

ViTrox®



承担

Accountability

ANNUAL REPORT 2019



CORPORATE VISION, MISSION, OBJECTIVES, STRATEGIES AND CORE VALUES

Corporate Vision

We are dedicated to be the world leading company in providing total machine vision solutions.

Corporate Mission

We are committed to providing the most innovative, advanced and cost effective machine vision solution of excellent quality to our customers through integration of our technology, our people and our strategic alliances.

Corporate Objectives

We aim to achieve:

- Excellent & world class products and services
- Total customer satisfaction
- Continuous growth and profitability
- Long-term partnership with our customers, alliances and employees

Corporate Strategies

Innovation

Initiate new ideas and technological breakthroughs. We believe thinking "outside the box" leads to innovation.

Customer Focused

Make our customers our first priority. We offer our customers the best value products and services in a timely manner, without sacrificing quality.

Continuous Improvement

Continuously improve our products, services, and our organization as a whole.



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Design Rationale

Converging on accountability ('承担'), a memory reel that transitions from monochrome to sepia before transforming into vibrant colours showcases ViTrox's rich heritage and corporate milestones over the past 20 years. Using the metaphor of a seedling within the 'eyes' or lens of the vintage camera, the company's growth from strength-to-strength is well-honoured – as key milestones from inception in 2000 to being publicly listed in 2005, achieving leading-edge expertise in machine vision technology and moving to its new premises ViTrox Campus 2.0 in 2018 are fleshed out and celebrated. The camera's lens as a powerful site of vision further connotes ViTrox's enduring aim to lead globally in providing total machine vision solutions, while the metaphor of the growing seedling conveys the company's organic progress into the next decade as individual staff as well as the company's reputation are nurtured and sustained by its strong core values of integrity, accountability, courage, trust & respect and gratitude & care since the very beginning. Rooted in these core values, the company is grateful for its journey thus far and ready to soar to greater heights while being oriented to accountability on all fronts – towards its employees, community, environment and society.

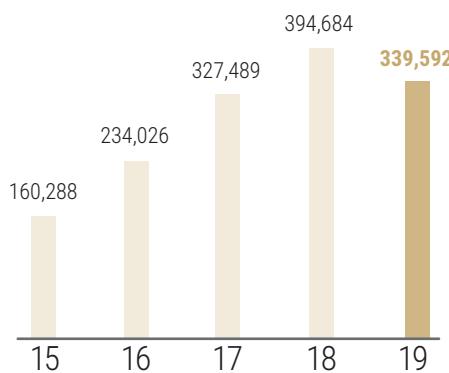
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Financial Highlights

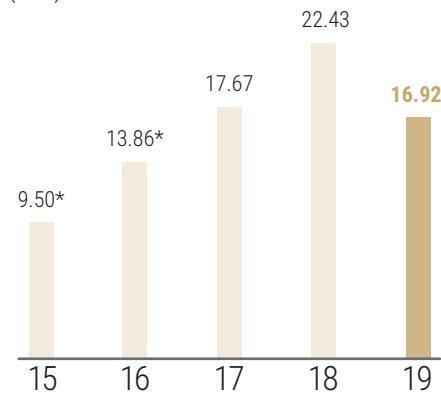
	2015	2016	2017	2018	2019
Revenue (RM'000)	160,288	234,026	327,489	394,684	339,592
Profit Before Tax (RM'000)	55,730	60,920	86,502	113,100	81,458
Profit After Tax (RM'000)	44,322	64,849	83,019	105,484	79,651
Basic Earnings Per Share (Sen)	9.50*	13.86*	17.67	22.43	16.92
Total Equity (RM'000)	208,920	261,862	330,240	413,505	482,388
Return on Equity	21%	25%	25%	26%	17%

* The calculation of basic earnings per share for the previous financial year has been adjusted retrospectively to reflect the changes in the number of shares as a result of the bonus issue in 2017.

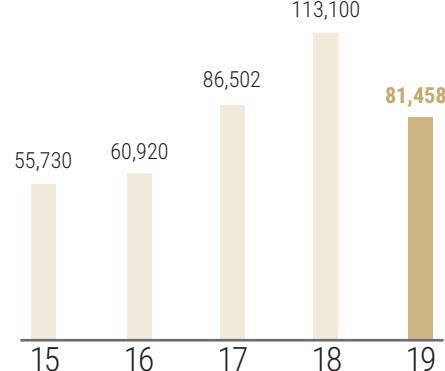
Revenue
(RM'000)



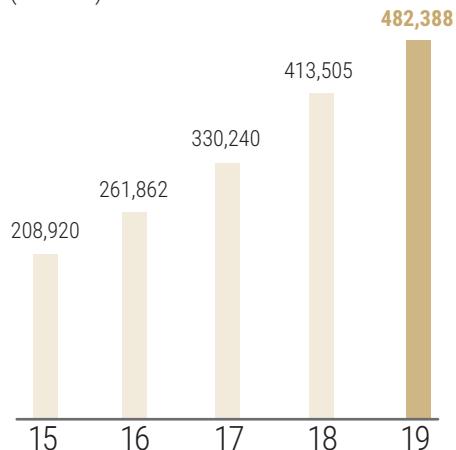
Basic Earnings Per Share
(Sen)



Profit Before Tax
(RM'000)



Total Equity
(RM'000)



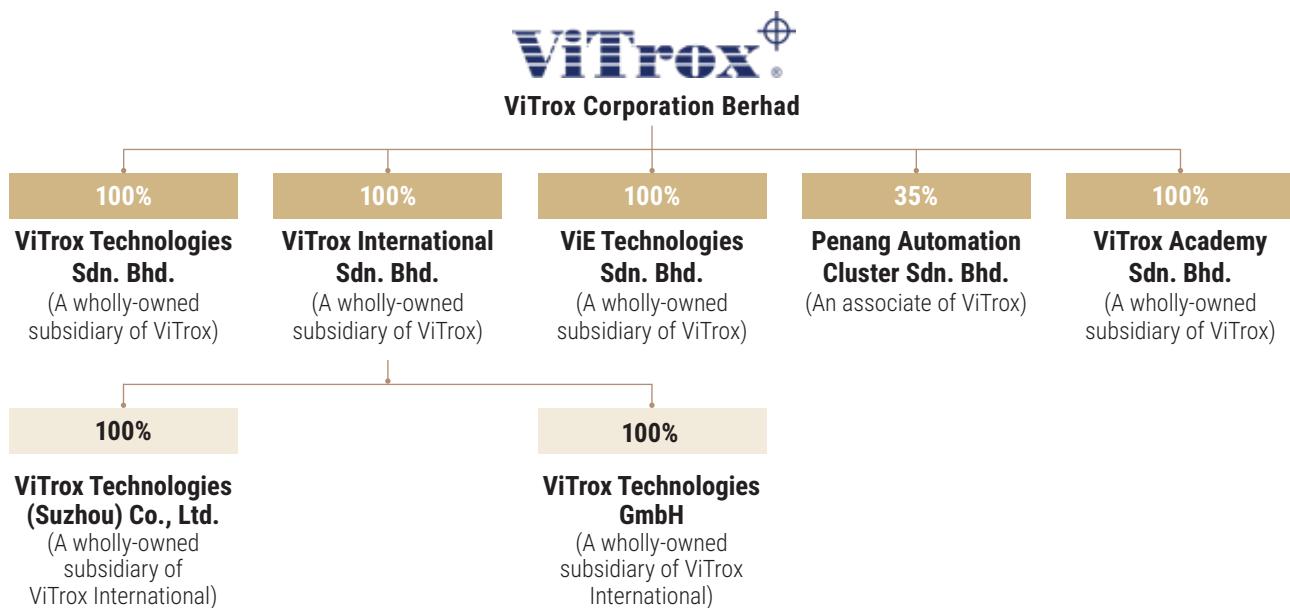
Principal Activities

ViTrox Corporation Berhad ("ViTrox") is principally involved in investment holding and development of 3D and line scan vision inspection system. As at 2 April 2020, ViTrox owned six (6) wholly-owned subsidiaries and an associate company. The principal activities of the subsidiaries and associate are set out as follows:

Name	Date of Acquisition/ Place of Incorporation	Effective Ownership Interest	Principal Activities
ViTrox Technologies Sdn. Bhd.	15 June 2005/ Malaysia	100%	Design, development and production of automated vision inspection system and digital automated vision inspection equipment and modules.
ViTrox International Sdn. Bhd.	7 January 2006/ Malaysia	100%	Investment holding.
ViTrox Technologies (Suzhou) Co., Ltd. (A wholly-owned subsidiary of ViTrox International Sdn. Bhd.)	19 January 2006 (date of establishment)/ China	100%	As sales and support office.
ViE Technologies Sdn. Bhd.	24 February 2006/ Malaysia	100%	Design, development and production of printed circuit board assemblies for microprocessor applications.
Penang Automation Cluster Sdn. Bhd.	16 January 2017/ Malaysia	35%	Investment holding, manufacture of high precision metal fabrication components, modules, systems and providing technology and engineering services.
ViTrox Technologies GmbH (A wholly-owned subsidiary of ViTrox International Sdn. Bhd.)	22 February 2019/ Germany	100%	As sales and support office.
ViTrox Academy Sdn. Bhd.	13 February 2020/ Malaysia	100%	Provide quality, professional and affordable education & training and undertaking of innovative research and development.

