated Statement of Changes in Equity
91-92	Consolidated Statement of Cash Flows
93	Statement of Financial Position
94	Statement of Comprehensive Income
95	Statement of Changes in Equity
96	Statement of Cash Flows
97 - 126	Notes to the Financial Statements
127	Supplementary Information - Realised and Unrealised Profits or Losses

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

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	64,848,860	27,999,657

DIVIDENDS

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

	RM
In respect of financial year ended 31 December 2015:-	
- Interim tax exempt dividend of 1.5 sen per share, paid in January 2016	3,501,343
- Final tax exempt dividend of 0.5 sen per share, paid in July 2016	1,169,510
- Special tax exempt dividend of 3 sen per share, paid in July 2016	7,017,065
In respect of financial year ended 31 December 2016:-	
- Interim tax exempt dividend of 2.5 sen per share, paid in January 2017	5,858,664
	<u>17,546,582</u>

The directors have proposed a final tax exempt dividend of 4 sen per share in respect of the financial year ended 31 December 2016, subject to the members' approval at the forthcoming Annual General Meeting.

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 issued 422,500 and 501,150 new ordinary shares of RM0.10 each at an issue price of RM1.63 and RM2.02 per share respectively pursuant to the Employees' Share Option Scheme ("ESOS").

There was no issue of debentures 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.

There was no purchase of own shares by the Company during the financial year.

The mandate given by the shareholders at the Annual General Meeting held on 24 June 2016 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.

DIRECTORS' REPORT

SHARE OPTIONS

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 27 February 2014, approved the Company's ESOS. The ESOS became effective on 4 March 2014.

The principal features of the ESOS are as follows:-

- (i) At any point of time when the offer is made, the maximum number of shares to be issued under the ESOS shall not exceed 10% of the total issued and fully paid-up share capital of the Company during the duration of the ESOS.
- (ii) Any employee (including executive directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and has been confirmed and completed 1 year of service within the Group on a full time basis.
- (iii) All non-executive directors who have been appointed to the Board for more than 1 year shall be eligible to participate in the ESOS in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad and subject to the Articles of Association of the Company.
- (iv) The ESOS shall be valid for a duration of 10 years from the effective date.
- (v) The exercise price shall be determined based on the weighted average market price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10% or at the par value of the shares, whichever is higher.
- (vi) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.
- (vii) The new shares to be allotted and issued upon exercise of any options granted under the scheme will, upon allotment and issuance, rank pari passu in all respects with the then existing shares and paid-up shares in the Company, save and except that the new shares so allotted and issued will not be entitled to any right, dividend, allotment and/or distribution declared, made or paid, the entitlement date of which precedes the date of exercise of the options.

The movements in the number of options during the financial year are as follows:-

Date of Offer	Exercise Price RM	Number of Options Over Ordinary Shares of RM0.10 Each				Balance at 31.12.2016
		Balance at 1.1.2016	Granted	Exercised	Forfeited	
15 May 2014	1.63	733,200	0	(422,500)	(14,000)	296,700
20 October 2014	2.02	1,387,450	0	(501,150)	(24,500)	861,800
		2,120,650	0	(923,650)	(38,500)	1,158,500

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.

DIRECTORS' REPORT

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 Dr. 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 31.12.2016
	Balance at 1.1.2016	Allotted	Sold	
Dato' Seri Dr. Kiew Kwong Sen - Direct	3,588,000	140,000	0	3,728,000
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani - Direct	885,000	105,000	(79,000)	911,000
Chu Jenn Weng - Direct	64,929,317	54,000	(855,100)	64,128,217
Siaw Kok Tong - Direct	46,149,714	43,200	(671,900)	45,521,014
Yeoh Shih Hoong - Direct	24,664,932	43,200	(312,600)	24,395,532
Chuah Poay Ngee - Direct	85,000	150,000	(20,000)	215,000
Chang Mun Kee - Direct	150	0	0	150
- Indirect	6,367,149	0	0	6,367,149

Name of Director	Number of Options Over Ordinary Shares of RM0.10 Each			Balance at 31.12.2016
	Balance at 1.1.2016	Granted	Exercised	
Dato' Seri Dr. Kiew Kwong Sen	220,000	0	(140,000)	80,000
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	165,000	0	(105,000)	60,000
Chu Jenn Weng	126,000	0	(54,000)	72,000
Siaw Kok Tong	100,800	0	(43,200)	57,600
Yeoh Shih Hoong	100,800	0	(43,200)	57,600
Chuah Poay Ngee	210,000	0	(150,000)	60,000
Chang Mun Kee	300,000	0	0	300,000

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' REPORT

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, apart from the Company's ESOS, 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.

AUDITORS

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 27 MARCH 2017**

Chu Jenn Weng

Siaw Kok Tong

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 88 to 126 give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 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 127 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 27 MARCH 2017**

Chu Jenn Weng

Siaw Kok Tong

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 88 to 126 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 27 March 2017

Chu Jenn Weng

Before me

Mok Cheng Yoon, PJK
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VITROX CORPORATION BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ViTroX Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 88 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2016, 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.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><u>Allowance for inventories (Refer to Notes 3 and 9 to the financial statements)</u></p> <p>The Group carries significant inventories as disclosed in Note 9 to the financial statements. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involved judgements and estimation uncertainty in forming expectations about future sales and demands.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> • the Group's inventory management process; • how the Group identifies and assesses inventory write-downs; and • how the Group makes the accounting estimates for inventory write-downs. • Reviewing the ageing analysis of inventories and testing the reliability thereof. • Examining the perpetual records for inventory movements and to identify slow moving aged items. • Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. • Reviewing the net realisable value of major inventories. • Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VITROX CORPORATION BERHAD (cont'd)

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment of loans and receivables (Refer to Notes 3 and 10 to the financial statements)</u></p> <p>The Group carries significant receivables as disclosed in Note 10 to the financial statements and is subject to major credit risk exposures. The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewing the ageing analysis of receivables and testing the reliability thereof. • Reviewing subsequent cash collections for major receivables and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue amounts. • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc. • Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company 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 of the Group and the Company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VITROX CORPORATION BERHAD (cont'd)

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VITROX CORPORATION BERHAD (cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 a subsidiary, ViTrox Technologies (Suzhou) Co., Ltd., of which we have not acted as auditors, being financial statements that have been included in the consolidated 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.

