



VITROX CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 649966-K

INTERIM FINANCIAL REPORT

**FOR THE FOURTH QUARTER
ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 2016
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current period quarter 31-Dec-16 RM'000	Preceding year corresponding quarter 31-Dec-15 RM'000	Current period to date 31-Dec-16 RM'000	Preceding year corresponding period 31-Dec-15 RM'000
Revenue		63,708	48,057	234,026	160,288
Other operating income		3,361	210	6,211	15,574
Operating expenses		(48,411)	(35,211)	(179,237)	(120,035)
Finance costs		125	(24)	(74)	(98)
Profit before tax	B14	<u>18,783</u>	<u>13,032</u>	<u>60,926</u>	<u>55,729</u>
Tax income/(expense)		279	(3,714)	4,027	(11,408)
Profit for the period		<u>19,062</u>	<u>9,318</u>	<u>64,953</u>	<u>44,321</u>
Other comprehensive income:					
Currency translation of differences for the foreign operation		88	38	2	0
Other comprehensive income for the period		<u>88</u>	<u>38</u>	<u>2</u>	<u>0</u>
Total comprehensive income for the period		<u>19,150</u>	<u>9,356</u>	<u>64,955</u>	<u>44,321</u>
Earnings Per Ordinary Share attributable to ordinary equity holders of the Company (sen)					
- Basic		<u>8.14</u>	<u>4.00</u>	<u>27.75</u>	<u>19.00</u>
- Diluted		<u>8.12</u>	<u>3.98</u>	<u>27.67</u>	<u>18.93</u>

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 FOURTH QUARTER ENDED 31 DECEMBER 2016
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
(The figures have not been audited)

	As at 31-Dec-16 RM'000 (unaudited)	As at 31-Dec-15 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	91,252	35,820
Investment properties	600	600
Investment in club membership - at cost	91	91
Development expenditure	2,145	3,085
	94,088	39,596
Current assets		
Inventories	65,147	56,555
Trade and other receivables	102,557	75,924
Prepayments	1,607	19,372
Current tax assets	3,094	48
Cash and cash equivalents	110,107	63,985
	282,512	215,884
TOTAL ASSETS	376,600	255,480
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the Company		
Share capital	23,435	23,342
Reserves	238,538	185,578
Total equity	261,973	208,920
Non-current liabilities		
Term loan - secured	27,418	2,179
Deferred tax liabilities	632	1,356
Deferred income on government grant	4,420	3,353
Total non-current liabilities	32,470	6,888
Current liabilities		
Trade and other payables	66,131	29,138
Dividend payable	5,859	3,501
Term loan - secured	4,690	1,725
Financial liabilities at fair value through profit or loss	3,021	157
Advance payment from customers	2,456	1,186
Current tax liabilities	0	3,965
Total current liabilities	82,157	39,672
Total liabilities	114,627	46,560
TOTAL EQUITY AND LIABILITIES	376,600	255,480
Net assets value per share attributable to ordinary equity holders of the parent (sen)	111.79	89.50

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 FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 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	64,953	64,953
Currency translation differences for foreign operation (representing other comprehensive income for the financial period)	0	0	0	2	0	2
Total comprehensive income for the financial period	0	0	0	2	64,953	64,955
Share-based payments	0	0	442	0	0	442
Issuance of shares pursuant to ESOS	93	2,730	(1,122)	0	0	1,701
Dividends	0	0	0	0	(14,045)	(14,045)
Total transaction with owners	93	2,730	(680)	0	(14,045)	(11,902)
Balance as at 31 December 2016	23,435	11,062	1,207	64	226,205	261,973
Period ended 31 December 2015						
Balance as at 1 January 2015	23,274	6,303	1,378	62	143,803	174,820
Profit (representing total comprehensive income) for the financial period for the financial period	0	0	0	0	44,321	44,321
Share-based payments	0	0	1,341	0	0	1,341
Issuance of shares pursuant to ESOS	68	2,029	(832)	0	0	1,265
Dividends	0	0	0	0	(12,827)	(12,827)
Total transaction with owners	68	2,029	509	0	(12,827)	(10,221)
Balance as at 31 December 2015	23,342	8,332	1,887	62	175,297	208,920

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.

