



VITROX CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 649966-K

INTERIM FINANCIAL REPORT

**FOR THE SECOND QUARTER
ENDED 30 JUNE 2016**



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 SECOND QUARTER ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current period quarter 30-Jun-16 RM'000	Preceding year corresponding quarter 30-Jun-15 RM'000	Current period to date 30-Jun-16 RM'000	Preceding year corresponding period 30-Jun-15 RM'000
Revenue		56,640	38,914	112,671	72,173
Other operating income		451	2,246	985	6,075
Operating expenses		(41,884)	(27,628)	(87,413)	(55,111)
Finance costs		(76)	(24)	(99)	(50)
Profit before tax	B14	15,131	13,508	26,144	23,087
Tax income/(expense)		(713)	(3,542)	3,874	(3,808)
Profit for the period		14,418	9,966	30,018	19,279
Other comprehensive income:					
Currency translation of differences for the foreign operation		(69)	29	(74)	(128)
Other comprehensive income for the period		(69)	29	(74)	(128)
Total comprehensive income for the period		14,349	9,995	29,944	19,151
Earnings Per Ordinary Share attributable to ordinary equity holders of the Company (sen)					
- Basic		6.17	4.28	12.84	8.28
- Diluted		6.14	4.26	12.79	8.25

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 SECOND QUARTER ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(The figures have not been audited)

	As at 30-Jun-16 RM'000 (unaudited)	As at 31-Dec-15 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	44,580	35,820
Investment properties	600	600
Investment in club membership - at cost	91	91
Development expenditure	2,606	3,085
	<u>47,877</u>	<u>39,596</u>
Current assets		
Inventories	69,242	56,555
Trade and other receivables	93,503	76,498
Prepayments	25,589	19,372
Financial assets at fair value through profit or loss	50	0
Current tax assets	2,474	48
Cash and cash equivalents	79,134	63,985
	<u>269,992</u>	<u>216,458</u>
TOTAL ASSETS	<u>317,869</u>	<u>256,054</u>
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the Company		
Share capital	23,390	23,342
Reserves	208,535	185,578
Total equity	<u>231,925</u>	<u>208,920</u>
Non-current liabilities		
Term loan - secured	15,081	2,179
Deferred tax liabilities	1,371	1,356
Deferred income on government grant	2,841	3,353
Total non-current liabilities	<u>19,293</u>	<u>6,888</u>
Current liabilities		
Trade and other payables	51,368	29,713
Dividend payable	8,186	3,501
Term loan - secured	4,213	1,724
Financial liabilities at fair value through profit or loss	0	157
Advance payment from customers	2,884	1,186
Current tax liabilities	0	3,965
Total current liabilities	<u>66,651</u>	<u>40,246</u>
Total liabilities	<u>85,944</u>	<u>47,134</u>
TOTAL EQUITY AND LIABILITIES	<u>317,869</u>	<u>256,054</u>
Net assets value per share attributable to ordinary equity holders of the parent (sen)	<u>99.16</u>	<u>89.50</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 SECOND QUARTER ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Share Option Reserve RM'000	Currency Translation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Period ended 30 June 2016						
Balance as at 1 January 2016	23,342	8,332	1,887	62	175,297	208,920
Profit for the financial period	0	0	0	0	30,018	30,018
Currency translation differences for foreign operation (representing other comprehensive income for the financial period)	0	0	0	(74)	0	(74)
Total comprehensive income for the financial period	0	0	0	(74)	30,018	29,944
Share-based payments	0	0	310	0	0	310
Issuance of shares pursuant to ESOS	48	1,534	(645)	0	0	937
Dividends	0	0	0	0	(8,186)	(8,186)
Total transaction with owners	48	1,534	(335)	0	(8,186)	(6,939)
Balance as at 30 June 2016	23,390	9,866	1,552	(12)	197,129	231,925
Period ended 30 June 2015						
Balance as at 1 January 2015	23,274	6,303	1,378	62	143,803	174,820
Profit for the financial period	0	0	0	0	19,279	19,279
Currency translation differences for foreign operation (representing other comprehensive income for the financial period)	0	0	0	(128)	0	(128)
Total comprehensive income for the financial period	0	0	0	(128)	19,279	19,151
Share-based payments	0	0	808	0	0	808
Issuance of shares pursuant to ESOS	40	1,311	(553)	0	0	798
Dividends	0	0	0	0	(9,326)	(9,326)
Total transaction with owners	40	1,311	255	0	(9,326)	(7,720)
Balance as at 30 June 2015	23,314	7,614	1,633	(66)	153,756	186,251

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statement.