Corporate Structure

ViTrox Corporation Berhad
as at 2 April 2020



Corporate Information

BOARD OF DIRECTORS

Dato' Seri Dr. Kiew Kwong Sen

Chairman / Independent Non-Executive Director

Chu Jenn Weng

Managing Director / President / CEO

Siaw Kok Tong

Executive Director /
Executive Vice President (promoted on 1 Jan 2020)

Yeoh Shih Hoong

Executive Director /
Executive Vice President (promoted on 1 Jan 2020)

Chuah Poay Ngee

Independent Non-Executive Director

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Independent Non-Executive Director

Chang Mun Kee

Independent Non-Executive Director

Mary Yeo Chew Yen

Independent Non-Executive Director

AUDIT COMMITTEE

Chuah Poay Ngee

Chairman

Dato' Seri Dr. Kiew Kwong Sen

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani
Chang Mun Kee

REGISTERED OFFICE

57-G, Persiaran Bayan Indah

Bayan Bay, Sungai Nibong

11900 Penang

Tel : 604 640 8933

Fax : 604 643 8911

NOMINATING COMMITTEE

Chuah Poay Ngee

Chairman

Dato' Seri Dr. Kiew Kwong Sen

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani
Chang Mun Kee

HEAD OFFICE

746, Persiaran Cassia Selatan 3

Batu Kawan Industrial Park

14110 Bandar Cassia, Penang

Tel : 604 545 9988

Fax : 604 545 9987

Website : www.vitrox.com

REMUNERATION COMMITTEE

Chang Mun Kee

Chairman

Dato' Seri Dr. Kiew Kwong Sen

Chu Jenn Weng

ESOS COMMITTEE

Chang Mun Kee

Chairman

Dato' Seri Dr. Kiew Kwong Sen

Chu Jenn Weng

Siaw Kok Tong

Yeoh Shih Hoong

RISK MANAGEMENT COMMITTEE

Yeoh Shih Hoong

Chairman

Chu Jenn Weng

Siaw Kok Tong

EXECUTIVE COMMITTEE

Chu Jenn Weng

Chairman

Siaw Kok Tong

Yeoh Shih Hoong

COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)

Ooi Ean Hoon (MAICSA 7057078)

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.

Level 7, Menara Milenium

Jalan Damanlela, Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Tel : 603 2084 9000

Fax : 603 2094 9940

AUDITORS

Crowe Malaysia PLT

Chartered Accountants

Level 6, Wisma Penang Garden

42, Jalan Sultan Ahmad Shah

10050 Penang

SOLICITORS

Zaid Ibrahim & Co

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad

AmlInvestment Bank Berhad

Hong Leong Bank Berhad

Hong Leong Islamic Bank Berhad

HSBC Bank Malaysia Berhad

OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name : VITROX

Stock Code : 0097

Board of Directors



From left to right (seated):

1 | **Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani**
Independent Non-Executive Director

2 | **Chu Jenn Weng**
Managing Director / President / CEO

3 | **Dato' Seri Dr. Kiew Kwong Sen**
Chairman / Independent Non-Executive Director

4 | **Siaw Kok Tong**
Executive Director /
Executive Vice President (promoted on 1 Jan 2020)

5 | **Yeoh Shih Hoong**
Executive Director /
Executive Vice President (promoted on 1 Jan 2020)

From left to right (standing):

6 | **Chuah Poay Ngee**
Independent Non-Executive Director

8 | **Chang Mun Kee**
Independent Non-Executive Director

7 | **Mary Yeo Chew Yen**
Independent Non-Executive Director

Profile of Directors

DATO' SERI DR. KIEW KWONG SEN

Ph.D. (Hon), DPPN, DGPN, DSPN
Chairman / Independent Non-Executive Director



Age
72

Gender
Male

Nationality
Malaysian

Qualification

- Bachelor of Science in Mechanical Engineering Degree from National Taiwan University
- Master of Science in Industrial Engineering Degree from the University of California, Berkeley, USA
- Honorary Doctorate Degree by Toyohashi University of Technology

Date first appointed to the Board

8-Jul-2005

Membership of Board Committee

- Audit Committee (Member)
- ESOS Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Working Experience

- Product Line Manager, Hewlett-Packard (Malaysia) Sdn. Bhd. (1975-1984)
- Offshore Manufacturing Manager, Hewlett Packard Component Group San Jose California (1984-1998)
- President of Gibraltar Semiconductor (2000-present)
- President of Mini-Circuits Malaysia, Taiwan and China (2000-present)

Occupation

Director

Present Appointment

- Chairman and President of Mini-Circuits Technologies Malaysia
- President of Gibraltar Semiconductor, San Jose, California
- President of Blue Cell Technologies, Sacramento, California
- Chairman of Mini-Circuits Taiwan Ltd
- Director of ACX Ceramic Taiwan
- Chairman of the Penang SME Management Council
- Director of Penang Science Council and Penang Green Council
- Director of Scientific Components Corporation, NY, USA

Past Appointment

- Independent Non-Executive Director of Pentamaster Corporation Berhad
- Member of Penang Competitiveness Committee
- Chairman / Independent Non-Executive Director, Unimech Group Berhad

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

5/5

Profile of Directors

CHU JENN WENG

Managing Director / President / CEO



Age 50 | **Gender** Male | **Nationality** Malaysian

Qualification

1. Bachelor Degree in Electrical and Electronics Engineering from the Universiti Sains Malaysia ("USM")
2. Master of Science in Image Processing from USM

Date first appointed to the Board

7-Jul-2005

Membership of Board Committee

1. Executive Committee (Chairman)
2. ESOS Committee (Member)
3. Remuneration Committee (Member)
4. Risk Management Committee (Member)

Working Experience

1. Specialist Engineer, Hewlett-Packard (Malaysia) Sdn. Bhd. (1993-1999)

Occupation

Managing Director

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

5/5

Profile of Directors

SIAW KOK TONG

Executive Director / Executive Vice President (promoted on 1 Jan 2020)



Age 49 | **Gender** Male | **Nationality** Malaysian

Qualification

1. Bachelor Degree (First Class Honours) in Computer Science from USM

Date first appointed to the Board

7-Jul-2005

Membership of Board Committee

1. ESOS Committee (Member)
2. Risk Management Committee (Member)
3. Executive Committee (Member)

Working Experience

1. Senior Engineer, Hewlett-Packard (Malaysia) Sdn. Bhd. (1995-1999)

Occupation

Director

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

4/5

Profile of Directors

YEOH SHIH HOONG

Executive Director / Executive Vice President (promoted on 1 Jan 2020)



Qualification

1. Bachelor Degree (First Class Honours) in Computer Science from USM

Date first appointed to the Board

7-Jul-2005

Membership of Board Committee

1. Risk Management Committee (Chairman)
2. ESOS Committee (Member)
3. Executive Committee (Member)

Working Experience

1. R&D Engineer, ViTrox Technologies Sdn. Bhd. (1997-present)

Occupation

Director

Age
48

Gender
Male

Nationality
Malaysian

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

5/5

PROF. IR. DR. AHMAD FADZIL BIN MOHAMAD HANI

Independent Non-Executive Director



Qualification

1. Bachelor Degree (First Class Honours) in Electronics Engineering from the University of Essex, United Kingdom
2. Master in Telematics from the University of Essex, United Kingdom
3. PhD in Image Processing from the University of Essex, United Kingdom