Other Reporting Responsibilities

The supplementary information set out on page 127 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 ("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

Date: 27 March 2017

Penang

Eddy Chan Wai Hun
Approval No: 2182/10/17(J)
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	91,245,757	35,820,025
Investment properties	5	600,000	600,000
Development expenditure	6	2,145,082	3,084,930
Investments in club memberships, at cost		91,250	91,250
Deferred tax assets	8	79,000	22,000
		94,161,089	39,618,205
CURRENT ASSETS			
Inventories	9	65,146,181	56,554,503
Trade and other receivables	10	102,264,393	75,924,541
Prepayments		1,604,111	19,372,144
Current tax assets		3,027,906	48,479
Cash and cash equivalents	11	110,105,868	63,984,684
		282,148,459	215,884,351
CURRENT LIABILITIES			
Trade and other payables	12	65,982,457	29,137,700
Dividend payable		5,858,664	3,501,343
Term loans - secured	13	5,075,498	1,724,617
Financial liabilities at fair value through profit or loss	14	3,020,697	157,804
Advance payments from customers		2,313,625	1,185,389
Current tax liabilities		32,540	3,965,000
		82,283,481	39,671,853
NET CURRENT ASSETS		199,864,978	176,212,498
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	711,000	1,378,461
Term loans - secured	13	27,032,952	2,178,879
Deferred income on government grants	15	4,420,369	3,353,280
		32,164,321	6,910,620
NET ASSETS		261,861,746	208,920,083
EQUITY			
Share capital	16	23,434,655	23,342,290
Share premium		11,061,825	8,331,734
Share option reserve		1,206,807	1,886,306
Currency translation reserve		57,373	62,288
Retained profits		226,101,086	175,297,465
TOTAL EQUITY		261,861,746	208,920,083

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
Revenue	17	234,025,768	160,287,693
Other income		15,832,524	17,953,177
Amortisation of development expenditure		(939,848)	(476,830)
Changes in work-in-progress and finished goods		10,764,130	9,309,925
Depreciation of property, plant and equipment		(4,168,827)	(3,811,692)
Directors' remuneration	18	(1,512,662)	(1,696,886)
Employee benefits expense	19	(46,828,708)	(32,298,776)
Raw materials consumed		(85,831,397)	(59,923,242)
Finance costs		(74,345)	(97,540)
Other expenses		(60,346,711)	(33,515,747)
Profit before tax	20	60,919,924	55,730,082
Tax income/(expense)	21	3,928,936	(11,408,279)
Profit for the financial year		64,848,860	44,321,803
Other comprehensive income:-			
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
Currency translation differences for foreign operation		(4,915)	(187)
Other comprehensive income for the financial year		(4,915)	(187)
Total comprehensive income for the financial year		64,843,945	44,321,616
Earnings per share:-	22		
- Basic (sen)		27.71	19.00
- Diluted (sen)		27.62	18.93

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Non-distributable			Distributable		Total equity RM
	Share capital RM	Share premium RM	Share option reserve RM	Currency translation reserve RM	Retained profits RM	
Balance at 1 January 2015	23,273,520	6,302,902	1,378,419	62,475	143,802,583	174,819,899
Profit for the financial year	0	0	0	0	44,321,803	44,321,803
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	(187)	0	(187)
Total comprehensive income for the financial year	0	0	0	(187)	44,321,803	44,321,616
Share-based payments	0	0	1,340,803	0	0	1,340,803
Issue of shares pursuant to Employees' Share Option Scheme	68,770	2,028,832	(832,916)	0	0	1,264,686
Dividends (Note 23)	0	0	0	0	(12,826,921)	(12,826,921)
Total transactions with owners	68,770	2,028,832	507,887	0	(12,826,921)	(10,221,432)
Balance at 31 December 2015	23,342,290	8,331,734	1,886,306	62,288	175,297,465	208,920,083
Profit for the financial year	0	0	0	0	64,848,860	64,848,860
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	(4,915)	0	(4,915)
Total comprehensive income for the financial year	0	0	0	(4,915)	64,848,860	64,843,945
Share-based payments	0	0	441,959	0	0	441,959
Issue of shares pursuant to Employees' Share Option Scheme	92,365	2,730,091	(1,121,458)	0	0	1,700,998
Dividends (Note 23)	0	0	0	0	(14,045,239)	(14,045,239)
Total transactions with owners	92,365	2,730,091	(679,499)	0	(14,045,239)	(11,902,282)
Balance at 31 December 2016	23,434,655	11,061,825	1,206,807	57,373	226,101,086	261,861,746

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Note	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	60,919,924	55,730,082
Adjustments for:-		
Allowance for slow moving inventories	2,975,263	2,066,359
Amortisation and depreciation	5,108,675	4,288,522
Amortisation of deferred income	(1,351,184)	(706,535)
(Gain)/Loss on disposal of property, plant and equipment	(536)	2,176
Impairment loss on loans and receivables	578,610	0
Interest expense	74,345	97,540
Interest income	(952,739)	(1,040,798)
Reversal of allowance for slow moving inventories	(2,066,359)	(1,701,445)
Reversal of impairment loss on loans and receivables	(43,344)	(400,385)
Share-based payments	441,959	1,340,803
Unrealised gain on foreign exchange	(9,286,646)	(8,568,645)
Unrealised loss on financial instruments at fair value through profit or loss	3,020,697	157,804
Operating profit before working capital changes	59,418,665	51,265,478
Changes in:-		
Inventories	(9,500,582)	(6,653,298)
Receivables and prepayments	(3,264,053)	(13,952,087)
Payables and advance payments	37,549,879	(9,589,995)
Financial instruments at fair value through profit or loss	(157,804)	(1,015,756)
Cash generated from operations	84,046,105	20,054,342
Tax paid	(3,876,785)	(6,269,710)
Tax refunded	169,373	228,977
Net cash from operating activities	80,338,693	14,013,609
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of development expenditure	0	(639,225)
Grants received	314,190	1,071,165
Interest received	952,002	1,045,930
Proceeds from disposal of property, plant and equipment	5,373	2,978
Purchase of property, plant and equipment	(59,228,416)	(4,686,174)
Net cash used in investing activities	(57,956,851)	(3,205,326)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

	Note	2016 RM	2015 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(11,687,918)	(13,980,282)
Interest paid		(348,544)	(98,499)
Issue of shares		1,700,998	1,264,686
Placement of term deposits pledged as security		(928)	(896)
Repayment of term loans		(3,209,867)	(1,228,471)
Term loan raised		29,000,000	0
Net cash from/(used in) financing activities		15,453,741	(14,043,462)
Currency translation differences		8,284,673	6,589,736
Net increase in cash and cash equivalents		46,120,256	3,354,557
Cash and cash equivalents brought forward		63,957,028	60,602,471
Cash and cash equivalents carried forward	11	110,077,284	63,957,028

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	633,018	1,105,674
Development expenditure	6	2,094,009	2,811,955
Investments in subsidiaries	7	9,876,268	9,197,611
		12,603,295	13,115,240
CURRENT ASSETS			
Trade and other receivables	10	64,792,243	41,562,710
Prepayments		82,853	100,918
Current tax assets		44,026	4,581
Cash and cash equivalents	11	5,030,633	7,460,142
		69,949,755	49,128,351
CURRENT LIABILITIES			
Payables	12	9,177,471	6,809,919
Dividend payable		5,858,664	3,501,343
		15,036,135	10,311,262
NET CURRENT ASSETS		54,913,620	38,817,089
NON-CURRENT LIABILITIES			
Deferred income on government grants	15	1,065,225	1,578,014
NET ASSETS		66,451,690	50,354,315
EQUITY			
Share capital	16	23,434,655	23,342,290
Share premium		11,061,825	8,331,734
Share option reserve		1,206,807	1,886,306
Retained profits		30,748,403	16,793,985
TOTAL EQUITY		66,451,690	50,354,315