VITROX CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 649966-K


QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(The figures have not been audited)

	Period ended 30-Jun-16 RM'000	Period ended 30-Jun-15 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	26,144	23,087
Adjustment for:		
Amortisation and depreciation	2,441	2,004
Amortisation of deferred income	(512)	(319)
Interest expense	99	50
Interest income	(415)	(528)
Loss on disposal of property, plant and equipment	0	1
Reversal of impairment loss on loans and receivables	(32)	(198)
Share-based payments	310	808
Unrealised (gain)/loss on financial instruments at fair value through profit or loss	(50)	267
Unrealised gain on foreign exchange	(4,280)	(6,370)
Operating profit before working capital changes	<u>23,705</u>	<u>18,802</u>
Change in:		
Inventories and receivables	(37,309)	3,856
Payables and advance payments	23,308	(4,540)
Financial instruments at fair value through profit or loss	(158)	(1,016)
Cash generated from operations	<u>9,546</u>	<u>17,102</u>
Tax paid	(2,670)	(1,038)
Tax refunded	169	0
Net cash from operating activities	<u>7,045</u>	<u>16,064</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Grant received	0	1,071
Interest received	419	525
Proceed from disposal of property, plant and equipment	0	1
Purchase of property, plant and equipment	(10,686)	(1,199)
Net cash (used in)/from investing activities	<u>(10,267)</u>	<u>398</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(3,501)	(4,655)
Interest paid	(101)	(51)
Issue of shares	937	798
Repayment of term loans	(1,256)	(614)
Term loan raised	17,109	0
Net cash from/(used in) financing activities	<u>13,188</u>	<u>(4,522)</u>
Currency translation differences	5,183	3,889
Net increase in cash and cash equivalents	15,149	15,829
Cash and cash equivalents at beginning of period	63,985	60,629
Cash and cash equivalents at end of period	<u>79,134</u>	<u>76,458</u>
Cash and cash equivalents consist of:-		
Highly liquid investments	18,627	21,826
Term deposits with licensed banks	2,063	19,205
Cash and bank balances	58,444	35,427
	<u>79,134</u>	<u>76,458</u>

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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 *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 Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market ("Main Market Listing Requirement"). This Condensed Report also complies with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The Interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

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 2015, except for the adoption of new Malaysian Financial Reporting Standards ("MFRS") that are effective for financial period beginning on or after 1 January 2016. The adoption of new MFRSs does not have any significant impacts on the financial statements.

A2 Seasonal or cyclical factors

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 of the Group for the period under review.

A4 Material changes in estimates

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

A5 Debts and equity securities

There were no other issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the quarter under review except for:-

During the current quarter, the Company issued 69,900 and 136,650 new ordinary shares of RM0.10 each at average exercise price of RM1.63 and RM2.02 respectively pursuant to the Employee Shares Option Scheme ("ESOS").

A6 Dividend paid

An interim dividend of 1.5 sen per share tax exempt amounting to RM3,501,343 for the financial year ended 31 December 2015 were paid on 22 January 2016.

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QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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 machine vision inspection products.

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 financial statements for the said period.

A9 Changes in the composition of the Group

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

A10 Contingent assets or contingent liabilities

There were no contingent assets or liabilities for the Group since the previous financial year ended 31 December 2015 to the date of this report.

A11 Capital commitments

Authorised contracted capital commitments not provided for in the interim financial statements as at 30 June 2016 is RM67,402,000.

A12 Significant related party transactions

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

QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

B1 Review of performance

The Group achieved revenue of RM56.64 million for the period under review against RM38.91 million in the corresponding period of preceding year, representing an increase of 46%. The increase in revenue was contributed from the increase in revenue recorded for Machine Vision System (MVS) and Automated Board Inspection (ABI). Revenue from MVS and ABI have recorded an increase of 86% and 34% respectively against the corresponding period of preceding year. The increase was mainly due to higher demand from customers.

The Group achieved a profit before tax of RM15.13 million against profit before tax of RM13.51 million in the corresponding quarter, representing an increase of 12%. The slight increase in profit before tax was mainly due to the increase in revenue. Correspondingly, the Group's profit after tax is at RM14.42 million against profit after tax of RM9.97 million in the corresponding quarter, representing an increase of 45%. Profit after tax has recorded an increase was mainly due to lower provision for taxation with new pioneer status granted by MITI.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM56.64 million and RM15.13 million respectively for the current quarter under review against revenue and profit before tax of RM56.03 million and RM11.01 million respectively for the immediate preceding quarter. The revenue remained flat as compared to immediate preceding quarter. However, there was an increase of 37% recorded for profit before tax, mainly due to strengthening of USD against MYR in current quarter.

