

VITROX CORPORATION BERHAD

(Incorporated in Malaysia)

Company No : 649966-K


QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(The figures have not been audited)

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------|--|---|--|--|
| | | Current period quarter 31-Mar-14 RM'000 | Preceding year corresponding quarter 31-Mar-13 RM'000 | Current period to date 31-Mar-14 RM'000 | Preceding year corresponding period 31-Mar-13 RM'000 |
| Revenue | | 22,828 | 12,925 | 22,828 | 12,925 |
| Other operating income | | 790 | 1,242 | 790 | 1,242 |
| Operating expenses | | (19,389) | (13,448) | (19,389) | (13,448) |
| Profit before tax | B14 | 4,229 | 719 | 4,229 | 719 |
| Tax expense | | (242) | (261) | (242) | (261) |
| Profit for the period | | 3,987 | 458 | 3,987 | 458 |
| Other comprehensive income: Currency translation of differences for the foreign operation | | (2) | 1 | (2) | 1 |
| Other comprehensive income for the period | | (2) | 1 | (2) | 1 |
| Total comprehensive income for the period | | 3,985 | 459 | 3,985 | 459 |
| Earnings Per Ordinary Share attributable to ordinary equity holders of the Company (sen) | | | | | |
| - Basic | | 1.72 | 0.20 | 1.72 | 0.20 |
| - Diluted | | N/A | N/A | N/A | N/A |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2014
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(The figures have not been audited)

| | As at 31-Mar-14 RM'000 (unaudited) | As at 31-Dec-13 RM'000 (audited) |
|--|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 31,747 | 31,939 |
| Investment properties | 600 | 600 |
| Investment in club membership - at cost | 91 | 91 |
| Development expenditure | 3,886 | 3,966 |
| | <u>36,324</u> | <u>36,596</u> |
| Current assets | | |
| Inventories | 43,521 | 36,978 |
| Trade and other receivables | 34,735 | 51,787 |
| Financial assets at fair value through profit or loss | 100 | 0 |
| Prepayments | 1,050 | 1,352 |
| Current tax assets | 172 | 213 |
| Cash and cash equivalents | 54,610 | 40,458 |
| | <u>134,188</u> | <u>130,788</u> |
| TOTAL ASSETS | <u>170,512</u> | <u>167,384</u> |
| EQUITY AND LIABILITIES | | |
| Capital and reserves attributable to equity holders of the Company | | |
| Share capital | 23,250 | 23,250 |
| Less: Treasury shares, at cost | (405) | (933) |
| Reserves | 113,298 | 108,903 |
| Total equity | <u>136,143</u> | <u>131,220</u> |
| Non-current liabilities | | |
| Term loan - secured | 10,484 | 10,854 |
| Deferred tax liabilities | 763 | 763 |
| Deferred income on government grant | 2,678 | 2,626 |
| Total non-current liabilities | <u>13,925</u> | <u>14,243</u> |
| Current liabilities | | |
| Trade and other payables | 18,064 | 17,281 |
| Dividend payable | 0 | 2,307 |
| Term loan - secured | 1,332 | 1,338 |
| Financial liabilities at fair value through profit or loss | 0 | 121 |
| Advance payment from customers | 1,048 | 874 |
| Total current liabilities | <u>20,444</u> | <u>21,921</u> |
| Total liabilities | <u>34,369</u> | <u>36,164</u> |
| TOTAL EQUITY AND LIABILITIES | <u>170,512</u> | <u>167,384</u> |
| Net assets value per share attributable to ordinary equity holders of the parent (sen) | <u>58.69</u> | <u>56.75</u> |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2014
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
(The figures have not been audited)