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
Revenue	17	46,990,828	47,088,438
Other income		651,591	1,429,300
Amortisation of development expenditure		(717,946)	(59,829)
Depreciation of property, plant and equipment		(472,656)	(538,021)
Directors' remuneration	18	(780,894)	(1,095,342)
Employee benefits expense	19	(16,294,199)	(14,782,325)
Other expenses		(1,392,712)	(2,831,729)
Profit before tax	20	27,984,012	29,210,492
Tax income/(expense)	21	15,645	(21,493)
Profit for the financial year		27,999,657	29,188,999
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		27,999,657	29,188,999

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Non-distributable			Distributable	Total equity RM
	Share capital RM	Share premium RM	Share option reserve RM	Retained profits RM	
Balance at 1 January 2015	23,273,520	6,302,902	1,378,419	431,907	31,386,748
Profit (representing total comprehensive income) for the financial year	0	0	0	29,188,999	29,188,999
Share-based payments	0	0	1,340,803	0	1,340,803
Issue of shares pursuant to Employees' Share Option Scheme	68,770	2,028,832	(832,916)	0	1,264,686
Dividends (Note 23)	0	0	0	(12,826,921)	(12,826,921)
Total transactions with owners	68,770	2,028,832	507,887	(12,826,921)	(10,221,432)
Balance at 31 December 2015	23,342,290	8,331,734	1,886,306	16,793,985	50,354,315
Profit (representing total comprehensive income) for the financial year	0	0	0	27,999,657	27,999,657
Share-based payments	0	0	441,959	0	441,959
Issue of shares pursuant to Employees' Share Option Scheme	92,365	2,730,091	(1,121,458)	0	1,700,998
Dividends (Note 23)	0	0	0	(14,045,239)	(14,045,239)
Total transactions with owners	92,365	2,730,091	(679,499)	(14,045,239)	(11,902,282)
Balance at 31 December 2016	23,434,655	11,061,825	1,206,807	30,748,403	66,451,690

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		27,984,012	29,210,492
Adjustments for:-			
Amortisation and depreciation		1,190,602	597,850
Amortisation of deferred income		(512,789)	(271,342)
Dividend income		(31,000,000)	(33,500,000)
Interest income		(130,247)	(179,056)
Share-based payments		263,302	805,953
Unrealised gain on foreign exchange		(640)	0
Operating loss before working capital changes		(2,205,760)	(3,336,103)
Changes in:-			
Receivables and prepayments		(23,213,302)	(18,090,118)
Payables		2,367,552	2,889,862
Cash absorbed by operations		(23,051,510)	(18,536,359)
Tax paid		(23,800)	(28,000)
Tax refunded		0	10,614
Net cash used in operating activities		(23,075,310)	(18,553,745)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of development expenditure		0	(639,225)
Dividends received		31,000,000	33,500,000
Grants received		0	413,850
Interest received		132,721	177,733
Purchase of property, plant and equipment		0	(9,907)
Subscription for shares in subsidiary		(500,000)	0
Net cash from investing activities		30,632,721	33,442,451
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(11,687,918)	(13,980,282)
Issue of shares		1,700,998	1,264,686
Net cash used in financing activities		(9,986,920)	(12,715,596)
Net (decrease)/increase in cash and cash equivalents		(2,429,509)	2,173,110
Cash and cash equivalents brought forward		7,460,142	5,287,032
Cash and cash equivalents carried forward	11	5,030,633	7,460,142

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park Phase IV, 11900 Bayan Lepas, Penang.

The consolidated financial statements set out on pages 88 to 92 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 93 to 96 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 27 March 2017.

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 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Annual Improvements to MFRS Standards 2012 - 2014 Cycle	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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.

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 (IFRS 9 Financial Instruments as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle:-	
(i) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(ii) Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(iii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018

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 *Financial Instruments*, which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under MFRS 9, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

MFRS 16 Leases

MFRS 16 *Leases*, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. At the date of initial application of MFRS 16, the Group and the Company will recognise such assets and liabilities for leases previously classified as an operating lease applying MFRS 117.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of Consolidation (cont'd)

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.

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% - 33%
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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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, deferred tax assets 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Assets (cont'd)

Recognition and Measurement (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial Liabilities (cont'd)

Recognition and Measurement (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Income from the rendering of services is recognised when the services are performed.

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.

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.

Share-based Payments

The Employees' Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are treated as equity-settled share-based payment transactions and recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, demand deposits, term deposits that are withdrawable on demand and 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 and pledged deposits.

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 9.

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 10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Long-term leasehold land RM	Short-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 2015	2,691,103	0	28,094,007	15,128,709	99,578	708,329	585,000	47,306,726
Additions	0	0	0	2,915,193	0	29,610	1,741,371	4,686,174
Disposals	0	0	0	(697,921)	0	0	0	(697,921)
Reclassification	0	0	0	585,000	0	0	(585,000)	0
Currency translation differences	0	0	0	(64,161)	0	0	0	(64,161)
Balance at 31 December 2015	2,691,103	0	28,094,007	17,866,820	99,578	737,939	1,741,371	51,230,818
Additions	0	0	0	6,600,032	0	0	52,628,384	59,228,416
Borrowing costs capitalised	0	0	0	0	0	0	329,201	329,201
Disposals	0	0	0	(632,865)	0	0	0	(632,865)
Reclassification	(2,691,103)	2,691,103	0	0	0	0	0	0
Currency translation differences	0	0	0	42,039	0	0	0	42,039
Balance at 31 December 2016	0	2,691,103	28,094,007	23,876,026	99,578	737,939	54,698,956	110,197,609
<u>Accumulated Depreciation</u>								
Balance at 1 January 2015	399,927	0	2,327,092	9,164,217	87,131	307,164	0	12,285,531
Depreciation	44,852	0	563,846	3,054,343	12,447	136,204	0	3,811,692
Disposals	0	0	0	(692,767)	0	0	0	(692,767)
Currency translation differences	0	0	0	6,337	0	0	0	6,337
Balance at 31 December 2015	444,779	0	2,890,938	11,532,130	99,578	443,368	0	15,410,793
Depreciation	0	44,852	563,846	3,441,224	0	118,905	0	4,168,827
Disposals	0	0	0	(628,028)	0	0	0	(628,028)
Reclassification	(444,779)	444,779	0	0	0	0	0	0
Currency translation differences	0	0	0	260	0	0	0	260
Balance at 31 December 2016	0	489,631	3,454,784	14,345,586	99,578	562,273	0	18,951,852
<u>Carrying Amount</u>								
Balance at 1 January 2015	2,291,176	0	25,766,915	5,964,492	12,447	401,165	585,000	35,021,195
Balance at 31 December 2015	2,246,324	0	25,203,069	6,334,690	0	294,571	1,741,371	35,820,025
Balance at 31 December 2016	0	2,201,472	24,639,223	9,530,440	0	175,666	54,698,956	91,245,757

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

	The Group	
	2016 RM	2015 RM
Long-term leasehold land	0	2,246,324
Short-term leasehold land	2,201,472	0
Buildings	24,639,223	25,203,069
Capital work-in-progress	35,751,443	0
	62,592,138	27,449,393

The Company

	Furniture, fittings and equipment RM	Renovation RM	Total RM
<u>Cost</u>			
Balance at 1 January 2015	3,078,147	85,700	3,163,847
Additions	9,907	0	9,907
Balance at 31 December 2015	3,088,054	85,700	3,173,754
Movement during the year	0	0	0
Balance at 31 December 2016	3,088,054	85,700	3,173,754
<u>Accumulated Depreciation</u>			
Balance at 1 January 2015	1,444,359	85,700	1,530,059
Depreciation	538,021	0	538,021
Balance at 31 December 2015	1,982,380	85,700	2,068,080
Depreciation	472,656	0	472,656
Balance at 31 December 2016	2,455,036	85,700	2,540,736
<u>Carrying Amount</u>			
Balance at 1 January 2015	1,633,788	0	1,633,788
Balance at 31 December 2015	1,105,674	0	1,105,674
Balance at 31 December 2016	633,018	0	633,018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENT PROPERTIES

The Group

Fair Value	Shoplots RM
Balance at 1 January 2015	600,000
Movement during the year	0
Balance at 31 December 2015	600,000
Movement during the year	0
Balance at 31 December 2016	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).

