



VITROX CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 649966-K

INTERIM FINANCIAL REPORT

**FOR THE FIRST QUARTER
ENDED 31 MARCH 2018**



VITROX CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 649966-K

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VITROX CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 649966-K


QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current quarter ended 31-Mar-18 RM'000	Corresponding preceding quarter ended 31-Mar-17 RM'000	Cumulative period ended 31-Mar-18 RM'000	Corresponding preceding period ended 31-Mar-17 RM'000
Revenue		77,312	69,609	77,312	69,609
Other operating income		1,283	596	1,283	596
Operating expenses		(56,300)	(50,873)	(56,300)	(50,873)
Finance costs		(2)	(14)	(2)	(14)
Share of associate's loss		(19)	(3)	(19)	(3)
Profit before tax	B13	<u>22,274</u>	<u>19,315</u>	<u>22,274</u>	<u>19,315</u>
Tax expense	B5	(2,014)	(744)	(2,014)	(744)
Profit for the financial period		<u>20,260</u>	<u>18,571</u>	<u>20,260</u>	<u>18,571</u>
Other comprehensive income:					
Currency translation of differences for the foreign operation		(56)	(27)	(56)	(27)
Other comprehensive income for the period		<u>(56)</u>	<u>(27)</u>	<u>(56)</u>	<u>(27)</u>
Total comprehensive income for the period		<u>20,204</u>	<u>18,544</u>	<u>20,204</u>	<u>18,544</u>
Earnings per share attributable to ordinary equity holders of the Company (sen)	B11				
- Basic*		<u>4.31</u>	<u>3.96</u>	<u>4.31</u>	<u>3.96</u>
- Diluted*		<u>4.30</u>	<u>3.95</u>	<u>4.30</u>	<u>3.95</u>

* Basic and diluted EPS are calculated based on the weighted average of ordinary shares which has been adjusted for bonus issue retrospectively.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

VITROX CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 649966-K


QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31-Mar-18 RM'000 (unaudited)	As at 31-Dec-17 RM'000 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	137,041	132,929
Investment properties	600	600
Development expenditure	1,197	1,376
Investment in associate	993	1,012
Investment in club memberships, at cost	91	91
Deferred tax assets	164	164
	<u>140,086</u>	<u>136,172</u>
Current assets		
Inventories	97,251	71,784
Trade and other receivables	119,491	123,863
Financial assets at fair value through profit or loss	1,261	1,046
Prepayments	4,022	3,192
Current tax assets	1,490	1,542
Cash and cash equivalents	130,318	150,572
	<u>353,833</u>	<u>351,999</u>
TOTAL ASSETS	<u>493,919</u>	<u>488,171</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	49,307	49,275
Reserves	301,129	280,800
Total equity	<u>350,436</u>	<u>330,075</u>
Non-current liabilities		
Deferred tax liabilities	750	750
Term loans - secured	51,620	55,021
Deferred income on government grants	4,258	4,686
Total non-current liabilities	<u>56,628</u>	<u>60,457</u>
Current liabilities		
Trade and other payables	78,389	83,377
Dividend payable	0	7,052
Term loans - secured	2,945	3,483
Advance billings to customers	4,685	3,269
Current tax liabilities	836	458
Total current liabilities	<u>86,855</u>	<u>97,639</u>
Total liabilities	<u>143,483</u>	<u>158,096</u>
TOTAL EQUITY AND LIABILITIES	<u>493,919</u>	<u>488,171</u>
Net assets value per share attributable to ordinary equity holders of the parent (sen)	<u>74.53</u>	<u>70.20</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