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QUARTERLY REPORT ON RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(The figures have not been audited)

	Period ended 31-Dec-16 RM000	Period ended 31-Dec-15 RM000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	60,926	55,729
Adjustment for:		
Allowance for slow moving inventories	2,975	2,066
Amortisation and depreciation	5,109	4,104
Amortisation of deferred income	(1,249)	(707)
Interest expense	74	98
Interest income	(953)	(1,041)
Loss on disposal of property, plant and equipment	0	2
Reversal of allowance for slow moving inventories	(2,066)	(1,701)
Reversal of impairment loss on loans and receivables	(43)	(400)
Share-based payments	442	1,341
Unrealised loss on financial instruments at fair value through profit or loss	3,021	157
Unrealised gain on foreign exchange	(9,286)	(8,569)
Operating profit before working capital changes	<u>58,950</u>	<u>51,079</u>
Change in:		
Inventories and receivables	(12,009)	(20,380)
Payables and advance payments	37,266	(9,815)
Financial instruments at fair value through profit or loss	(158)	(1,016)
Cash generated from operations	<u>84,049</u>	<u>19,868</u>
Tax paid	(3,878)	(6,270)
Tax refunded	170	229
Net cash from operating activities	<u>80,341</u>	<u>13,827</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Additions of development expenditure	0	(639)
Grant received	314	1,072
Interest received	952	1,046
Proceed from disposal of property, plant and equipment	5	1
Purchase of property, plant and equipment	(59,228)	(4,499)
Net cash used in investing activities	<u>(57,957)</u>	<u>(3,019)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(11,688)	(13,980)
Interest paid	(349)	(98)
Issue of shares	1,701	1,264
Repayment of term loans	(3,210)	(1,228)
Term loan raised	29,000	0
Net cash from/(used in) financing activities	<u>15,454</u>	<u>(14,042)</u>
Currency translation differences	8,284	6,590
Net increase in cash and cash equivalents	46,122	3,356
Cash and cash equivalents at beginning of period	<u>63,985</u>	<u>60,629</u>
Cash and cash equivalents at end of period	<u>110,107</u>	<u>63,985</u>
Cash and cash equivalents consist of:-		
Highly liquid investments	30,438	23,322
Term deposits with licensed banks	8,194	8,354
Cash and bank balances	<u>71,475</u>	<u>32,309</u>
	<u>110,107</u>	<u>63,985</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 FOURTH QUARTER ENDED 31 DECEMBER 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 75,500 new ordinary shares of RM0.10 each at average exercise price of RM1.63 pursuant to the Employee Shares Option Scheme ("ESOS").

A6 Dividend paid

In respect of the financial year ended 31 December 2015, the Company paid the following dividends:-

- i) the special dividend of 3.0 sen per share tax exempt amounting to RM7,017,065 and final dividend of 0.5 sen per share tax exempt amounting to RM1,169,511 for the financial year ended 31 December 2015 were paid on 25 July 2016.
- ii) 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 FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 2016 is RM46,786,000.

A12 Significant related party transactions

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

QUARTERLY REPORT ON RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 RM63.71 million for the period under review against RM48.06 million in the corresponding period of preceding year, representing an increase of 33%. 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 51% against the corresponding period of preceding year. The increase was mainly due to higher demand from wider customer base.

The Group achieved a profit before tax of RM18.78 million against profit before tax of RM13.03 million in the corresponding quarter, representing an increase of 44%. Higher profit before tax recorded was mainly due to increase in revenue. Correspondingly, the Group's profit after tax is at RM19.06 million against profit after tax of RM9.32 million in the corresponding quarter. Higher profit after tax was mainly due to lower provision for taxation with the pioneer status granted by MITI.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM63.71 million and RM18.78 million respectively for the current quarter under review against revenue and profit before tax of RM57.65 million and RM16.00 million respectively for the immediate preceding quarter. Both revenue and profit before tax have recorded an increase of 11% and 17% respectively. The increase in revenue was contributed from the increase in revenue recorded for ABI, partially offset by decrease in revenue from Machine Vision System (MVS).