The strata titles of the investment properties have yet to be issued by the relevant authorities.

6. DEVELOPMENT EXPENDITURE

	The Group RM	The Company RM
<u>Cost</u>		
Balance at 1 January 2015	6,893,660	2,232,559
Additions - internal development	639,225	639,225
Balance at 31 December 2015	7,532,885	2,871,784
Movement during the year	0	0
Balance at 31 December 2016	7,532,885	2,871,784
<u>Accumulated Amortisation</u>		
Balance at 1 January 2015	3,971,125	0
Amortisation	476,830	59,829
Balance at 31 December 2015	4,447,955	59,829
Amortisation	939,848	717,946
Balance at 31 December 2016	5,387,803	777,775
<u>Carrying Amount</u>		
Balance at 1 January 2015	2,922,535	2,232,559
Balance at 31 December 2015	3,084,930	2,811,955
Balance at 31 December 2016	2,145,082	2,094,009

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. INVESTMENTS IN SUBSIDIARIES

The Company

	2016 RM	2015 RM
Unquoted shares, at cost	9,042,012	8,542,012
Employees' share options granted to subsidiaries	1,334,255	1,155,598
Impairment loss	(499,999)	(499,999)
	9,876,268	9,197,611

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business	Effective Ownership Interest		Principal Activity
		2016	2015	
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

* Interest held through ViTrox International Sdn. Bhd.

8. DEFERRED TAX ASSETS/(LIABILITIES)

The Group

	2016 RM	2015 RM
Balance at 1 January	(1,356,461)	(256,485)
Deferred tax income/(expense) relating to origination and reversal of temporary differences	253,000	(888,461)
Deferred tax income relating to change in tax rate	0	19,000
Deferred tax liabilities over/(under) provided in prior year	471,461	(230,515)
Balance at 31 December	(632,000)	(1,356,461)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The Group

	2016 RM	2015 RM
Disclosed as:-		
- Deferred tax assets	79,000	22,000
- Deferred tax liabilities	(711,000)	(1,378,461)
	(632,000)	(1,356,461)
In respect of deductible/(taxable) temporary differences of:-		
- Inventories	7,000	688,539
- Financial instruments	53,000	(1,501,000)
- Property, plant and equipment	(683,000)	(500,000)
- Investment properties	(9,000)	(9,000)
- Development expenditure	0	(35,000)
	(632,000)	(1,356,461)

9. INVENTORIES

The Group

	2016 RM	2015 RM
Raw materials	25,879,775	28,052,227
Work-in-progress	22,528,977	11,924,781
Finished goods	16,737,429	16,577,495
	65,146,181	56,554,503

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables:-				
- Subsidiary	0	0	16,756,404	14,367,164
- Unrelated parties	91,395,831	71,763,038	0	0
- Allowance for impairment	0	(77,451)	0	0
	91,395,831	71,685,587	16,756,404	14,367,164
Grants receivable	8,698,563	2,887,711	0	0
Other receivables:-				
- Subsidiaries	0	0	48,020,156	27,184,020
- Unrelated parties	2,270,966	1,452,210	15,683	11,526
- Allowance for impairment	(100,967)	(100,967)	0	0
	2,169,999	1,351,243	48,035,839	27,195,546
	102,264,393	75,924,541	64,792,243	41,562,710

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. TRADE AND OTHER RECEIVABLES (cont'd)

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	21,299,007	11,139,845	64,787,308	41,562,710
US Dollar	76,379,629	61,982,966	4,935	0
Others	4,585,757	2,801,730	0	0
	102,264,393	75,924,541	64,792,243	41,562,710

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	
	2016 RM	2015 RM
Balance at 1 January	77,451	477,836
Impairment loss recognised	578,610	0
Impairment loss reversed	(43,344)	(400,385)
Impairment loss written off	(612,717)	0
Balance at 31 December	0	77,451

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Not past due	68,989,678	50,340,717	16,756,404	14,367,164
Past due 1 to 30 days	13,898,310	5,700,885	0	0
Past due 31 to 120 days	6,921,344	6,119,029	0	0
Past due more than 120 days	1,586,499	9,524,956	0	0
	91,395,831	71,685,587	16,756,404	14,367,164

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 2016

10. 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 2016, there were 2 (2015 : 1) major groups of customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major groups amounted to RM23,561,373 (2015 : RM11,012,301). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	22,143,429	15,478,304	16,756,404	14,367,164
China	28,613,092	9,445,075	0	0
Taiwan	9,977,837	10,647,217	0	0
United States of America	14,013,762	12,203,412	0	0
Others	16,647,711	23,911,579	0	0
	91,395,831	71,685,587	16,756,404	14,367,164

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.

11. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Highly liquid investments	30,437,638	19,593,696	3,143,622	3,045,793
Term deposits with licensed banks (fixed rate)	2,073,130	12,657,741	542,274	2,275,456
Cash and bank balances	77,595,100	31,733,247	1,344,737	2,138,893
	110,105,868	63,984,684	5,030,633	7,460,142

A term deposit of the Group amounting to RM28,584 (2015 : RM27,656) 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 2016 ranged from 3.0% to 3.6% (2015 : 0.6% to 4.0%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. CASH AND CASH EQUIVALENTS (cont'd)

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	79,552,685	36,712,149	5,030,633	7,460,142
US Dollar	29,639,513	26,724,776	0	0
Others	913,670	547,759	0	0
	110,105,868	63,984,684	5,030,633	7,460,142

For the purpose of statement of cash flows, cash and cash equivalents are presented net of pledged deposit as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and cash equivalents	110,105,868	63,984,684	5,030,633	7,460,142
Term deposit pledged as security	(28,584)	(27,656)	0	0
	110,077,284	63,957,028	5,030,633	7,460,142

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables	19,124,126	8,448,252	0	0
Other payables	46,858,331	20,689,448	9,177,471	6,809,919
	65,982,457	29,137,700	9,177,471	6,809,919

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	54,942,479	22,539,530	9,177,471	6,809,919
US Dollar	8,490,675	5,453,675	0	0
Others	2,549,303	1,144,495	0	0
	65,982,457	29,137,700	9,177,471	6,809,919

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. TRADE AND OTHER PAYABLES (cont'd)

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amounts mainly consist of sundry payables and accruals for operating expenses which are generally due within 14 to 120 days.