| | Share Capital RM'000 | Treasury Share RM'000 | Share Premium RM'000 | Currency Translation Reserve RM'000 | Retained Profits RM'000 | Total Equity RM'000 |
|---|----------------------------|-----------------------------|----------------------------|--|-------------------------------|---------------------------|
| Period ended 31 March 2014 | | | | | | |
| Balance as at 1 January 2014 | 23,250 | (933) | 4,894 | 10 | 103,999 | 131,220 |
| Profit for the financial period | 0 | 0 | 0 | 0 | 3,987 | 3,987 |
| 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) | 3,987 | 3,985 |
| Reissue of treasury shares | 0 | 528 | 410 | 0 | 0 | 938 |
| Total transaction with owners | 0 | 528 | 410 | 0 | 0 | 938 |
| Balance as at 31 March 2014 | 23,250 | (405) | 5,304 | 8 | 107,986 | 136,143 |
| Period ended 31 March 2013 | | | | | | |
| Balance as at 1 January 2013 | 23,250 | (910) | 4,663 | 4 | 87,446 | 114,453 |
| Profit for the financial period | 0 | 0 | 0 | 0 | 458 | 458 |
| Currency translation differences for foreign operation (representing other comprehensive income for the financial period) | 0 | 0 | 0 | 1 | 0 | 1 |
| Total comprehensive income for the financial period | 0 | 0 | 0 | 1 | 458 | 459 |
| Dividends | 0 | 0 | 0 | 0 | (2,313) | (2,313) |
| Total transaction with owners | 0 | 0 | 0 | 0 | (2,313) | (2,313) |
| Balance as at 31 March 2013 | 23,250 | (910) | 4,663 | 5 | 85,591 | 112,599 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2014
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(The figures have not been audited)

| | Period ended 31-Mar-14 RM'000 | Period ended 31-Mar-13 RM'000 |
|---|-------------------------------------|-------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 4,229 | 719 |
| Adjustment for: | | |
| Amortisation and depreciation | 797 | 654 |
| Amortisation of deferred income | (105) | (47) |
| Interest expense | 72 | 75 |
| Interest income | (207) | (199) |
| Reversal of impairment loss on loans and receivables | 0 | (458) |
| Unrealised gain on financial instruments at fair value through profit or loss | (100) | 0 |
| Unrealised (gain)/loss on foreign exchange | (194) | 685 |
| Operating profit before working capital changes | <u>4,492</u> | <u>1,429</u> |
| Change in: | | |
| Inventories and receivables | 10,843 | 657 |
| Payables and advance payments | 974 | (1,362) |
| Financial instruments at fair value through profit or loss | (121) | 14 |
| Cash generated from operations | <u>16,188</u> | <u>738</u> |
| Tax paid | (201) | (247) |
| Net cash from operating activities | <u>15,987</u> | <u>491</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Additions of development expenditure | (167) | (1) |
| Grant received | 248 | 0 |
| Interest received | 242 | 209 |
| Purchase of property, plant and equipment | (358) | (1,472) |
| Net cash used investing activities | <u>(35)</u> | <u>(1,264)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid | (2,307) | (2,313) |
| Interest paid | (72) | (75) |
| Reissue of treasury shares | 938 | 0 |
| Repayment of term loans | (307) | (308) |
| Net cash used in financing activities | <u>(1,748)</u> | <u>(2,696)</u> |
| Currency translation differences | (52) | (553) |
| Net decrease in cash and cash equivalents | 14,152 | (4,022) |
| Cash and cash equivalents at beginning of period | <u>40,458</u> | <u>43,915</u> |
| Cash and cash equivalents at end of period | <u>54,610</u> | <u>39,893</u> |
| Cash and cash equivalents consist of:- | | |
| Highly liquid investments | 19,816 | 12,800 |
| Term deposits with licensed banks | 14,885 | 15,280 |
| Cash and bank balances | 19,909 | 11,813 |
| | <u>54,610</u> | <u>39,893</u> |

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014**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 2013. 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 2013.

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 2013, except for the adoption of new Malaysian Financial Reporting Standards ("MFRS") that are effective for financial period beginning on or after 1 January 2014. 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 resold 711,200 shares at an average price of RM1.32 per share. The difference of RM0.41 million between the sales consideration and the carrying amount of the shares has been credited to the Share Premium Account. As at 31 March 2014, the total shares purchase are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 is 546,000 of its issued share capital from the open market for an average price of RM0.74 per share. The purchase transactions were funded by the internally generated funds.