Date first appointed to the Board

8-Jul-2005

Membership of Board Committee

1. Audit Committee (Member)
2. Nominating Committee (Member)

Working Experience

1. Lecturer, USM (1984-1988, 1991-1997)
2. Senior Research Officer, University of Essex (1988-1990)
3. Lecturer, University of Essex (1990-1991)
4. Dean of School of Electrical and Electronics Engineering, USM (1992-1997)
5. Dean of the Engineering Faculty, Universiti Teknologi Petronas (1997-1998)
6. Director of Academic Studies, Universiti Teknologi Petronas (1999-2003)
7. Director of Postgraduate, Universiti Teknologi Petronas (2004-2006)
8. General Manager, Frontier Research, PETRONAS Research Sdn. Bhd. (2007-2009)
9. Deputy Vice-Chancellor (Academic), Universiti Teknologi Petronas (2011-2016)
10. Deputy Vice-Chancellor (Research & Innovation), Universiti Teknologi Petronas (2016-2017)
11. Senior Professor, Universiti Teknologi Petronas (2016 - present)
12. President and Group Chief Executive, SIRIM Berhad (2017-present)

Occupation

President & Group Chief Executive

Present Appointment

1. Fellow with the Academy of Sciences Malaysia
2. Fellow of the Institution of Engineers Malaysia
3. Registered Professional Engineer with the Board of Engineers, Malaysia
4. Board of Directors, Prince Court Medical Centres Sdn. Bhd.
5. President and Group Chief Executive of SIRIM Berhad
6. Board of Directors, SIRIM QAS International Sdn. Bhd.
7. Board of Directors, SIRIM STS Sdn. Bhd.
8. Board of Directors, SIRIM SST Sdn. Bhd.
9. Board of Directors, SIRIM SMT Sdn. Bhd.
10. Board of Directors, SIRIM Tech Ventures Sdn. Bhd.
11. Board of Directors, GRANULAB Sdn. Bhd.

Past Appointment

1. Board of Directors, SIRIM Berhad

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

4/5

Profile of Directors

CHUAH POAY NGEE

Independent Non-Executive Director



Qualification

1. Bachelor of Business (Accountancy) from Deakin University, Australia
2. Certified Practicing Accountant of the Australian Society of Certified Practicing Accountants
3. Chartered Accountant of Malaysian Institute of Accountants
4. Certified Corporate Secretary with the University Malaya Centre of Continuing Education

Date first appointed to the Board

15-Nov-2006

Membership of Board Committee

1. Audit Committee (Chairman)
2. Nominating Committee (Chairman)

Working Experience

1. Tax and Audit Assistant, Matthew & Partners (1994-1995)
2. Group Accountant, Grand Circuits Industry Sdn. Bhd. (1995-2000)
3. Senior Finance & Administration Manager, Golden Fresh Sdn. Bhd. (2001-2006)
4. Financial Controller, Mini-Circuits Technologies (M) Sdn. Bhd. (2007-2010)
5. Finance Manager, Dynacraft Industries (M) Sdn. Bhd. (2011-2016)

Occupation

Chartered Accountant

Present Appointment

1. Independent Non-Executive Director, YBS International Berhad
2. Director, South Island Building Sdn. Bhd.
3. Director, South Island Holdings Sdn. Bhd.

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

Fined under section 135(1) of the Companies Act, 1965 for an amount of RM225

Number of board meetings attended in the financial year

5/5

CHANG MUN KEE

Independent Non-Executive Director



Qualification

1. Bachelor of Science in Mechanical Engineering from the University of Texas, Austin, USA
2. Master of Science in Mechanical Engineering from the Massachusetts Institute of Technology, USA

Date first appointed to the Board

25-Jun-2010

Membership of Board Committee

1. ESOS Committee (Chairman)
2. Remuneration Committee (Chairman)
3. Audit Committee (Member)
4. Nominating Committee (Member)

Working Experience

1. Process Engineer, Kendall International (1990-1991)
2. Manufacturing Manager, Kendall International (1992-1993)
3. Regional Director of Sales & Marketing, Kendall International (1994-1996)
4. Founder, Jobstreet.com Sdn. Bhd. (1996-2016)
5. CEO, JcbNext Berhad (2016-present)

Occupation

Chief Executive Officer

Present Appointment

1. Non-Independent Director, 104 Corporation, Taiwan

Past Appointment

1. Executive Director, JcbNext Berhad
2. Non-Independent Non-Executive Director, Innity Corporation Berhad
3. Independent Director, MOL Global Inc

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

4/5

Profile of Directors

MARY YEO CHEW YEN

Independent Non-Executive Director



Qualification

- Bachelor of Laws Degree from the University of Canterbury, Christchurch, New Zealand
- Admitted as a Barrister and Solicitor of the High Court of New Zealand, the High Court of Borneo and the High Court of Malaya in January 1983, April 1984 and May 1984 respectively.

Date first appointed to the Board

1-Apr-2018

Membership of Board Committee

None

Working Experience

- Legal practitioner in Lim Kean Siew & Co. (1984–1988)
- Legal practitioner, Managing Partner & later Consultant in Cheong Wai Meng & Van Buerle (1989–2018)
- Partner in S.K.Goh, Chan & Co. (2018–present)

Occupation

Advocate and Solicitor

Present Appointment

- Independent Non-Executive Director, Rimbacon Group Global Limited, Hong Kong

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Number of board meetings attended in the financial year

4/5

Age
62

Gender
Female

Nationality
Malaysian

REMUNERATION

During FYE2019, the disclosure of remuneration breakdown of each Director as follows:

Name of Directors	Remuneration received from the Company					Remuneration received from the subsidiaries					Grand Total (RM'000)	
	Salaries, Bonuses, EPF & Other Emoluments		Allowances (RM'000)	Benefit in kind (RM'000)	Total (RM'000)	Salaries, Bonuses, EPF & Other Emoluments		Allowances (RM'000)	Benefit in kind (RM'000)	Total (RM'000)		
	Fees (RM'000)	(RM'000)										
Executive												
Chu Jenn Weng	-	298	36	6	340	-	-	-	-	-	340	
Siaw Kok Tong	-	-	-	-	-	266	38	6	310	310	310	
Yeoh Shih Hoong	-	-	-	-	-	249	38	6	293	293	293	
Non-Executive												
Dato' Seri Dr. Kiew Kwong Sen	38	6	10	-	54	-	-	-	-	-	54	
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	38	6	11	-	55	-	-	-	-	-	55	
Chuah Poay Ngee	39	6	9	-	54	-	-	-	-	-	54	
Chang Mun Kee	38	6	10	-	54	-	-	-	-	-	54	
Mary Yeo Chew Yen	38	5	5	6	54	-	-	-	-	-	54	
Total	191	327	81	12	611	515	76	12	603	1,214		

Profile of Directors

TRAINING PROGRAMS ATTENDED BY THE DIRECTORS

All the Directors of the Company attended various seminars and training programs during FYE2019 as follows:

Name of Directors	Mode of Training	Course Title	No. of Hour/ Day Spent
Dato' Seri Dr. Kiew Kwong Sen	Conference External Training	<ul style="list-style-type: none"> Artificial Intelligence Conference Better Governance Practices for Company Directors Training 	8 hours 8 hours
Chu Jenn Weng	Corporate Sharing	<ul style="list-style-type: none"> 4th Industrial Revolution & Human Capital Development The Perk of Adapting Positive Habits e-Learning Instructional Development/Design Managing People in a Growing Organization 	2 hours 1 hour 1 hour
	Group Study	<ul style="list-style-type: none"> [Pit Stop Plus] How I Learn [Pit Stop Plus] The Pursuit of Happiness [Pit Stop Plus] Head in The Cloud [Pit Stop Plus] A Fool- and Future-proof Career Path 	2 hours 2 hours 2 hours 2 hours
	Review	<ul style="list-style-type: none"> Dale Carnegie Review Session 	2 hours
	Sharing	<ul style="list-style-type: none"> 企业转型分享会 (Corporate Transformation Sharing) 	1.5 hours
Siaw Kok Tong	Corporate Sharing	<ul style="list-style-type: none"> The Perk of Adapting Positive Habits Managing People in a Growing Organization 	1.5 hours 1 hour
	Group Study	<ul style="list-style-type: none"> [Pit Stop Plus] Life Without Limit [Pit Stop Plus] Digitization Journey Can Begin with You [Pit Stop Plus] Head in The Cloud [Pit Stop Plus] A Fool- and Future-proof Career Path 	2 hours 2 hours 2 hours 2 hours
	In-House Training	<ul style="list-style-type: none"> Jobstreet Hiring Managers Workshop 	3 hours
	Review	<ul style="list-style-type: none"> Dale Carnegie Review Session 	2 hours
Yeoh Shih Hoong	Corporate Sharing	<ul style="list-style-type: none"> 4th Industrial Revolution & Human Capital Development Emergency Response & Fire Safety The Perk of Adapting Positive Habits Harmony Qi (Qi Gong) ISO 9001:2015 Awareness Training 5S Shine and Standardization 	2 hours 1.5 hour 1.5 hour 1.5 hour 1 hour 1 hour
	Exposure	<ul style="list-style-type: none"> SEMICON Southeast Asia 2019 2nd Annual Industry 4.0 LINXDays Southeast Asia 2019 Cyber Security In the Boardroom - Accelerating from Acceptance to Action Industrial Visit to Dell 以善致富 赢在心灵力 (Altruism and Business Success) 	21 hours 17 hours 8 hours 3.5 hours 3 hours 3 hours
	Group Study	<ul style="list-style-type: none"> [Pit Stop Plus] Life Without Limit [Pit Stop Plus] How I Learn [Pit Stop Plus] Digitization Journey Can Begin with You [Pit Stop Plus] The Pursuit of Happiness [Pit Stop Plus] A Fool- and Future-proof Career Path 	2 hours 2 hours 2 hours 2 hours 2 hours
	In-House Training	<ul style="list-style-type: none"> HR for People Manager Jobstreet Hiring Managers Workshop Introduction to OKR Getting Ready for Objective and Key Results (OKR) - A Pre-launch Training 	4 hours 3 hours 2 hours 2 hours
	Sharing	<ul style="list-style-type: none"> 5S + Safety Campaign 	1 hour
Chuah Poay Ngee	Exposure	<ul style="list-style-type: none"> CG Watch: How Does Malaysia Rank? MIA's Engagement Session with Audit Committee Members 	3 hours 2 hours
	External Training	<ul style="list-style-type: none"> The Essence of Independence Effective Financial Risk Management Accounting for SST - Updated legislation & Customs Policies 	7.5 hours 2 days 1 day
	Seminar and Workshops	<ul style="list-style-type: none"> Malaysia Strategy Budget 2020 Investment Focus Market Outlook & Opportunity - Diversify with Islamic Global REITs for Income & Growth Potential National Tax Seminar & Budget 2020 by IRB 	5 hours 5 hours 1 day
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	Exposure	<ul style="list-style-type: none"> Corporate Governance & Integrity Talk MFRS – Impact To Your Business Corporate Governance & Board Effectiveness Workshop 	4 hours 4 hours 2 days
	External Training	<ul style="list-style-type: none"> Financing The SDGS : Malaysian Private Sector Role In Bridging The Gap From Goals To Actions 	4 hours
Chang Mun Kee	Exposure	<ul style="list-style-type: none"> Citibank Outlook 2019 Julius Baer Outlook 	2 hours 2 hours
Mary Yeo Chew Yen	External Training	<ul style="list-style-type: none"> Series of Seminar of Maritime Law - CIF & FOB contracts and the Carriage of Goods by sea Series of Seminar of Maritime Law - Ship Mortgages & Sale of Ships Suing the Revenue: Essential Tax law Principles for Malaysian Lawyers 	0.5 day 0.5 day 0.5 day
	Group training	<ul style="list-style-type: none"> Memorising 	0.5 day
	Seminar	<ul style="list-style-type: none"> Directors' Training 	1 day
	Workshop	<ul style="list-style-type: none"> Conveyancing practice 	1 day

Senior Management



From left to right (seated):

1 | Lim Kim Seng
Chief Financial Officer

2 | Wee Kah Khim
Executive Vice President /
Chief Business Development Officer
(promoted on 1 Jan 2020)

3 | Chu Jenn Weng
Managing Director / President / CEO

4 | Siaw Kok Tong
Executive Director /
Executive Vice President (promoted on 1 Jan 2020)

5 | Yeoh Shih Hoong
Executive Director /
Executive Vice President (promoted on 1 Jan 2020)

Profile of Senior Management

LIM KIM SENG

Chief Financial Officer



Qualification

1. Bachelor of Accounting (Hons) from the University Malaya ("UM")
2. Chartered Accountant of Malaysian Institute of Accountants

Date first appointed to the Key Senior Management
15-Aug-2016

Working Experience

1. Finance Manager, Sony (1991-2000)
2. Business Finance Consultant, Agilent (2000-2003)
3. Senior Operations Controller, Philips Lumileds (2003-2012)
4. Financial Controller, Integrated Device Technology (2012-2016)
5. Chief Financial Officer, ViTrox Corporation Berhad (2016-present)

Occupation

Chief Financial Officer

Age
54

Gender
Male

Nationality
Malaysian

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

WEE KAH KHIM

Executive Vice President / Chief Business Development Officer (promoted on 1 Jan 2020)



Qualification

1. Bachelor of Science in Electrical Engineering (Hons) from Washington University in Saint Louis, USA

Date first appointed to the Key Senior Management
1-May-2009

Working Experience

1. Firmware R&D Engineer, Motorola (1992-1994)
2. Design Validation Engineer, Nortel (1994-1998)
3. R&D Director, Agilent Technologies (1998-2009)
4. Senior Vice President, ViTrox Corporation Berhad (2009-present)

Occupation

Executive Vice President / Chief Business Development Officer (promoted on 1 Jan 2020)

Age
51

Gender
Male

Nationality
Malaysian

Present Appointment

None

Past Appointment

None

Any family relationship with any director and/or major shareholder of the listed issuer

No

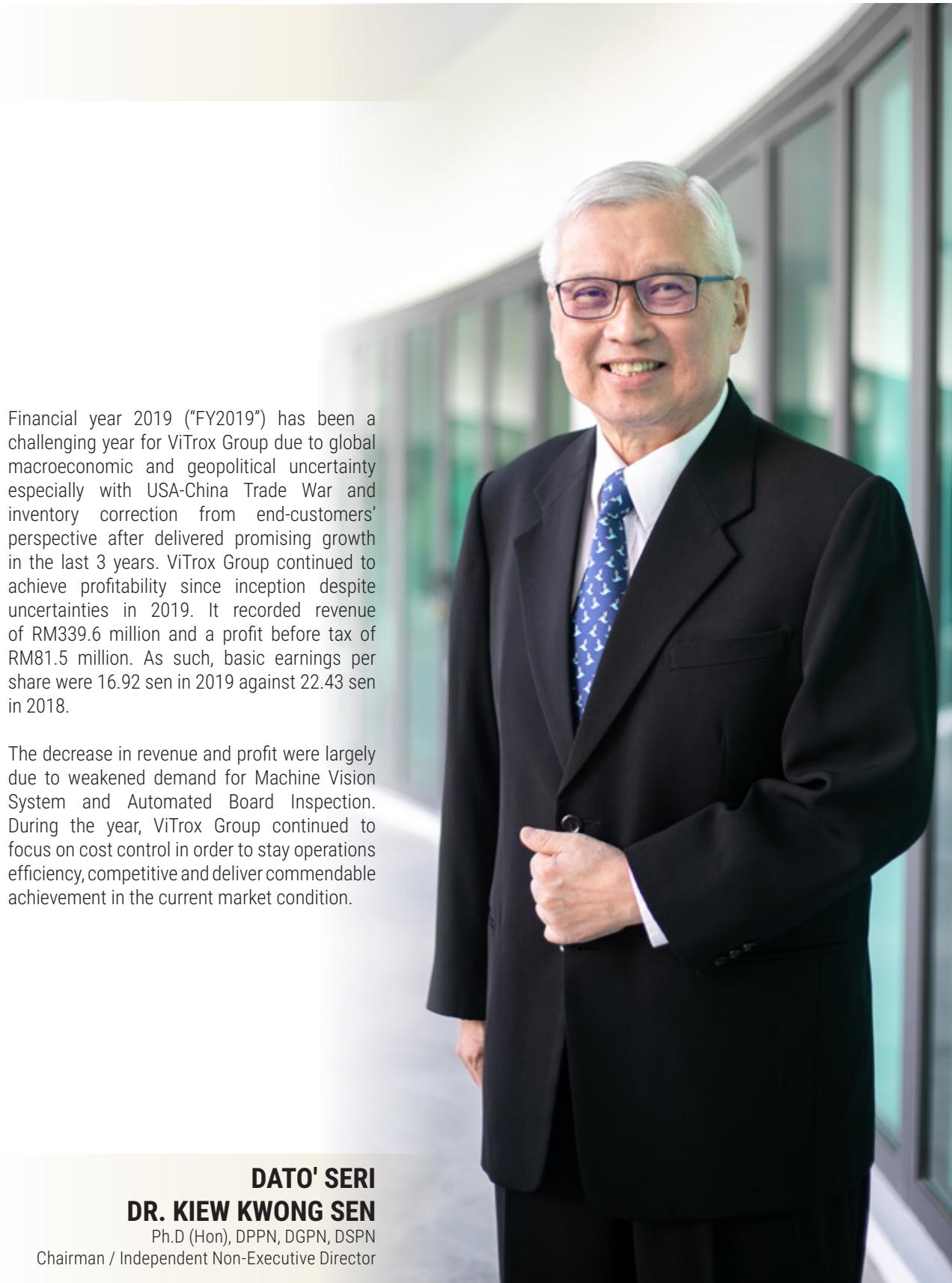
Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