13. TERM LOANS - SECURED

The Group

	2016 RM	2015 RM
Term loans (floating rate and denominated in US Dollar)	32,108,450	3,903,496
Disclosed as:-		
- Current liabilities	5,075,498	1,724,617
- Non-current liabilities	27,032,952	2,178,879
	32,108,450	3,903,496

Term loans are secured against certain property, plant and equipment (Note 4). The effective interest rates as at 31 December 2016 ranged from 2.3% to 2.7% (2015 : 2.4%) per annum.

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

	2016 RM	2015 RM
Gross loan instalments:-		
- Within 1 year	5,701,159	1,793,267
- Later than 1 year and not later than 2 years	4,276,131	1,752,986
- Later than 2 years and not later than 5 years	10,933,197	465,112
- Later than 5 years	14,371,539	0
Total contractual undiscounted cash flows	35,282,026	4,011,365
Future finance charges	(3,173,576)	(107,869)
Present value of term loans:-		
- Within 1 year	5,075,498	1,724,617
- Later than 1 year and not later than 2 years	3,701,114	1,716,834
- Later than 2 years and not later than 5 years	9,654,554	462,045
- Later than 5 years	13,677,284	0
	32,108,450	3,903,496

The fair values of term loans 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 values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2016 RM	2015 RM
Derivatives classified as held for trading, at fair value	3,020,697	157,804

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 2016, the Group had contracts with financial institutions due within 1 year to buy RM38,711,000 (2015 : RM5,397,000) and sell USD9,295,000 (2015 : USD1,290,000) 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).

15. DEFERRED INCOME ON GOVERNMENT GRANTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Balance at 1 January	3,353,280	2,962,571	1,578,014	1,435,506
Grants related to property, plant and equipment	2,461,025	1,097,244	0	413,850
Amortisation	(1,351,184)	(706,535)	(512,789)	(271,342)
Write-offs	(42,752)	0	0	0
Balance at 31 December	4,420,369	3,353,280	1,065,225	1,578,014

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.

16. SHARE CAPITAL

	2016		2015	
	No. of Shares	RM	No. of Shares	RM
Ordinary Shares of RM0.10 Each				
Authorised	500,000,000	50,000,000	500,000,000	50,000,000
Issued and fully paid-up:-				
Balance at 1 January	233,422,900	23,342,290	232,735,200	23,273,520
Issued during the year	923,650	92,365	687,700	68,770
Balance at 31 December	234,346,550	23,434,655	233,422,900	23,342,290

During the financial year, the Company issued 422,500 and 501,150 new ordinary shares of RM0.10 each at an issue price of RM1.63 and RM2.02 per share respectively pursuant to the Employees' Share Option Scheme ("ESOS").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. SHARE CAPITAL (cont'd)

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 27 February 2014, approved the Company's ESOS. The ESOS became effective on 4 March 2014.

The principal features of the ESOS are as follows:-

- (i) At any point of time when the offer is made, the maximum number of shares to be issued under the ESOS shall not exceed 10% of the total issued and fully paid-up share capital of the Company during the duration of the ESOS.
- (ii) Any employee (including executive directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and has been confirmed and completed 1 year of service within the Group on a full time basis.
- (iii) All non-executive directors who have been appointed to the Board for more than 1 year shall be eligible to participate in the ESOS in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad and subject to the Articles of Association of the Company.
- (iv) The ESOS shall be valid for a duration of 10 years from the effective date.
- (v) The exercise price shall be determined based on the weighted average market price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10% or at the par value of the shares, whichever is higher.
- (vi) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.
- (vii) The new shares to be allotted and issued upon exercise of any options granted under the scheme will, upon allotment and issuance, rank pari passu in all respects with the then existing shares and paid-up shares in the Company, save and except that the new shares so allotted and issued will not be entitled to any right, dividend, allotment and/or distribution declared, made or paid, the entitlement date of which precedes the date of exercise of the options.

The movements in the number of options during the financial year are as follows:-

	Number of Options Over Ordinary Shares of RM0.10 Each	Weighted Average Exercise Price RM	Weighted Average Share Price RM	Range of Exercise Prices RM	Weighted Average Remaining Contractual Life
Outstanding at 1 January 2015	2,815,350	1.87			
Exercised	(687,700)	1.84	3.22		
Forfeited	(7,000)	2.02			
Outstanding at 31 December 2015	2,120,650	1.89		1.63 - 2.02	8.2 years
Exercisable at 31 December 2015	905,450	1.93			
Outstanding at 1 January 2016	2,120,650	1.89			
Exercised	(923,650)	1.84	3.56		
Forfeited	(38,500)	1.88			
Outstanding at 31 December 2016	1,158,500	1.92		1.63 - 2.02	7.2 years
Exercisable at 31 December 2016	1,158,500	1.92			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. SHARE CAPITAL (cont'd)

The fair values of share options granted since the effective date of the ESOS are measured using the Black Scholes Model with the following inputs:-

	Option 1	Option 2
Grant date	15.5.2014	20.10.2014
Fair value at grant date	RM0.97	RM1.42
Weighted average share price	RM1.81	RM2.24
Exercise price	RM1.63	RM2.02
Expected volatility	38.18%	42.90%
Option life	9.8 years	9.4 years
Expected dividends	0.87%	0.65%
Risk-free interest rate	4.45%	4.15%

The expected volatility reflects the assumption that historical volatility is indicative of future trends but may not necessarily be the actual outcome. No other features of the share options granted were incorporated into the measurement of fair value.

17. REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Income from sale of goods	234,025,768	160,287,693	226,300	279,000
Income from rendering of services	0	0	15,764,528	13,309,438
Gross dividends from subsidiaries	0	0	31,000,000	33,500,000
	234,025,768	160,287,693	46,990,828	47,088,438

18. DIRECTORS' REMUNERATION

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fees	144,000	144,000	144,000	144,000
Other short-term employee benefits	860,008	596,825	324,798	239,514
Defined contribution plans	239,884	153,634	101,602	70,429
Share-based payments	268,770	802,427	210,494	641,399
	1,512,662	1,696,886	780,894	1,095,342

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short-term employee benefits	41,925,696	28,426,732	14,682,087	13,146,513
Defined contribution plans	4,729,823	3,333,668	1,559,304	1,471,258
Share-based payments	173,189	538,376	52,808	164,554
	46,828,708	32,298,776	16,294,199	14,782,325

20. PROFIT BEFORE TAX

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax is arrived at after charging:-				
Allowance for slow moving inventories	2,975,263	2,066,359	0	0
Auditors' remuneration:-				
- Current year	69,500	63,500	18,000	18,000
- Prior year	10,000	10,000	4,000	3,000
Direct operating expenditure for investment properties generating rental income	1,380	4,141	0	0
Fee expense for financial instruments not at fair value through profit or loss	118,347	79,643	489	1,636
Impairment loss on loans and receivables	578,610	0	0	0
Interest expense for financial liabilities not at fair value through profit or loss	74,345	97,540	0	0
Loss on disposal of property, plant and equipment	0	2,176	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	3,243,664	2,202,185	0	0
Realised loss on foreign exchange	7,278,751	0	0	19,442
Rental of equipment	28,837	0	0	0
Rental of premises	208,523	195,664	0	49,559
Research and development expenditure	46,672,516	36,339,599	16,992,563	17,021,478