A6 Dividend paid

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

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 Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment during the period under review or prior periods.

QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

A. NOTES TO THE INTERIM FINANCIAL REPORT (cont'd)

A9 Valuation of investment properties

In line with the adoption of the fair value model, the investment properties are stated at fair values which are assessed on yearly basis.

A10 Material events subsequent to the end of the quarter

There were no materials events subsequent to the end of the current reporting period that have not been reflected in the financial statements for the said period.

A11 Changes in the composition of the Group

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

A12 Contingent assets or contingent liabilities

There were no contingent assets or liabilities for the Group since the previous financial year ended 31 December 2013 to the date of this report.

A13 Capital commitments

Authorised contracted capital commitments not provided for in the interim financial statements as at 31 March 2014 is RM493,000.

A14 Significant related party transactions

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

QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014
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 RM22.83 million for the period under review against RM12.93 million in the corresponding period of preceding year, representing an increase of 77%. The increase in revenue against the same quarter last year was mainly due to increase in sales from Machine Vision System (MVS), Automated Board Inspection (ABI) and Electronics Communication System (ECS). Sales from MVS, ABI and ECS have recorded an increase of 208%, 35% and 36% respectively against the corresponding period of preceding year. The increase in sales recorded is mainly due to higher demand from customers and improving business outlook in the semiconductor and electronics industries.

The Group achieved a profit before tax of RM4.23 million against profit before tax of RM0.72 million in the corresponding quarter, representing an increase of 488%, mainly due to increase in revenue and achieving economies of scale. Correspondingly, the Group recorded a profit after tax of RM3.99 million against profit after tax of RM0.46 million in the corresponding quarter.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM22.83 million and RM4.23 million respectively for the current quarter under review against revenue and profit before tax of RM28.52 million and RM5.39 million respectively for the immediate preceding quarter. The decrease in revenue and profit were attributed to decrease in sales recorded for ABI. Sales from ABI have recorded a decrease of 41% against the immediate preceding quarter. Decrease in sales recorded for ABI was mainly due to the seasonal and cyclical factors.

B3 Prospects for the remaining quarter of current financial year ending 31 December 2014

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. In view of strong growth in first-quarter sales, in comparison with the previous corresponding quarter, the board is optimistic on the growth prospect for the financial year 2014.

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 year quarter 31-Mar-14 RM'000 | Preceding year corresponding quarter 31-Mar-13 RM'000 | Current year period 31-Mar-14 RM'000 | Preceding year corresponding period 31-Mar-13 RM'000 |
| Tax based on the results for the period under review | 242 | 261 | 242 | 261 |

ViTrox Corporation Berhad ("VCB") is a MSC status company and enjoys pioneer status/tax exempt incentive for certain qualifying products granted by the Ministry of International Trade and Industry ("MITI") for a period of 5 years of pioneer status from Multimedia Development Corporation Sdn Bhd ("MDec") and MITI. On 22 September 2010, VTSB has been granted another extension 5 years of pioneer status by MDec and MITI from 25 January 2010 to 25 January 2015.

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QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014
B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES
MAIN MARKET LISTING REQUIREMENTS (cont'd)

B5 Tax 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 for the development and production of digital automated vision inspection equipment and modules. The incentive commenced from 1 April 2005 to 31 March 2010 (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. On 29 July 2010, VTSB has been granted another extension 5 years of pioneer status by MITI from 1 April 2010 to 31 March 2015.

Another wholly-owned subsidiary of VCB, ViE Technologies Sdn.Bhd. ("ViE") has also 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.

B6 Status of corporate proposals announced

The following corporate proposals were approved by the shareholders during the Extraordinary General Meeting on 27 February 2014:-

- i) Proposed establishment of an Employee's Share Option Scheme (ESOS) of up to 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS Scheme;
- ii) Proposed increase in the authorised share capital of the Company from RM25,000,000 comprising of 250,000,000 ordinary shares of RM0.10 each to RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each; and
- iii) Proposed amendment to the Memorandum of Association of the Company.