Chairman's Statement



Financial year 2019 ("FY2019") has been a challenging year for ViTrox Group due to global macroeconomic and geopolitical uncertainty especially with USA-China Trade War and inventory correction from end-customers' perspective after delivered promising growth in the last 3 years. ViTrox Group continued to achieve profitability since inception despite uncertainties in 2019. It recorded revenue of RM339.6 million and a profit before tax of RM81.5 million. As such, basic earnings per share were 16.92 sen in 2019 against 22.43 sen in 2018.

The decrease in revenue and profit were largely due to weakened demand for Machine Vision System and Automated Board Inspection. During the year, ViTrox Group continued to focus on cost control in order to stay operations efficiency, competitive and deliver commendable achievement in the current market condition.

**DATO' SERI
DR. KIEW KWONG SEN**

Ph.D (Hon), DPPN, DGPN, DSPN
Chairman / Independent Non-Executive Director

Chairman's Statement

Revenue (FY2019)	Profit Before Tax (FY2019)	Profit After Tax (FY2019)
RM339.6m	RM81.5m	RM79.7m
2018 : RM394.7m	2018 : RM113.1m	2018 : RM105.5m

DIVIDEND

A tax exempt interim dividend of 1.50 sen per ordinary share each amounting to RM7.1 million for FY2019 was paid to shareholders on 17 January 2020. The Board of Directors has recommended a final tax exempt dividend of 2.80 sen per ordinary share each for FY2019. If approved at the forthcoming Annual General Meeting, the final tax exempt dividend is estimated to be a total distribution of RM13.2 million. This represents a total dividend of 4.30 sen per share and drives the total dividend payout amount of approximately RM20.3 million for the year.

ACHIEVEMENTS IN 2019

HR Excellence Awards 2019

ViTrox received a HR Excellence Award (Silver) in the category of "Excellence in Workplace Wellbeing".

The Edge Billion Ringgit Club 2019 Award

ViTrox won the Highest Returns To Shareholders Awards in The Edge Billion Ringgit Club 2019 with recognition of "Highest Growth Profit After Tax Over Three Years" and "Highest Returns On Equity Over Three Years" in the technology sector.

FUTURE OUTLOOK AND FOCUS

ViTrox continues to deliver profitable financial performance since its inception. In 2019, ViTrox managed to achieve annual revenue of more than RM300 million for 3 consecutive years.

The outlook for 2020 remains challenging. In the view of the current trade war between USA & China and outbreak of Covid-19 will eventually have the negative effect to world economy. Currently, the Company is not experiencing significant effects of these incidents. However, it will bring an adverse impact to the Company if any protracted impasse. Nevertheless, we are well positioned to address the situation through innovations and business excellence.

The Company will continue to develop new technologies, expand product offerings and penetrate market share to establish growth in future. At the same time, the Company will implement more stringent and prudent internal cost control measures in order to stay competitive in a constantly changing environment. With the considerable technical depth in the business, developed a diversified portfolio of customers and a range of products and services, we believe that these attributes coupled with prudent financial management will enable us to build ourselves into a more robust company in the global market.

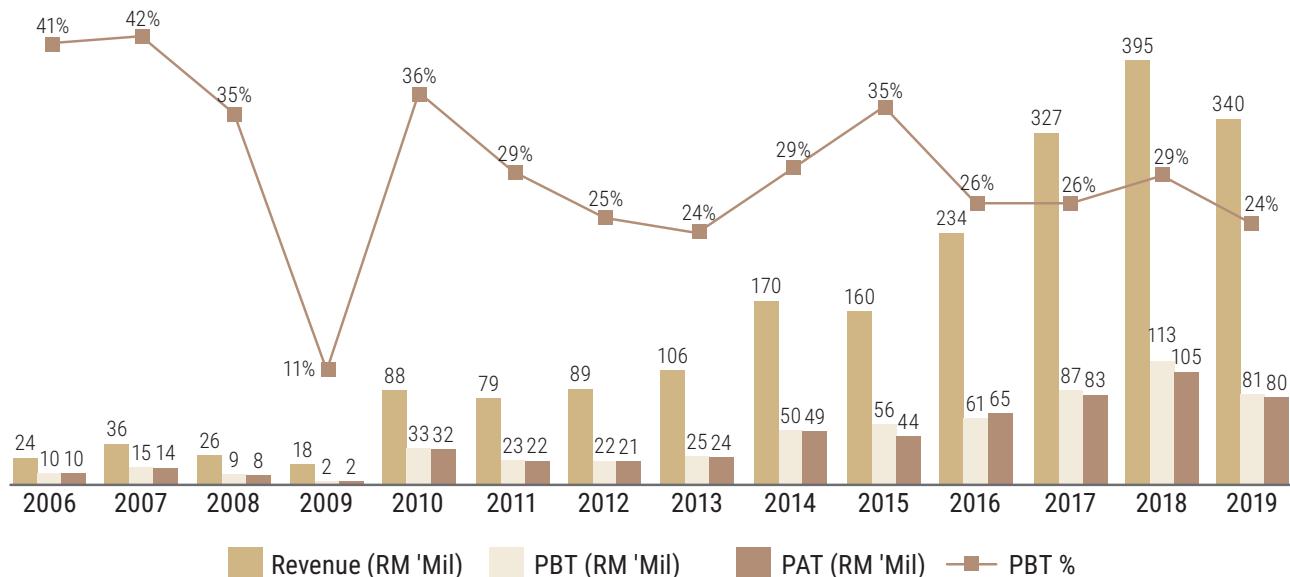
On behalf of ViTrox, I wish to extend my gratitude to our valued business partners, governmental authorities and shareholders for continued support, confidence and contribution to ViTrox. I would like to express my appreciation to ViTrox team on the technical excellence, product innovations, project execution and teamwork. Lastly, I would like to convey my sincere thank to my fellow board members for invaluable guidance and commitment to take ViTrox to the next level of success.

Dato' Seri Dr. Kiew Kwong Sen,
Ph.D (Hon), DPPN, DGPN, DSPN
Chairman / Independent Non-Executive Director

Management Discussion and Analysis

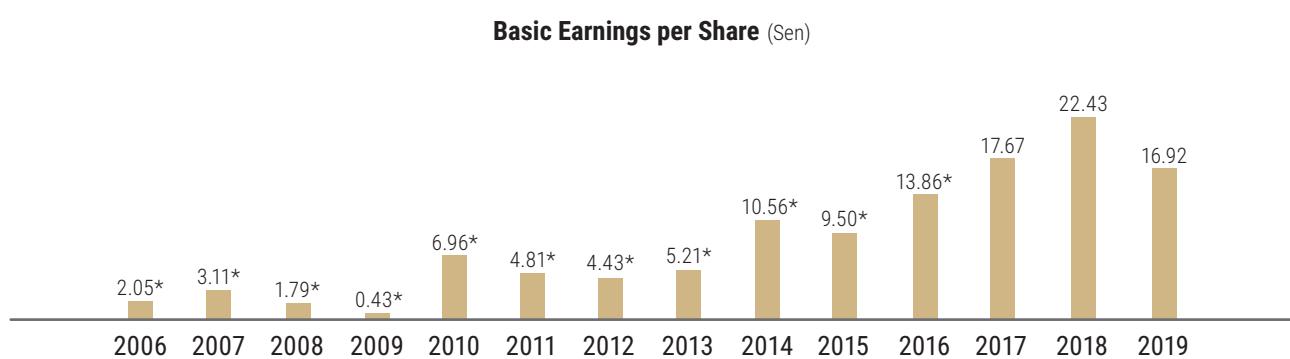
FINANCIAL PERFORMANCE

ViTrox group revenue for the financial year ended 2019 ("FYE2019") continued to exceed RM300 million for the third consecutive year and registered at RM339.6 million, representing a 14.0% reduction against FYE2018. This was mainly due to softened demand for Machine Vision System and Automated Board Inspection coupled with changes in product mix. The Group recorded profit before tax and profit after tax of RM81.5 million and RM79.7 million, respectively representing a decrease of 28.0% and 24.5% as compared to FYE2018.