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
and crediting:-				
Amortisation of deferred income	1,351,184	706,535	512,789	271,342
Gain on disposal of property, plant and equipment	536	0	0	0
Gain on foreign exchange:-				
- Realised	0	4,223,640	0	0
- Unrealised	9,286,646	8,568,645	640	0
Grants related to income	4,013,871	2,781,116	0	969,361
Interest income for financial assets not at fair value through profit or loss	952,739	1,040,798	130,247	179,056
Rental of investment properties	27,500	32,500	0	0
Reversal of allowance for slow moving inventories	2,066,359	1,701,445	0	0
Reversal of impairment loss on loans and receivables	43,344	400,385	0	0

21. TAX (INCOME)/EXPENSE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Tax based on results for the year:-				
Malaysian income tax	3,127,569	10,182,627	7,780	21,493
Overseas income tax	92,557	143,984	0	0
Deferred tax	(253,000)	869,461	0	0
	2,967,126	11,196,072	7,780	21,493
Tax (over)/under provided in prior year:-				
Malaysian income tax	(6,424,601)	(18,308)	(23,425)	0
Deferred tax	(471,461)	230,515	0	0
	(3,928,936)	11,408,279	(15,645)	21,493

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. TAX (INCOME)/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	
	2016 %	2015 %	2016 %	2015 %
Applicable tax rate	24.00	25.00	24.00	25.00
Non-deductible expenses	2.86	1.68	1.24	1.88
Non-taxable income	(0.71)	(1.03)	(27.11)	(29.78)
Pioneer income exempted	(25.22)	(5.71)	0.00	0.00
Effect of differential tax rates	3.94	0.15	1.90	2.97
Average effective tax rate	4.87	20.09	0.03	0.07

Pursuant to the Finance (No. 2) Act 2014 (Act 764) gazetted on 30 December 2014, the statutory income tax rate has been reduced from 25% to 24% for the financial year under review.

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 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:-

	2016	2015
Profit for the financial year (RM)	64,848,860	44,321,803
Number of shares in issue as at 1 January	233,422,900	232,735,200
Effect of shares issued pursuant to ESOS	632,331	476,513
Weighted average number of shares for computing basic earnings per share	234,055,231	233,211,713
Number of shares under ESOS deemed to have been issued for no consideration	713,602	911,697
Weighted average number of shares for computing diluted earnings per share	234,768,833	234,123,410
Basic earnings per share (sen)	27.71	19.00
Diluted earnings per share (sen)	27.62	18.93

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. DIVIDENDS

The Group and the Company

	2016 RM	2015 RM
In respect of financial year ended 31 December 2014:-		
- Final tax exempt dividend of 0.5 sen per share	0	1,165,697
- Special tax exempt dividend of 3.5 sen per share	0	8,159,881
In respect of financial year ended 31 December 2015:-		
- Interim tax exempt dividend of 1.5 sen per share	0	3,501,343
- Final tax exempt dividend of 0.5 sen per share	1,169,510	0
- Special tax exempt dividend of 3 sen per share	7,017,065	0
In respect of financial year ended 31 December 2016:-		
- Interim tax exempt dividend of 2.5 sen per share	5,858,664	0
	14,045,239	12,826,921

The directors have proposed a final tax exempt dividend of 4 sen per share in respect of the financial year ended 31 December 2016, subject to the members' approval at the forthcoming Annual General Meeting.

24. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,004,008	740,825	468,798	383,514
- Defined contribution plans	239,884	153,634	101,602	70,429
- Share-based payments	268,770	802,427	210,494	641,399
	1,512,662	1,696,886	780,894	1,095,342
Dividends declared from subsidiaries	0	0	31,000,000	33,500,000
Granting of employees' share options to subsidiaries	0	0	178,657	534,850
Rendering of services to subsidiary	0	0	15,764,528	13,309,438
Sale of goods to subsidiary	0	0	226,300	279,000
Subscription for shares in subsidiary	0	0	500,000	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	59,442,539	46,312,011	93,006,516	37,747,344
China	49,272,172	28,037,800	1,075,573	1,848,861
Taiwan	23,905,410	11,956,882	0	0
United States of America	37,905,328	25,745,744	0	0
Others	63,500,319	48,235,256	0	0
	234,025,768	160,287,693	94,082,089	39,596,205

Major Customers

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

	External Revenue	
	2016 RM	2015 RM
Group I*	31,539,587	25,560,612
Group II*	28,368,625	24,520,068
Group III*	27,416,280	17,837,942

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

26. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

	2016 RM	2015 RM
Contracted but not provided for	46,939,000	26,537,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 RM122,654,000 (2015 : RM121,312,000). The total utilisation of these credit facilities as at 31 December 2016 amounted to approximately RM45,640,000 (2015 : RM4,272,000).

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.

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").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT (cont'd)

Currency Risk (cont'd)

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	
	Increase/ (Decrease) in Profit 2016 RM	Increase/ (Decrease) in Profit 2015 RM
Appreciation of USD against RM by 10%	6,554,309	6,021,764
Depreciation of USD against RM by 10%	(6,554,309)	(6,021,764)

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 2016 RM	Increase/ (Decrease) in Profit 2015 RM
Increase in interest rates by 50 basis points	(10,988)	(14,638)
Decrease in interest rates by 50 basis points	10,988	14,638

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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	
	2016	2015
	RM	RM
Total loans and borrowings	32,108,450	3,903,496
Total equity	261,861,746	208,920,083
Total capital	293,970,196	212,823,579
Debt-to-equity ratio	12%	2%

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	221,653,057	172,761,022	30,747,763	16,793,985
- Unrealised	8,829,193	7,183,192	640	0
	230,482,250	179,944,214	30,748,403	16,793,985
Consolidation adjustments and eliminations	(4,381,164)	(4,646,749)	0	0
Total retained profits as per statement of financial position	226,101,086	175,297,465	30,748,403	16,793,985

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 2016 RM	Year of Valuation / Acquisition
1.	ViTrox Technologies Sdn. Bhd. HSD 21704, Lot No. PT 5286, Mukim12, Daerah Barat Daya, Pulau Pinang	10 years / 60 years lease expiring on December 26, 2066	ViTrox Innovation Centre	12,152 / 13,510	26,840,695	July 27, 2004 (Date of Acquisition)
	<u>Bearing Postal Address</u> No. 85A, Lintang Bayan Lepas 11 Bayan Lepas Industrial Park Phase IV, 11900 Bayan Lepas, Penang					
2.	ViTrox Technologies Sdn. Bhd. Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang	12 years / 99 years lease upon Sale & Purchase Agreement signed	Shoplot for investment purposes	- / 96	300,000	December 31, 2016 (Date of Valuation)
	<u>Bearing Postal Address</u> Level No. 04, Unit No. 20, Kristal Point II, Lebuh Bukit Kecil 6, 11900 Bayan Lepas, Penang					
3.	ViTrox Technologies Sdn. Bhd. Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang	12 years / 99 years lease upon Sale & Purchase Agreement signed	Shoplot for investment purposes	- / 96	300,000	December 31, 2016 (Date of Valuation)
	<u>Bearing Postal Address</u> Level No. 04, Unit No. 21, Kristal Point II, Lebuh Bukit Kecil 6, 11900 Bayan Lepas, Penang					