VITROX CORPORATION BERHAD

(Incorporated in Malaysia)
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**QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Share Option Reserve RM'000	Currency Translation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Period ended 31 March 2018							
Balance as at 31 December 2017, as per previously reported	49,275	0	277	745	(8)	279,951	330,240
Adjustment from adoption of MFRS 9	0	0	0	0	0	(165)	(165)
Restated balance as at 1 January 2018	49,275	0	277	745	(8)	279,786	330,075
Profit for the financial period	0	0	0	0	0	20,260	20,260
Currency translation differences for foreign operation (representing other comprehensive income for the financial period)	0	0	0	0	(56)	0	(56)
Total comprehensive income for the financial period	0	0	0	0	(56)	20,260	20,204
Issuance of shares pursuant to ESOS	32	0	0	(18)	0	0	14
Share-based payments	0	0	0	143	0	0	143
Total transaction with owners	32	0	0	125	0	0	157
Balance as at 31 March 2018	49,307	0	277	870	(64)	300,046	350,436
Period ended 31 March 2017							
Balance as at 1 January 2017	23,435	11,062	0	1,207	57	226,101	261,862
Profit for the financial period	0	0	0	0	0	18,571	18,571
Currency translation differences for foreign operation (representing other comprehensive income for the financial period)	0	0	0	0	(27)	0	(27)
Total comprehensive income for the financial period	0	0	0	0	(27)	18,571	18,544
Issuance of shares pursuant to ESOS (representing total transactions with owners)	41	1,360	0	(577)	0	0	824
Balance as at 31 March 2017	23,476	12,422	0	630	30	244,672	281,230

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

VITROX CORPORATION BERHAD

(Incorporated in Malaysia)

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QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(The figures have not been audited)

	Cumulative period ended 31-Mar-18 RM'000	Corresponding preceding period ended 31-Mar-17 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	22,274	19,315
Adjustments for:-		
Allowance for slow moving inventories	3,542	3,844
Amortisation and depreciation	1,619	1,569
Amortisation of deferred income	(428)	(370)
Interest expense	2	14
Interest income	(853)	(472)
Reversal of allowance for slow moving inventories	(3,430)	(2,975)
Share-based payments	143	0
Share of associate's loss	19	3
Unrealised (gain)/loss on financial instruments at fair value through profit or loss	(1,261)	633
Unrealised loss/(gain) on foreign exchange	1,757	(8,204)
Operating profit before working capital changes	23,384	13,357
Changes in:-		
Inventories	(25,579)	(5,696)
Receivables and prepayments	(5,686)	3,711
Payables and advance billings	1,297	6,753
Financial instruments at fair value through profit or loss	1,046	(3,021)
Cash (used in)/generated from operations	(5,538)	15,104
Tax paid	(1,639)	(1,159)
Tax refunded	56	2,339
Net cash (used in)/from operating activities	(7,121)	16,284
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of associate	0	(1,050)
Grants received	0	683
Interest received	941	479
Purchase of property, plant and equipment	(5,117)	(15,043)
Net cash used in investing activities	(4,176)	(14,931)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(7,052)	(5,859)
Interest paid	(421)	(183)
Issue of shares	14	825
Repayment of term loans	(1,027)	(1,026)
Net cash used in financing activities	(8,486)	(6,243)
Currency translation differences	(471)	7,880
Net (decrease)/increase in cash and cash equivalents	(20,254)	2,990
Cash and cash equivalents at beginning of period	150,572	110,106
Cash and cash equivalents at end of period	130,318	113,096
Cash and cash equivalents consist of:-		
Highly liquid investments	94,646	39,283
Term deposits	1,737	17,646
Cash and bank balances	33,935	56,167
	130,318	113,096

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation of Interim Financial Report

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted by the Group in the audited financial statements for the year ended 31 December 2017, except for the adoption of new MFRSs which are effective for financial period beginning on or after 1 January 2018. The adoption of new MFRSs did not result in any significant changes in the accounting policies of the Group.

A2 Seasonal or cyclical of operations

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current interim period.

A4 Material changes in estimates

There were no changes in estimates of amounts reported in the prior financial year.

A5 Debts and equity securities

During the current quarter, the Company issued 9,200 and 6,900 new ordinary shares at average exercise price of RM0.81 and RM1.01 respectively pursuant to the Employee Shares Option Scheme ("ESOS").

Saved as disclosed above, there were no other issuances, cancellations, repurchases, resale or repayments of debts and equity securities during the current quarter under review.

A6 Dividend paid

Since the end of the previous financial year, the Company paid an interim tax exempt dividend of 1.5 sen per share amounting to RM7,052,394 for the financial year ended 31 December 2017, paid on 19 January 2018.