As of 31 December 2019, the Group's balance sheet remains healthy with net cash and cash equivalents of RM191.6 million as compared to FYE2018 as a result of improving trend in collection from customers. Meanwhile, total equity was RM482.4 million.

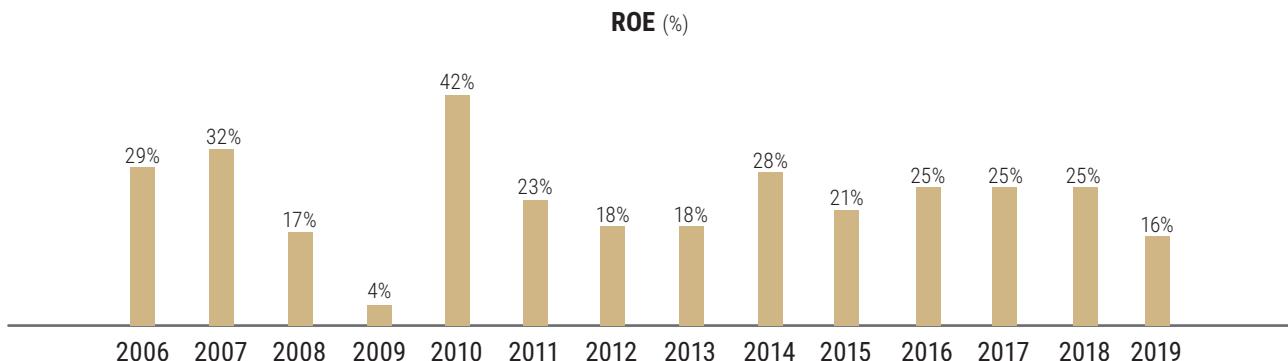
Basic earnings per share ("EPS") reduced to 16.92 sen from 22.43 sen a year ago and return on equity ("ROE") decreased to 16.5% from 25.5% a year ago.



* EPS are calculated based on the ordinary shares has been adjusted for bonus issue retrospectively

Management Discussion and Analysis

FINANCIAL PERFORMANCE (cont'd)



Since inception, ViTrox continued its phenomenal record of 19 consecutive years of profitability through sheer determination and hard work from all of its high-spirited ViTroxians! The right people, product and humanistic culture will continue to shape the strong business fundamentals for continuous growth!

PRODUCT INNOVATION

As ViTrox moves forward steadily at the dawn of a new era of Industrial 4.0, 5G and Artificial Intelligent ("AI"), we are determined to providing our customers with advanced and innovative inspection and embedded electronics solutions, come with advanced analytic capabilities. The Research and Development ("R&D") team relentlessly strives to create innovative and high-quality products to fulfil the customers' needs who demand complete and turnkey solutions to improvise their manufacturing capability in a timely and cost-effectively manner.

With the anticipated strong demand of 5G and industrial Artificial Intelligence of Things ("AloT") related products in the coming few years for telecommunication infrastructure, automotive, smart devices and healthcare industries, ViTrox will refine its product innovation strategies to focus on high growth areas with complete product and service platform solutions, rather than individual product offerings.

In the year under review, ViTrox continues to strengthen its core business in the semiconductor back-end and the electronics assemblies sector through the four business units, namely Machine Vision System - Standard ("MVS-S"), Machine Vision System - Tray ("MVS-T"), Automated Board Inspection ("ABI") and Electronics Communication System ("ECS"), while exploring new product innovation opportunities in several new growing industries such as robotic vision inspection for precision fabrication part in automotive, Printed Circuit Board ("PCB") coating inspection, and ultra high-speed soft gel inspection in pharmaceutical. We successfully launched many innovative and advanced vision inspection products and platform solution with advanced data analytic and artificial intelligence capability such as V-ONE® with AI, Wi8i Wafer Vision Handler (G2), 3D-Ball Grid Array ("BGA") for turret based test handler, TH3000i 3rd Generation Tray to Tray Integrated Circuit ("IC") Inspection Handler, Short-wave Infra-red ("SWIR") Inner crack inspection, V310i Advanced Solder Paste Inspection, V810i XLW Advanced 3D X-ray Inspection and V510i 4.0 Advanced Optical Inspection with side camera.

Our commitment to helping our customers to achieve their highest productivity and quality in their manufacturing lines through the seamless integration of our vision inspection turnkey solution remains unchanged. Our proven approach to launch at least two new or enhanced products annually by every business unit will also be refined to cater for higher customer expectation in cost, quality and performance.

Management Discussion and Analysis

PRODUCT INNOVATION (cont'd)

New Products Released

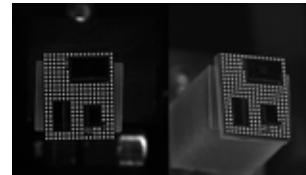
There are many new or enhanced products released in FYE2019 to fulfil our existing customers' needs and to explore new and adjacent market segments. We are pleased to share the following key products released from our core business units in FYE2019:

MVS-S : Machine Vision System for Semiconductor back-end component inspection

- (a) **Wi8i Wafer Vision Handler (G2):** The 2nd generation wafer inspection handler incorporates enhanced capabilities to detect both top and bottom side wafer defects and can support raw wafer, framed wafer and hoop ring with wafer size ranging from 100mm (4"), 200mm (8") and 300mm (12"). It also has the capability to perform bare die inner crack inspection by incorporating infra-red inspection hardware and advanced software algorithms.
- (b) **MVS-S: 3D BGA for turret-based test handler:** An industry-first innovation using a dual/stereo camera approach to perform both 2D and 3D ball-grid inspection on the same inspection stations. Latest iteration is able to support BGA / Chip Scale Package ("CSP") with package size of up to 16mm. This solution is designed for high-speed test, inspection and tape & reel test handlers using turret/rotary mechanical operations.



Wi8i Wafer Vision Handler (G2)



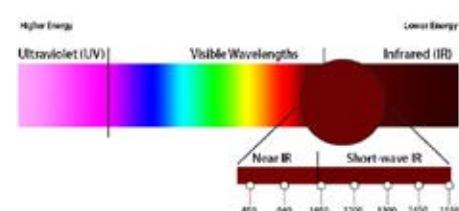
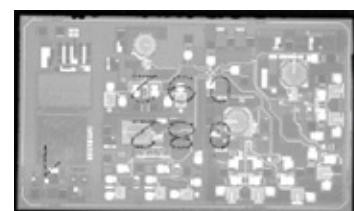
3D BGA for Test Handler

MVS-T: Tray-based Vision Handler for Semiconductor component inspection

- (a) **TH3000i 3rd Generation Tray to Tray IC Inspection Handler:** The new product introduction ("NPI") includes substantial advancements in inspection capabilities to handle multiple complex and concurrent 3D & 2D vision inspection requirements for current and foreseeable future inspection needs. The next generation handler can cater for a wide range of IC packages that can support both high-mix low-volume, low-mix high-volume or mix-mode usage production operating environment. Besides enhancing inspection and package range support, the new handler is capable of handling multiple product output, and also optionally supports tray swapping function for selected applications. Major innovation breakthroughs include improved product yield, enhanced machine throughput, easier maintenance and better productivity.
- (b) **Inner Crack Inspection (bare die surface):** Combination of SWIR inspection hardware and advanced software algorithms, enables the auxiliary inspection system to filter out occurrences of inner crack due to product mishandling. These defects may not be visible or obvious from outer appearance and potentially may escape detection during electrical tests. If these defects are not detected upfront, catastrophic product failure may occur during application of devices during subsequent Surface Mount Technology ("SMT") process or product usage due to escalating severity of product defects.