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

SHARE CAPITAL

Total number of issued shares	: 234,757,950
Class of Shares	: Ordinary Shares
Voting Rights	: One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Holders	No. of Shares	%
1 – 99	48	2,288	0.00
100 – 1,000	560	204,861	0.09
1,001 – 10,000	528	2,278,046	0.97
10,001 – 100,000	252	8,495,138	3.62
100,001 – 11,737,896	107	89,584,054	38.16
11,737,897 and above	3	134,193,563	57.16
Total	1,498	234,757,950	100.00

THIRTY LARGEST SECURITIES HOLDERS

No.	Name	Shareholdings	%
1	Chu Jenn Weng	64,200,217	27.35
2	Siaw Kok Tong	45,540,214	19.40
3	Yeoh Shih Hoong	24,453,132	10.42
4	HSBC Nominees (Asing) Sdn Bhd Qualifier: Exempt An for The Hongkong And Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	6,367,149	2.72
5	Teng Soo Fong	4,900,000	2.09
6	Kiew Kwong Sen	4,091,900	1.74
7	Tan Booi Charn	3,490,300	1.49
8	Kumpulan Wang Persaraan (Diperbadankan)	3,096,100	1.32
9	Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	3,060,100	1.30
10	Cartaban Nominees (Asing) Sdn Bhd Qualifier: BBH (LUX) SCA For Fidelity Funds ASEAN	2,827,600	1.20
11	Malacca Equity Nominees (Tempatan) Sdn Bhd Qualifier: Exempt An For Phillip Capital Management Sdn Bhd (EPF)	2,677,600	1.14
12	Tan Hong Soon	2,508,900	1.07
13	Wixtali Sdn. Bhd.	2,449,004	1.04
14	Wong Ting Lik	2,035,394	0.87
15	Citigroup Nominees (Asing) Sdn Bhd Qualifier: Exempt An For Citibank New York (Norges Bank 12)	2,000,000	0.85
16	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Cheong Siew Chyuan (470322)	2,000,000	0.85
17	Malacca Equity Nominees (Tempatan) Sdn Bhd Qualifier: Exempt An For Phillip Capital Management Sdn Bhd	1,981,700	0.84
18	Sim Ah Yoong	1,910,900	0.81
19	Citigroup Nominees (Asing) Sdn Bhd Qualifier: Exempt An For Citibank New York (Norges Bank 14)	1,860,100	0.79
20	HSBC Nominees (Asing) Sdn Bhd Qualifier: HSBC-FS For Value Partners High - Dividend Stocks Fund	1,778,700	0.76

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

THIRTY LARGEST SECURITIES HOLDERS (cont'd)

No	Name	Shareholdings	%
21	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Exempt An for AIA Bhd.	1,757,200	0.75
22	Chua Siew Kim	1,754,749	0.75
23	Ang Nya @ Ang Ah Nya	1,500,000	0.64
24	Lim Yee @ Lim Wei Yee	1,440,900	0.61
25	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd For Singular Value Fund	1,335,000	0.57
26	Wee Kah Khim	1,297,900	0.55
27	Chua Siew Kim	1,122,000	0.48
28	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Booi Charn (471694)	1,050,000	0.45
29	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund	979,600	0.42
30	Ahmad Fadzil Bin Mohamad Hani	971,000	0.41

SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	64,200,217	27.35	-	-
Siaw Kok Tong	45,578,614	19.42	-	-
Yeoh Shih Hoong	24,453,132	10.42	-	-

DIRECTORS' SHAREHOLDING

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	64,200,217	27.35	-	-
Siaw Kok Tong	45,578,614	19.42	-	-
Yeoh Shih Hoong	24,453,132	10.42	-	-
Dato' Seri Dr. Kiew Kwong Sen	4,091,900	1.74	-	-
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	971,000	0.41	-	-
Chuah Poay Ngee	165,000	0.07	-	-
Chang Mun Kee	150	-	6,367,149*	2.71

* 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.

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, takes 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 ("Shares") of up to 10% of its total number of issued shares 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).

As at 31 March 2017, the total number of issued shares of ViTrox was 234,757,950 Ordinary Shares and no treasury share was held by the Company.

Assuming the Employees' Share Option Scheme ("ESOS") of up to ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares), which was approved by the shareholders of ViTrox at the Extraordinary General Meeting held on 27 February 2014, will be exercised in full, the maximum number of ViTrox Shares which may be purchased by the Company will be ten percent (10%) of the enlarged total number of issued shares of the Company, i.e. 25,597,575 ViTrox Shares. Please refer Section 7(a) of this Statement for further details.

3. Retained Profits

Based on the audited financial statements of ViTrox as at 31 December 2016, the retained profits of the Company stood at RM30,748,403.

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 RM5.03 million based on the audited financial statements of ViTrox as at 31 December 2016. 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 31 March 2017 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 31 March 2017 ^(a)				After full exercise of ESOS and Proposed Share Buy-Back ^(b)			
	Direct	Direct	Indirect	Indirect	Direct ^(c)	Direct	Indirect ^(c)	Indirect
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors and Substantial Shareholders								
Chu Jenn Weng ¹	64,200,217	27.35	-	-	64,200,217	27.87	-	-
Siaw Kok Tong	45,578,614	19.42	-	-	45,578,614	19.78	-	-
Yeoh Shih Hoong	24,453,132	10.42	-	-	24,453,132	10.61	-	-
Directors								
Dato' Seri Dr. Kiew Kwong Sen	4,091,900	1.74	-	-	4,091,900	1.78	-	-
Prof Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	971,000	0.41	-	-	971,000	0.42	-	-
Chuah Poay Ngee	165,000	0.07	-	-	165,000	0.07	-	-
Chang Mun Kee ²	150	Negligible	6,367,149	2.71	150	Negligible	6,367,149	2.76
Person Connected to Director/ Substantial Shareholder								
Su Pek Fuen ¹	614,099	0.26	-	-	614,099	0.27	-	-
HSBC Nominees (Asing) Sdn Bhd - Exempt an for The Hongkong and Shanghai Banking Corporation Limited ²	6,367,149	2.71	-	-	6,367,149	2.76	-	-

Notes:-

^(a) Based on the total number of issued shares of 234,757,950 Ordinary Shares.

^(b) Based on the total number of issued shares of 230,378,175 Ordinary Shares after the full exercise of ESOS and Proposed Share Buy-Back is carried out in full and all the shares purchased are held as treasury shares.

^(c) The shareholdings do not include the number of new ViTrox Shares to be allotted to the Directors of the Company and person connected to them pursuant to the ESOS.

¹ Being spouse to the Director/Substantial Shareholder.

² 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 are members of Mr Chang Mun Kee's family and himself.

SHARE BUY-BACK STATEMENT

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 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 (assuming that the Company purchases up to a maximum of 25,597,575 ViTroX Shares representing approximately ten percent (10%) of the enlarged total number of issued shares with the full exercised of ESOS) are set out below:

a. Share Capital

The effect of the Proposed Share Buy-Back on the share capital of the Company as at 31 March 2017 are illustrated as follows:-

	No. of Shares
Total number of issued shares as at 31 March 2017	234,757,950
Shares to be issued pursuant to the ESOS (assuming full exercise of the ESOS of up to 10% of the total number of issued shares and net of 2,257,950 shares already issued pursuant to the ESOS as at 31 March 2017)	21,217,800
Enlarged total number of issued shares	255,975,750
Assumed the Shares purchased and cancelled	(25,597,575)
Resultant total number of issued shares	<u>230,378,175</u>

Notes:-

* No treasury share was held.

