

VITROX CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 649966-K


QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current period quarter 30-Jun-15 RM'000	Preceding year corresponding quarter 30-Jun-14 RM'000	Current period to date 30-Jun-15 RM'000	Preceding year corresponding period 30-Jun-14 RM'000
Revenue		38,914	65,103	72,173	87,931
Other operating income		2,246	1,281	6,075	2,071
Operating expenses		(27,628)	(45,718)	(55,111)	(65,035)
Finance costs		(24)	(60)	(50)	(132)
Profit before tax	B14	13,508	20,606	23,087	24,835
Tax expense		(3,542)	(610)	(3,808)	(852)
Profit for the period		9,966	19,996	19,279	23,983
Other comprehensive income:					
Currency translation of differences for the foreign operation		29	(2)	(128)	(4)
Other comprehensive income for the period		29	(2)	(128)	(4)
Total comprehensive income for the period		9,995	19,994	19,151	23,979
Earnings Per Ordinary Share attributable to ordinary equity holders of the Company (sen)					
- Basic		4.28	8.61	8.28	10.33
- Diluted		4.26	8.60	8.25	10.32

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(The figures have not been audited)

	As at 30-Jun-15 RM'000 (unaudited)	As at 31-Dec-14 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	34,552	35,021
Investment properties	600	600
Investment in club membership - at cost	91	91
Development expenditure	2,661	2,923
	<u>37,904</u>	<u>38,635</u>
Current assets		
Inventories	55,557	50,266
Trade and other receivables	62,544	69,882
Prepayments	8,703	7,970
Current tax assets	0	351
Cash and cash equivalents	76,458	60,629
	<u>203,262</u>	<u>189,098</u>
TOTAL ASSETS	<u>241,166</u>	<u>227,733</u>
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the Company		
Share capital	23,314	23,274
Reserves	162,937	151,546
Total equity	<u>186,251</u>	<u>174,820</u>
Non-current liabilities		
Term loan - secured	2,679	3,172
Deferred tax liabilities	205	256
Deferred income on government grant	3,058	2,963
Total non-current liabilities	<u>5,942</u>	<u>6,391</u>
Current liabilities		
Trade and other payables	34,094	38,797
Dividend payable	9,326	4,655
Term loan - secured	1,522	1,407
Financial liabilities at fair value through profit or loss	267	1,016
Advance payment from customers	1,294	647
Current tax liabilities	2,470	0
Total current liabilities	<u>48,973</u>	<u>46,522</u>
Total liabilities	<u>54,915</u>	<u>52,913</u>
TOTAL EQUITY AND LIABILITIES	<u>241,166</u>	<u>227,733</u>
Net assets value per share attributable to ordinary equity holders of the parent (sen)	<u>79.89</u>	<u>75.11</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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Company No: 649966-K

**QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015
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	Share Option Reserve RM'000	Currency Translation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Period ended 30 June 2015							
Balance as at 1 January 2015	23,274	0	6,303	1,378	62	143,803	174,820
Profit for the financial period	0	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	0	(128)	0	(128)
Total comprehensive income for the financial period	0	0	0	0	(128)	19,279	19,151
Share-based payments	0	0	0	808	0	0	808
Issuance of shares pursuant to ESOS	40	0	1,311	(553)	0	0	798
Dividends	0	0	0	0	0	(9,326)	(9,326)
Total transaction with owners	40	0	1,311	255	0	(9,326)	(7,720)
Balance as at 30 June 2015	23,314	0	7,614	1,633	(66)	153,756	186,251
Period ended 30 June 2014							
Balance as at 1 January 2014	23,250	(933)	4,894	0	10	103,999	131,220
Profit for the financial period	0	0	0	0	0	23,983	23,983
Currency translation differences for foreign operation (representing other comprehensive income for the financial period)	0	0	0	0	(4)	0	(4)
Total comprehensive income for the financial period	0	0	0	0	(4)	23,983	23,979
Reissue of treasury shares	0	933	821	0	0	0	1,754
Share-based payments	0	0	0	779	0	0	779
Dividends	0	0	0	0	0	(4,650)	(4,650)
Total transaction with owners	0	933	821	779	0	(4,650)	(2,117)
Balance as at 30 June 2014	23,250	0	5,715	779	6	123,332	153,082

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statement.