B3 Prospects for the financial year ending 31 December 2017

The Board is optimistic on the business prospect for the financial year 2017. We will continue to focus on market expansion activities, customer relationship building and product innovation to grow our business further in the new 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 31-Dec-16 RM'000	Preceding year corresponding quarter 31-Dec-15 RM'000	Current year period 31-Dec-16 RM'000	Preceding year corresponding period 31-Dec-15 RM'000
Tax based on the results for the period under review	279	(3,714)	4,027	(11,408)

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 FOURTH QUARTER ENDED 31 DECEMBER 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 31-Dec-16 RM'000	As at 31-Dec-15 RM'000
Short term borrowings - secured		
Foreign currency term loan in USD	4,690	1,725
Long term borrowings - secured		
Foreign currency term loan in USD	27,418	2,179
	<u>32,108</u>	<u>3,904</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 31 December 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	<u>37,462</u>	<u>3,021</u>

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QUARTERLY REPORT ON RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31-Dec-16 RM000	As at 30-Sep-16 RM000
Total retained profits of the Company and its subsidiaries:-		
- Realised	220,493	213,344
- Unrealised	10,093	4,795
	<u>230,586</u>	<u>218,139</u>
Less : Consolidation adjustments	(4,381)	(5,137)
Total group retained profits as per consolidated accounts	<u>226,205</u>	<u>213,002</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 1 December 2016, the Company declared an interim dividend of 2.5 sen per share tax exempt amounting to RM5,858,664 for the financial year ended 31 December 2016 which was paid to all holders of ordinary share on 20 January 2017 whose names appeared in the Record of Depositors at the close of business 31 December 2016.

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31-Dec-16	Preceding year corresponding quarter 31-Dec-15	Current year period 31-Dec-16	Preceding year corresponding period 31-Dec-15
Net profit attributable to shareholders (RM'000)	19,062	9,318	64,953	44,321
Weighted average number of shares for computing basis earnings per share ('000)	234,055	233,212	234,055	233,212
Basic earnings per share (sen)	<u>8.14</u>	<u>4.00</u>	<u>27.75</u>	<u>19.00</u>
Weighted average number of shares for computing diluted earnings per share ('000)	234,769	234,123	234,769	234,123
Diluted earnings per share (sen)	<u>8.12</u>	<u>3.98</u>	<u>27.67</u>	<u>18.93</u>

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QUARTERLY REPORT ON RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 quarter 31-Dec-16 RM'000	Preceding year corresponding quarter 31-Dec-15 RM'000	Current year period 31-Dec-16 RM'000	Preceding year corresponding period 31-Dec-15 RM'000
Profit before tax is arrived at after charging:-				
Allowance for slow moving inventories	2,851	2,066	2,975	2,066
Amortisation and depreciation	1,363	1,093	5,109	4,104
Bad debts written off	602	0	602	0
Interest expense	(125)	24	74	98
(Gain)/Loss on financial instruments at fair value through profit or loss				
- realised	753	1,075	223	2,045
- unrealised	2,651	(1,429)	3,021	157
(Gain)/Loss on foreign exchange				
- realised	(1,720)	(4,357)	7,583	(4,223)
- unrealised	(3,336)	6,891	(9,286)	(8,569)
Loss on disposal of property, plant and equipment	1	1	1	2
and crediting:-				
Amortisation of deferred income	445	237	1,249	707
Gain on disposal of property, plant and equipment	0	0	1	0
Grant related to income	2,521	1,945	3,894	2,781
Interest income	360	265	953	1,041
Rental income	8	10	28	33
Reversal of allowance for slow moving inventories	2,066	1,701	2,066	1,701
Reversal of impairment loss on loans and receivables	11	74	43	400

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 24 February 2017.