If the Shares so purchased are retained as treasury shares, the issued and paid-up ordinary share capital of the Company will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

SHARE BUY-BACK STATEMENT

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 total number of issued shares 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 2017 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.

SHARE BUY-BACK STATEMENT

8. Implications of the Proposed Share Buy-Back relating to the Malaysian Code On Take-Overs And Mergers, 2016 (the "Code")

Based on the Company's total number of issued shares and the current shareholdings of the substantial shareholders and/or parties acting in concert as at 31 March 2017, none of the substantial shareholders and/or parties acting in concert with them will be required to make a mandatory general offer in the event of the implementation of Proposed Share Buy-Back in full.

ViTrox has no intention for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory general offer under the Code by any of its substantial shareholders and/or parties acting in concert with them, the Board will ensure that only such number of ViTrox Shares are purchased, retained as treasury shares or cancelled in the manner that the Code will not be triggered.

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 2016

The Company had not purchased, resold or cancelled any shares during the financial year ended 31 December 2016.

10. Public Shareholding Spread

As at 31 March 2017, the Record of Depositors of ViTrox showed that 88,316,689 Shares representing approximately 37.62% of the total number of issued shares 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth 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, 23 June 2017 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2016 together with the reports of the Directors and Auditors thereon. (Please refer to Note A)
2. To declare a Final Dividend of 4.0 sen per share exempt from Income Tax for the year ended 31 December 2016. (Resolution 1)
3. To approve the payment of Directors' Fee of up to RM144,000 for the financial year ending 31 December 2017. (Resolution 2)
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 3)
 - b) Yeoh Shih Hoong (Resolution 4)
 - c) Chang Mun Kee (Resolution 5)
5. To approve the benefits payable (excluding Directors' Fee) to the Non-Executive Directors up to an amount of RM85,848 from 31 January 2017 until the next Annual General Meeting of the Company. (Resolution 6)
6. 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)
7. AS SPECIAL BUSINESSES

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

ORDINARY RESOLUTIONS

- a) Continue in Office as an Independent Non-Executive Director(s)
 - (i) "That authority be and is hereby given to Dato' Seri Dr. Kiew Kwong Sen who has served as an Independent Non-Executive Chairman of the Company for a cumulative term of more than nine years, to continue to serve as Independent Non-Executive Chairman of the Company in accordance with the Malaysian Code on Corporate Governance 2012." (Resolution 8)
 - (ii) "That authority be and is hereby given to Chuah Poay Ngee who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." (Resolution 9)
- b) Authority to Issue Shares (Resolution 10)

"That pursuant to Companies Act 2016 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 total number of issued shares (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."

NOTICE OF ANNUAL GENERAL MEETING

7. AS SPECIAL BUSINESSES (cont'd)

c) Renewal of Authority to Purchase its own Shares

(Resolution 11)

"That subject to the Companies Act 2016, 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 total number of issued shares in the 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 of the Company. As at the latest financial year ended 31 December 2016, the audited retained profits of the Company stood at RM30,748,403;
- (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 2016, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

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

Penang
Date : 28 April 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

- A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 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 14 June 2017. Only a depositor whose name appears on the Record of Depositors as at 14 June 2017 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. 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 24 hours before the time for holding the Meeting or any adjournments thereof.*

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note On Special Business:

1. Resolution 8 - Continue in Office as the Independent Non-Executive Chairman

Dato' Seri Dr. Kiew Kwong Sen has served the Board as an Independent Non-Executive Chairman of the Company for a cumulative term of more than eleven (11) years. After having assessed the independence of Dato' Seri Dr. Kiew and also the assessment by the Nominating Committee (NC), 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 NC, recommend Dato' Seri Dr. Kiew to continue to serve as Independent Non-Executive Chairman of the Company.

The proposed Resolution 8, if passed, enable Dato' Seri Dr. Kiew to continue to act as Independent Non-Executive Chairman of the Company. Otherwise, he will be re-designated as a Non-Independent Non-Executive Chairman of the Company upon the conclusion of the 13th Annual General Meeting.

2. Resolution 9 - Continue in Office as an Independent Non-Executive Director

Ms. Chuah Poay Ngee has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than ten (10) years. After having assessed the independence of Ms. Chuah and also the assessment by the NC, regards her to be independent based amongst others, she has remained objective and independent in exercising her judgment when a matter is put before her for decision, she also 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 NC, recommend Ms. Chuah to continue to serve as Independent Non-Executive Director of the Company.

The proposed Resolution 9, if passed, enable Ms. Chuah to continue to act as Independent Non-Executive Director of the Company. Otherwise, she will be re-designated as a Non-Independent Non-Executive Director of the Company upon the conclusion of the 13th Annual General Meeting.

3. Resolution 10 - the Authority to issue Shares

The proposed Resolution No. 10, if passed, will grant a renewed general mandate (Mandate 2017) 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 total number of issued shares 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 2017 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 12th 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.

4. Resolution 11 - Authority to Purchase its own Shares

The proposed Resolution No. 11, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the total number of issued shares 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.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the Final Dividend of 4.0 sen per share exempt from Income Tax for the year ended 31 December 2016, if approved, will be paid on 24 July 2017 to depositors registered in the Records of Depositors on 30 June 2017:-

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

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 June 2017 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 April 2017

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 THIRTEENTH 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, 23 June 2017 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	-	_____ %
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 Final Dividend of 4.0 sen per share exempt from Income Tax for the year ended 31 December 2016.		
2.	To approve the payment of Directors' Fee of up to RM144,000 for the financial year ending 31 December 2017.		
3.	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:-		
4.	Chu Jenn Weng		
5.	Yeoh Shih Hoong		
6.	Chang Mun Kee		
6.	To approve the benefits payable (excluding Directors' Fee) to the Non-Executive Directors up to an amount of RM85,848 from 31 January 2017 until the next Annual General Meeting of the Company.		
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 authorise Dato' Seri Kiew Kwong Sen to continue to serve as Independent Non-Executive Chairman of the Company.		
9.	To authorise Chuah Poay Ngee to continue to serve as Independent Non-Executive Director of the Company.		
10.	To approve the resolution pursuant to Authority to Issue Shares		
11.	To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares.		

Signature of Member: _____

Signed this _____ day of _____, 2017.

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 14 June 2017. Only a depositor whose name appears on the Record of Depositors as at 14 June 2017 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. 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 24 hours before the time for holding the Meeting or any adjournments thereof.

Fold along this line

STAMP

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

Fold along this line

This page is intentionally left blank.

This page is intentionally left blank.



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

ViTrox Technologies (Suzhou) Co., Ltd.
Building C, Number 93,
Wei He Road, Wei Ting Town,
Suzhou Industrial Park,
Suzhou, Jiangsu Province, 215122 China.
Tel : 86 512 6251 9891
Fax : 86 512 6251 9892

ViTrox USA

Tel : 1 970 481 3663

Email : enquiry@vitrox.com

www.vitrox.com



Printed on 100% recycled paper