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QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(The figures have not been audited)

	Period ended 30-Jun-15 RM'000	Period ended 30-Jun-14 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	23,087	24,835
Adjustment for:		
Amortisation and depreciation	2,004	1,863
Amortisation of deferred income	(319)	(361)
Interest expense	50	132
Interest income	(528)	(444)
Loss on disposal of property, plant and equipment	1	1
Reversal of impairment loss on loans and receivables	(198)	0
Share-based payments	808	779
Unrealised loss/(gain) on financial instruments at fair value through profit or loss	267	(23)
Unrealised (gain)/loss on foreign exchange	(6,370)	480
Operating profit before working capital changes	<u>18,802</u>	<u>27,262</u>
Change in:		
Inventories and receivables	3,856	(25,676)
Payables and advance payments	(4,540)	17,320
Financial instruments at fair value through profit or loss	(1,016)	(121)
Cash generated from operations	<u>17,102</u>	<u>18,785</u>
Tax paid	(1,038)	(410)
Net cash from operating activities	<u>16,064</u>	<u>18,375</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Additions of development expenditure	0	(166)
Grant received	1,071	647
Interest received	525	468
Proceed from disposal of property, plant and equipment	1	2
Purchase of property, plant and equipment	(1,199)	(1,037)
Net cash from/(used in) investing activities	<u>398</u>	<u>(86)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(4,655)	(2,307)
Interest paid	(51)	(144)
Issue of shares	798	0
Reissue of treasury shares	0	1,754
Repayment of term loans	(614)	(5,221)
Net cash used in financing activities	<u>(4,522)</u>	<u>(5,918)</u>
Currency translation differences	3,889	(469)
Net increase in cash and cash equivalents	15,829	11,902
Cash and cash equivalents at beginning of period	60,629	40,458
Cash and cash equivalents at end of period	<u>76,458</u>	<u>52,360</u>
Cash and cash equivalents consist of:-		
Highly liquid investments	21,826	21,374
Term deposits with licensed banks	19,205	13,177
Cash and bank balances	35,427	17,809
	<u>76,458</u>	<u>52,360</u>

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 2014. 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 2014.

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 2014, except for the adoption of new Malaysian Financial Reporting Standards ("MFRS") that are effective for financial period beginning on or after 1 January 2015. 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 45,000 and 218,900 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 2 sen per share tax exempt amounting to RM4,654,704 for the financial year ended 31 December 2014 were paid on 22 January 2015.

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QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 2014 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 2015 is RM28,000,000.

A12 Significant related party transactions

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

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**QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015****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 RM38.91 million for the period under review against RM65.10 million in the corresponding period of preceding year, representing a decrease of 40%. The decrease in revenue against the same quarter last year was mainly due to decrease in revenue from Machine Vision System (MVS) and Electronics Communication System (ECS). Revenue from MVS and ECS has recorded a decrease of 71% and 23% respectively against the corresponding period of preceding year. The decrease in revenue recorded was mainly due to lower demand from existing customers.

The Group achieved a profit before tax of RM13.51 million against profit before tax of RM20.61 million in the corresponding quarter, representing a decrease of 34%. The lower profit before tax was mainly due to decrease in revenue recorded. Correspondingly, the Group recorded a profit after tax of RM9.97 million against profit after tax of RM20.00 million in the corresponding quarter, representing a decrease of 50%. Lower profit after tax was mainly due to expiry of the pioneer status of ViTrox Technologies Sdn. Bhd. on 31 March 2015.