TH3000i Tray to Tray IC Inspection Handler



Inner Crack Defect Inspection using SWIR Technology

Management Discussion and Analysis

PRODUCT INNOVATION (cont'd)

New Products Released (cont'd)

ABI: Optical and X-ray inspection system for electronics board inspection

- (a) **V-ONE®:** An Industrial 4.0 platform that collects Big data from Cloud, Fog or Edge for analysis, with fully flexible visualization drill-down charts and flexible dashboard to provide meaningful analytics to users in real-time basis and extends the platform towards complete data feeding for AI processing. In the electronics assembly and semiconductor industries, V-ONE® connects to machines via different protocol platforms for data collection, visualises them in different flexible and self-created dynamic drill-down dashboards and enables proactive action such as fault detection in preventive and predictive, and process improvements via machine to machine communication close loop system. As one of the key founding members of IPC-CFX group, ViTrox has been contributing positively in defining the new international standard of machine to machine communication protocol, namely IPC-2591, Connected Factory Exchange ("CFX") version 1.1. For more advanced features, AI is used for advanced process control, false call reduction and optimization to strengthen machines, factory processes and digital transformation towards industrial digital smart factories. As a recognised leader in smart manufacturing software and vision inspection solution provider, ViTrox works with 5 out of the top 11 Contract Manufacturers ("CMs") to enable improvements across their factories, maximise return on capital investments, and financial health. In FYE2019, ViTrox has also successfully developed the ecosystem by partnering with 11 system integrators for business expansion and turnkey solution.
- (b) **V310i Advanced Solder Paste Inspection ("API"):** In view of the need of integrated vision solution for Smart Manufacturing, ViTrox debuted the Advanced 3D Solder Inspection system that works hand in hand with our V510i 2D/3D AOI, V810i 3D AXI and V9i final inspection with conformal coating inspection system that making the transformation of traditional SMT line to Industrial 4.0 SMT line feasible and simplify. The V310i API system is a high speed and high-resolution 3D solder paste inspection ("SPI") machine that enables high-accuracy inspection with the shortest cycle time. The system is integrated with the Advanced Warpage Compensation, Auto Pads and Component learning, Auto Warpage Mapping capabilities coupled with machine to machine closed-loop features has created significant value differentiation from other market players.
- (c) **V810i XLW 3D Advanced X-ray Inspection:** The newly launched XLW 3D Advanced X-ray Inspection ("AXI") systems are capable of handling board size of 1.32m by 1.32m and board weight up to 25kg. With the launch of this new product, the reliability and quality assurance on Aerospace and Telecommunication products are no longer a hassle.
- (d) **V510i 4.0 with side camera:** This new V510i 3D AOI system comes with many exciting technologies that have positioned us as the market leader on call accuracy and test coverage. With the side camera, Z Height, Ultraviolet ("UV") lighting for conformal coating, ultrahigh-resolution at 8µm/2µm for extremely tiny component and comprehensive algorithm for various inspection requirements, we are convinced that the V510i 3D AOI is the best in class test coverage 3D AOI in the market. The side camera system incorporated the SPECKLE Auto Mapping Technology making program development to be straight forward and call accuracy to be excellence. In addition, the system comprises Adaptive Lighting technology to optimise the lighting configuration for reflective and dark components.

OPERATION

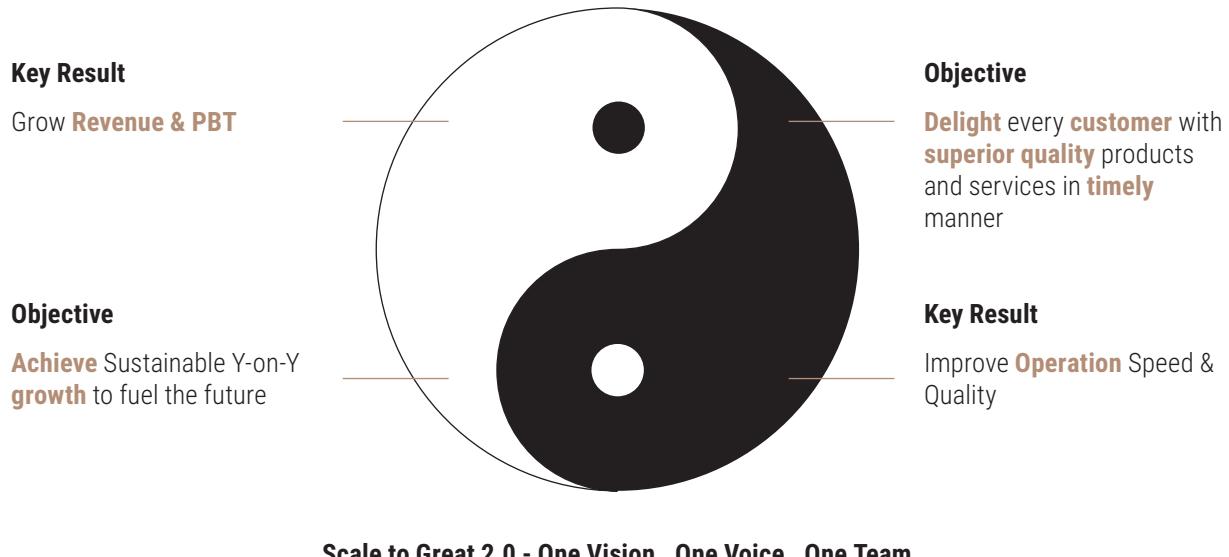
In FYE2019, ViTrox formulated a two-pronged Corporate Objectives, aiming to scale the Group to a greater height both in market shares, revenue and profit, as well as in operational efficiency, and product and service quality. These two Corporate Objectives are: (1) Achieve Sustainable year-on-year growth to fuel the future through global market expansion and product and service innovation; (2) Delight every customer with superior quality products and services in a timely manner, to be implemented in year 2020.

Through our internal Hoshin planning exercise, conducted in the fourth quarter of every year by all managers and team leads, we align and engage the entire ViTrox team towards one common vision.

With an obsessive focus on customers, ViTrox invested a significant amount of resources to improve its operation speed and quality by a stretched target of 20% 'faster' and 'better' by end of the year, compared to the previous year. Under this objective, ViTroxians from operation teams kick-off various initiatives to shorten key products' delivery lead-time while paying great attention to product and process quality through intensive training, real-time tracking and on-line monitoring, as well as the prompt implementation of effective countermeasures, using V-ONE®, on all quality-related issues.

Management Discussion and Analysis

OPERATION (cont'd)

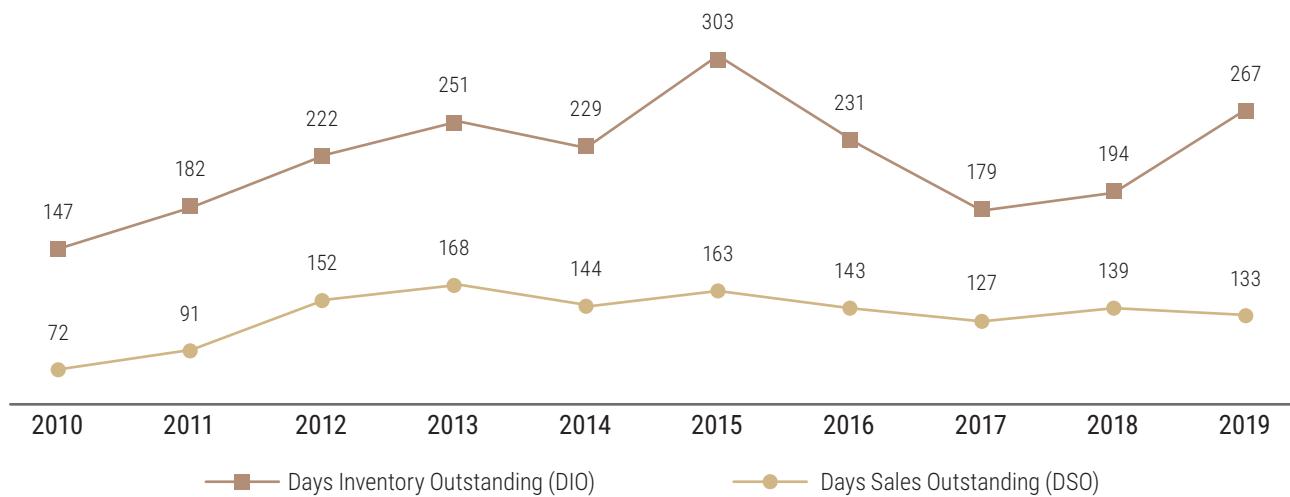


Scale to Great 2.0 - One Vision . One Voice . One Team

In the year under review, ViTrox further improvises its Enterprise Resource Planning System with full integration with a customised material planning system to control the level of on-hand inventory while improving raw material lead time and flow in a more effective and efficient manner.