B7 Group borrowings

| | As at 31-Mar-14 RM'000 | As at 31-Dec-13 RM'000 |
|--|------------------------------|------------------------------|
| Short term borrowings - secured | | |
| Foreign currency term loan in USD | 1,332 | 1,338 |
| Long term borrowings - secured | | |
| Foreign currency term loan in USD | 10,484 | 10,854 |
| | <u>11,816</u> | <u>12,192</u> |

B8 Financial instruments

As at 31 March 2014, the outstanding forward foreign exchange contracts are as follows:-

| Type of derivative | Contract value RM'000 | Fair value RM'000 |
|---|--------------------------|----------------------|
| Forward foreign exchange contracts | | |
| - Less than 1 year | 6,639 | 100 |
| | <u>6,639</u> | <u>100</u> |

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QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014
B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES
MAIN MARKET LISTING REQUIREMENTS (cont'd)

B8 Financial instruments (cont'd)

Foreign currency exchange contract is used as a hedging tool to minimise the Group's exposure to changes in fair value of its commitment, conducted in the ordinary course of business, as a result of fluctuation in exchange rate. There is minimal credit and market risk because the contracts are hedged with reputable banks.

Foreign currency exchange contract was recognised on the contract date, measured at fair value and the changes in the fair value have been recognised in profit or loss.

B9 Breakdown of realised and unrealised profits or losses of the Group

| | As at 31-Mar-14 RM'000 | As at 31-Dec-13 RM'000 |
|--|------------------------------|------------------------------|
| Total retained profits of the Company and its subsidiaries:- | | |
| - Realised | 115,308 | 111,412 |
| - Unrealised | (429) | (914) |
| | <u>114,879</u> | <u>110,498</u> |
| Less : Consolidation adjustments | (6,893) | (6,499) |
| Total group retained profits as per consolidated accounts | <u>107,986</u> | <u>103,999</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

No dividend was proposed and declared by the Company in current quarter under review.

B12 Earnings per share

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--------------------------------------|---|-------------------------------------|--|
| | Current year quarter 31-Mar-14 | Preceding year corresponding quarter 31-Mar-13 | Current year period 31-Mar-14 | Preceding year corresponding period 31-Mar-13 |
| Net profit attributable to shareholders (RM'000) | 3,987 | 458 | 3,987 | 458 |
| Weighted average number of shares in issue ('000) | 231,954 | 231,260 | 231,954 | 231,260 |
| Basic earnings per share (sen) | <u>1.72</u> | <u>0.20</u> | <u>1.72</u> | <u>0.20</u> |

Diluted earnings per share have not been calculated as the Company does not have any dilutive potential shares.

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QUARTERLY REPORT ON RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014
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 2013 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-Mar-14 RM'000 | Preceding year corresponding quarter 31-Mar-13 RM'000 | Current year period 31-Mar-14 RM'000 | Preceding year corresponding period 31-Mar-13 RM'000 |
| Profit/(Loss) before tax is arrived at after charging:- | | | | |
| Amortisation and depreciation | 797 | 654 | 797 | 654 |
| Interest expenses | 72 | 75 | 72 | 75 |
| (Gain)/Loss on financial instruments at fair value through profit or loss | | | | |
| - realised | (30) | 75 | (30) | 75 |
| - unrealised | (100) | 0 | (100) | 0 |
| (Gain)/Loss on foreign exchange | | | | |
| - realised | 231 | (924) | 231 | (924) |
| - unrealised | (194) | 685 | (194) | 685 |
| and crediting:- | | | | |
| Amortisation of deferred income | 105 | 47 | 105 | 47 |
| Grant related to income | 376 | 292 | 376 | 292 |
| Interest income | 207 | 199 | 207 | 199 |
| Rental income | 8 | 8 | 8 | 8 |
| Reversal of impairment loss on loans and receivables | 0 | 458 | 0 | 458 |

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 22 May 2014.