B3 Prospects for the remaining quarters of current financial year ending 31 December 2016

The Board is cautiously optimistic on the business prospect for the financial year 2016. We will continue to focus on market expansion activities, customer relationship building and product innovation to grow our business further in the remaining financial year.

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 (income)/expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-16 RM'000	Preceding year corresponding quarter 30-Jun-15 RM'000	Current year period 30-Jun-16 RM'000	Preceding year corresponding period 30-Jun-15 RM'000
Tax based on the results for the period under review	713	3,542	(3,874)	3,808

A wholly-owned subsidiary of VCB, ViE Technologies Sdn.Bhd. ("ViE") has been granted pioneer status by MITI for a period of 5 years to undertake activities relating to design, development and manufacture of embedded high density electronic modules. The incentive commenced from 1 January 2013 to 31 December 2017. The current provision of income tax is in respect of certain non-business income and non-tax exempted income generated from non-pioneer products of ViE.

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**QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016****B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS (cont'd)****B5 Tax (income)/expense (cont'd)**

A wholly-owned subsidiary of VCB, ViTrox Technologies Sdn.Bhd. ("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 of VTSB.

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 30-Jun-16 RM'000	As at 31-Dec-15 RM'000
Short term borrowings - secured		
Foreign currency term loan in USD	4,213	1,724
Long term borrowings - secured		
Foreign currency term loan in USD	15,081	2,179
	<u>19,294</u>	<u>3,903</u>

B8 Financial instruments

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

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).

As at 30 June 2016, the Group's outstanding derivatives are as follows:-

	Contract value RM'000	Fair value RM'000
Forward foreign exchange contracts		
- Less than 1 year	12,773	50

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**QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016****B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS (cont'd)****B9 Breakdown of realised and unrealised profits or losses of the Group**

	As at 30-Jun-16 RM'000	As at 31-Mar-16 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realised	198,667	195,654
- Unrealised	3,133	(189)
	<u>201,800</u>	<u>195,465</u>
Less : Consolidation adjustments	(4,671)	(4,568)
Total group retained profits as per consolidated accounts	<u>197,129</u>	<u>190,897</u>

B10 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.

B11 Dividends

On 24 June 2016, the shareholders approved the proposed special dividend of 3.0 sen per share tax exempt amounting to RM7,017,064 and final dividend of 0.5 sen per share tax exempt amounting to RM1,169,511 for the financial year ended 31 December 2015 which was paid to all holders of ordinary shares on 25 July 2016 whose names appeared in the Records of Depositors at the close of business on 30 June 2016.

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-16	Preceding year corresponding quarter 30-Jun-15	Current year period 30-Jun-16	Preceding year corresponding period 30-Jun-15
Net profit attributable to shareholders (RM'000)	14,418	9,966	30,018	19,279
Weighted average number of shares for computing basis earnings per share ('000)	233,851	232,756	233,851	232,756
Basic earnings per share (sen)	<u>6.17</u>	<u>4.28</u>	<u>12.84</u>	<u>8.28</u>
Weighted average number of shares for computing diluted earnings per share ('000)	234,631	233,738	234,631	233,738
Diluted earnings per share (sen)	<u>6.14</u>	<u>4.26</u>	<u>12.79</u>	<u>8.25</u>

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**QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016****B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS (cont'd)****B13 Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2015 was not subject to any qualification.

B14 Notes to the statement of comprehensive income**Profit Before Tax**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year 30-Jun-16 RM000	Preceding year corresponding quarter 30-Jun-15 RM000	Current year period 30-Jun-16 RM000	Preceding year corresponding period 30-Jun-15 RM000
Profit before tax is arrived at after charging:-				
Amortisation and depreciation	1,242	968	2,441	2,004
Interest expense	76	24	99	50
(Gain)/Loss on financial instruments at fair value through profit or loss				
- realised	(483)	263	(512)	513
- unrealised	476	(210)	(50)	267
(Gain)/Loss on foreign exchange				
- realised	1,805	(831)	10,014	1,565
- unrealised	(3,802)	(516)	(4,280)	(6,370)
Loss on disposal of property, plant and equipment	0	1	0	1
and crediting:-				
Amortisation of deferred income	243	153	512	319
Grant related to income	0	509	0	979
Interest income	192	277	415	528
Rental income	7	0	15	15
Reversal of impairment loss on loans and receivables	0	0	32	198

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.

B15 Authorisation for issue

The interim financial statements are authorised for issue by the Board of Directors on 18 August 2016.