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**QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018****A. NOTES TO THE INTERIM FINANCIAL REPORT (cont'd)**

A7 Segment reporting

No segment reporting has been prepared as the Group is principally engaged in development and production of vision inspection system and printed circuit board assemblies for microprocessor applications.

A8 Material events subsequent to the end of the quarter

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

A9 Changes in the composition of the Group

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

A10 Contingencies

There were no contingent assets or liabilities for the Group since 31 December 2017.

A11 Contractual commitments

	31-Mar-18 RM'000	31-Mar-17 RM'000
Purchase of property, plant and equipment	<u>24,339</u>	<u>44,784</u>

A12 Significant related party transactions

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

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QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018
B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES
MAIN MARKET LISTING REQUIREMENTS

B1 Review of performance

	INDIVIDUAL/CUMULATIVE QUARTER		Changes RM'000	Changes %
	Current quarter/ Cumulative period ended 31-Mar-18 RM'000	Corresponding preceding quarter/period ended 31-Mar-17 RM'000		
Revenue	77,312	69,609	7,703	11%
Profit before tax	22,274	19,315	2,959	15%
Profit for the financial period	20,260	18,571	1,689	9%
Profit attributable to owners of the Company	<u>20,260</u>	<u>18,571</u>	<u>1,689</u>	<u>9%</u>

The Group achieved revenue of RM77.31 million for the quarter under review against RM69.61 million in the corresponding quarter of preceding year, representing an increase of 11%. The increase in revenue was contributed from the increase in revenue recorded for Automated Board Inspection (ABI). Revenue from ABI has recorded an increase of 19% against the corresponding quarter of preceding year. The increase was mainly due to higher demand from wider customer base and positive acceptance of our products.

The Group achieved a profit before tax of RM22.27 million against profit before tax of RM19.32 million in the corresponding quarter of preceding year, representing an increase of 15%. Higher profit before tax recorded was mainly due to higher revenue achieved from ABI. Accordingly, the Group's profit after tax is at RM20.26 million against profit after tax of RM18.57 million in the corresponding quarter.

B2 Variation of results against immediate preceding quarter

	Current quarter ended 31-Mar-18 RM'000	Immediate preceding quarter ended 31-Dec-17 RM'000	Changes RM'000	Changes %
	Revenue	77,312		
Profit before tax	22,274	21,354	920	4%
Profit for the financial period	20,260	20,698	(438)	-2%
Profit attributable to owners of the Company	<u>20,260</u>	<u>20,698</u>	<u>(438)</u>	<u>-2%</u>

The Group recorded revenue and profit before tax of RM77.31 million and RM22.27 million respectively for the current quarter under review against revenue and profit before tax of RM95.89 million and RM21.35 million respectively for the immediate preceding quarter. Despite the decrease in revenue by 19% due to low demand for Machine Vision System (MVS) and ABI, the profit before tax in the current quarter increase by 4% because of changes in the sales mix. The profit after tax recorded a slight decline of 2% due to higher tax expense as a result of expiry of ECS pioneer status.

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**QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018****B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS (cont'd)****B3 Prospects for the remaining quarters of current financial year ending 31 December 2018**

The Board is optimistic on the business prospect for the financial year 2018. The Group will continue to focus on market expansion activities, customer relationship building and product innovation to grow our business further in the new financial year. Besides that, the Group has taken steps to minimise its net monetary assets in order to mitigate the financial impacts arising from currency fluctuation.

B4 Profit forecast, profit guarantee and internal targets

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

B5 Tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter ended	Corresponding preceding quarter ended	Cumulative period ended	Corresponding preceding period ended
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
Current tax	2,014	744	2,014	744

The effective tax rate of the Group for the current financial period is lower than the statutory tax rate of 24%. This was mainly due to tax incentive enjoyed by its wholly-owned subsidiary, ViTrox Technologies Sdn. Bhd. ("VTSB").

VTSB has been granted pioneer status by MITI for a period of 5 years to undertake activities relating to development and production of embedded intelligent robotic inspection system and machine with M2M connectivity and predictive analytic capability for semiconductor and electronics industries. The incentive commenced from 17 June 2015 to 16 June 2020 (extendable for further 5 years). The current provision of income tax is in respect of certain non-business income and non-tax exempted income generated from non-pioneer products.