B2 Variation of results against immediate preceding quarter

The Group recorded revenue and profit before tax of RM38.91 million and RM13.51 million respectively for the current quarter under review against revenue and profit before tax of RM33.26 million and RM9.58 million respectively for the immediate preceding quarter. The increase in revenue and profit were attributed to increase in revenue recorded for MVS, Automated Board Inspection (ABI) and ECS. Revenue from MVS, ABI and ECS have recorded an increase of 14%, 16% and 73% respectively against the immediate preceding quarter, due to higher demand from customers and the appreciation of US Dollar as most of the sales are denominated in US Dollars.

B3 Prospects for the remaining quarters of current financial year ending 31 December 2015

The Board is cautiously optimistic on the business prospect for the financial year 2015. 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 expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-15 RM'000	Preceding year corresponding quarter 30-Jun-14 RM'000	Current year period 30-Jun-15 RM'000	Preceding year corresponding period 30-Jun-14 RM'000
Tax based on the results for the period under review	3,542	610	3,808	852

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 2015****B. DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS (cont'd)****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-15 RM'000	As at 31-Dec-14 RM'000
Short term borrowings - secured		
Foreign currency term loan in USD	1,522	1,407
Long term borrowings - secured		
Foreign currency term loan in USD	2,679	3,172
	<u>4,201</u>	<u>4,579</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 2015, the Group's outstanding derivatives are as follows:-

	Contract value RM'000	Fair value RM'000
Forward foreign exchange contracts		
- Less than 1 year	10,929	267

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**QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015****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-15 RM'000	As at 31-Mar-15 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realised	152,977	152,680
- Unrealised	6,205	5,623
	<u>159,182</u>	<u>158,303</u>
Less : Consolidation adjustments	(5,426)	(5,187)
Total group retained profits as per consolidated accounts	<u>153,756</u>	<u>153,116</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 19 June 2015, the shareholders approved the proposed special dividend of 3.5 sen per share tax exempt amounting to RM8,159,881 and final dividend of 0.5 sen per share tax exempt amounting to RM1,165,697 for the financial year ended 31 December 2014 which was paid to all holders of ordinary shares on 24 July 2015 whose names appeared in the Records of Depositors at the close of business on 30 June 2015.

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30-Jun-15	Preceding year corresponding quarter 30-Jun-14	Current year period 30-Jun-15	Preceding year corresponding period 30-Jun-14
Net profit attributable to shareholders (RM'000)	9,966	19,996	19,279	23,983
Weighted average number of shares for computing basis earnings per share ('000)	232,756	232,229	232,756	232,229
Basic earnings per share (sen)	<u>4.28</u>	<u>8.61</u>	<u>8.28</u>	<u>10.33</u>
Weighted average number of shares for computing diluted earnings per share ('000)	233,738	232,497	233,738	232,497
Diluted earnings per share (sen)	<u>4.26</u>	<u>8.60</u>	<u>8.25</u>	<u>10.32</u>

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**QUARTERLY REPORT ON RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015****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 2014 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-15 RM000	Preceding year corresponding quarter 30-Jun-14 RM000	Current year period 30-Jun-15 RM000	Preceding year corresponding period 30-Jun-14 RM000
Profit before tax is arrived at after charging:-				
Amortisation and depreciation	968	1,066	2,004	1,863
Interest expense	24	60	50	132
(Gain)/Loss on financial instruments at fair value through profit or loss				
- realised	263	(180)	513	(210)
- unrealised	(210)	77	267	(23)
(Gain)/Loss on foreign exchange				
- realised	(831)	224	1,565	455
- unrealised	(516)	674	(6,370)	480
Loss on disposal of property, plant and equipment	1	1	1	1
and crediting:-				
Amortisation of deferred income	153	256	319	361
Grant related to income	509	869	979	1,245
Interest income	277	237	528	444
Rental income	0	10	15	18
Reversal of impairment loss on loans and receivables	0	0	198	0

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 20 August 2015.