B6 Status of corporate proposals announced

There was no corporate proposal announced and not completed as at the date of this report.

B7 Group borrowings

	As at	As at	As at	As at
	31-Mar-18	31-Mar-18	31-Mar-17	31-Mar-17
	RM'000	USD'000	RM'000	USD'000
<u>Term loans - secured</u>				
Short term borrowings	2,945	763	5,007	1,131
Long term borrowings	51,620	13,366	25,438	5,747
	<u>54,565</u>	<u>14,129</u>	<u>30,445</u>	<u>6,878</u>
Exchange rate		<u>3.86</u>		<u>4.43</u>

Higher term loans as at current period end as compared preceding period end was due to additional drawdown of term loans in the previous quarters to finance the construction of the new building in Batu Kawan.

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**QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018****B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS (cont'd)****B7 Group borrowings (cont'd)**

The effective interest rates of term loans as at current period end ranged from 3.10% to 4.11% as compared to 2.30% to 2.98% as at corresponding preceding period.

B8 Financial instruments**i) Derivatives**

As at 31 March 2018, the Group's outstanding derivatives are as follows:-

	Contract value RM'000	Fair value gain RM'000
Forward exchange contracts		
- Less than 1 year	29,776	1,261

ii) Gains/(Losses) arising from fair value changes of financial liabilities

There were no gains/(losses) arising from fair value changes of financial liabilities for the current quarter and period ended 31 March 2018.

iii) Fair value

The Group uses 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 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.

As at end of the current quarter under review, the carrying amounts of receivables, cash and cash equivalents and payables which are short-term in nature or repayable on demand are reasonable approximations of fair values.

The fair value of long 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 amount reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

The fair value 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).

There were no transfers between levels of fair value hierarchy during the current quarter under review.

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**QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018****B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS (cont'd)****B9 Material litigation**

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

B10 Dividend

On 29 March 2018, the Company proposed a final tax exempt dividend of 3.0 sen per share for the financial year ended 31 December 2017, subject to the members' approval at the forthcoming Annual General Meeting.

B11 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter ended 31-Mar-18	Corresponding preceding quarter ended 31-Mar-17	Cumulative period ended 31-Mar-18	Corresponding preceding period ended 31-Mar-17
Profit attributable to owners of the Company (RM'000)	20,260	18,571	20,260	18,571
Weighted average number of shares for computing basis earnings per share ('000)	470,176	469,516	470,176	469,516
Basic earnings per share (sen)	<u>4.31</u>	<u>3.96</u>	<u>4.31</u>	<u>3.96</u>
Weighted average number of shares for computing diluted earnings per share ('000)	470,865	470,310	470,865	470,310
Diluted earnings per share (sen)	<u>4.30</u>	<u>3.95</u>	<u>4.30</u>	<u>3.95</u>

The weighted average number of ordinary shares has been adjusted for bonus issue retrospectively.

B12 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not subject to any qualification.

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QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018
B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES
MAIN MARKET LISTING REQUIREMENTS (cont'd)

B13 Notes to the statement of comprehensive income**Profit Before Tax**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter ended 31-Mar-18 RM'000	Corresponding preceding quarter ended 31-Mar-17 RM'000	Cumulative period ended 31-Mar-18 RM'000	Corresponding preceding period ended 31-Mar-17 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Allowance for slow moving inventories	3,542	3,844	3,542	3,844
Amortisation and depreciation	1,619	1,569	1,619	1,569
Interest expense	2	14	2	14
(Gain)/Loss on financial instruments at fair value through profit or loss:-				
- realised	(311)	(1,190)	(311)	(1,190)
- unrealised	(1,261)	633	(1,261)	633
(Gain)/Loss on foreign exchange:-				
- realised	957	9,561	957	9,561
- unrealised	1,757	(8,204)	1,757	(8,204)
Amortisation of deferred income	(428)	(370)	(428)	(370)
Grants related to income	0	259	0	259
Interest income	(853)	(472)	(853)	(472)
Reversal of allowance for slow moving inventories	(3,430)	(2,975)	(3,430)	(2,975)

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Securities Main Market Listing Requirements are not applicable.

B14 Authorisation for issue

The interim financial statements are authorised for issue by the Board of Directors on 26 April 2018.