ViTrox Group Day Inventory Outstanding ("DIO") increased from 194 days to 267 days. The increase of the DIO was mainly due to an increase in the number of demo units built to support ViTrox's global expansion plan, especially in the Asia region. These demo units are required for benchmarking, exhibition demo and qualification run at potential customer sites, which typically take 2-3 months before a buy decision is made. In our efforts to increase customer base by 15% - 20% on a year-on-year basis, we require more demo units on the field to support this strategy. We firmly believe that this strategy will help us to secure more orders and subsequently increase ViTrox installed base worldwide.

Through rigorous and disciplined approach in managing receivables by all the parties involved, from Sales Channel Partners to Business Development and Finance Team, ViTrox successfully improved Day Sales Outstanding ("DSO") from 139 days to 133 days in FYE2019.



Note: DSO formula is revised from the prior fiscal year which used average opening and closing balances. Restated DSO represents the year ended outstanding balances over annually net sales multiplied by 365 days.

Management Discussion and Analysis

OPERATION (cont'd)

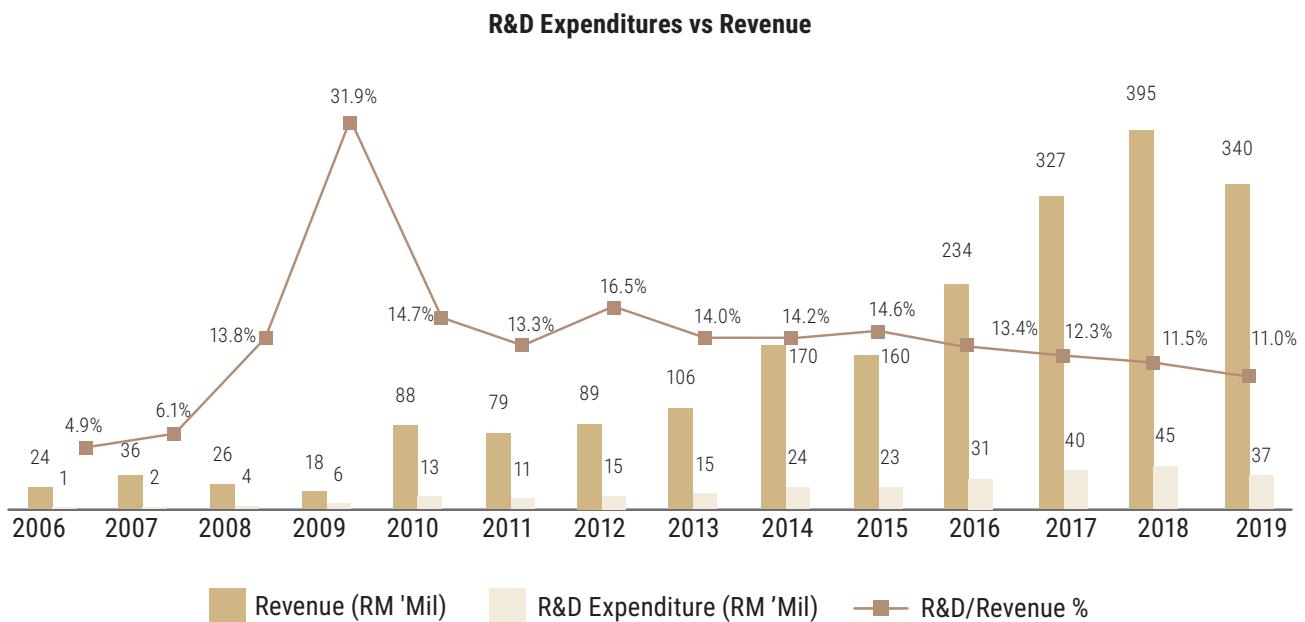
In the effort to raise the awareness of quality mindset among all ViTroxians and subcontractors, Lean Deployment Function ("LDF") team implemented an in-house developed real-time quality issue triggering Smart Anton V-Ring system, to capture and track quality-related problems occurred in the manufacturing line so that countermeasures can be taken immediately to resolve these quality issues. With the implementation of the smart Andon V-Ring system, we successfully surfaced up most of the quality issues in the factory before products were shipped to customers. As a result, we successfully reduced the average Out-Of-Box defects of vision inspection system and equipment by more than 30% in FYE2019 as compared to a year ago.

Meantime, V-Eye, a real-time manufacturing line status monitoring system, deployed using V-ONE® platform, was fully implemented across all business units. With the system, now we can accurately track the status of each manufacturing job to drive continuous improvement on every manufacturing process cycle-time to ensure on-time delivery of finished products to customers.

Through relentless efforts driving continuous improvement on operational efficiency and product and service quality across the entire organisation, we successfully improved our Net Promoter Score ("NPS") from 42% in FYE2018 to 48% in FYE2019.

As planned, the Penang Automation Cluster Sdn. Bhd. ("PAC") had successfully commenced its operation in October 2019. The establishment of PAC will act as a catalyst to spearhead the development of a strong and sustainable local tech ecosystem to support the next wave of exponential growth in the local high tech industrial development, in the era of Industrial 4.0 and 5G, by providing high quality, just in time and cost-effective precision metal fabrication parts to technology companies in the region.

RESEARCH AND DEVELOPMENT



ViTrox is a technology company in which R&D are paramount to the growth of the Company, since its inception in 2000. Without the sheer determination and commitment in R&D, ViTrox will not be able to achieve the level of success we attained today. It is the Corporate direction that we shall launch at least 2 new or enhanced products by each business unit annually. With this simple yet important strategy, ViTrox invested more than 12% of its revenue in R&D activities over the last 10 years. Meantime, we invested RM37.4 million in the year under review, representing 11% of the revenue recorded in FYE2019.

In FYE2019, the size of our Engineering team increased by 65 people from 348 to 413, representing an increase of 19% as compared to a year ago.

Management Discussion and Analysis

RESEARCH AND DEVELOPMENT (cont'd)

Major R&D breakthroughs in FYE2019 are:-

- **VR20i 2.5D Inspection:** This breakthrough vision solution identifies and filters occurrence(s) of lifted lead(s) in semiconductor devices that have already been sealed in carrier & cover tape. These defects are normally caused by machine mechanical handling during product placement and/or during product handling after tape and reel process. By using a proprietary single-2D camera setup, these defects can now be detected and filtered before shipment to customers.
- **64-bit V5 Vision Operating Platform:** New vision application platform running on 64-bit helps to improve system performance and support multi-tasking and advanced vision applications.
- **TR3000i 3rd Generation Tray to Tape/Reel IC Inspection Handler:** The latest iteration of our best-selling tape/reel inspection handler includes vast improvements in machine throughput, stability and functionality. With interoperable common machine platform, many of the advanced vision inspection functionalities will be incorporated in this next generation handler.
- **Smart Reel Changer ("SRC"):** Optional system that can be incorporated into our Tape & Reel inspection handler to perform continuous production run with auto-handling and replacement of tape & reel functions. With this system installed, it is envisaged that machine can be operated continuously for at least 1 hour without any human intervention during production lot changeover.
- **Auto Exposure ("AE") 1.0:** 5G technology is the latest trend in the telecommunication market. ViTrox Transnational R&D team has advanced the reconstruction and scan path methodology to produce best in class images for highly shaded 5G connector and component. We are now able to detect the defects on highly shaded parts with shorter cycle time through our proprietary camera and High Dynamic Range ("HDR") technologies which combine over-exposed and under-exposed images to increase the detail and remove unwanted signals. Lots of research work has been done on top of HDR to create this AE Technology that differentiates us from competitors and creates significant values to end customers.
- **AI Auto programming:** AI Program comes with auto-learn and auto algorithm assignment on SMT component with recommended parameter complies to various Institute for Printed Circuits ("IPC") classes. Algorithm accuracy and reliability can be validated by AI Algorithm Validation tool with warning alert if out from recommended IPC threshold. Customers can now eliminate the dependency of AOI application engineer skill set to develop a quality program for desired call accuracy and test coverage. In addition, AI programming has proven to be able to reduce the programming time as high as 67%.
- **ART and image quality:** In the year under review, ViTrox has made a significant breakthrough on our in-house developed Computed Tomography ("CT") Scan with the new Algebraic Reconstruction Technique ("ART"). The R&D effort invested in the past 6 years has helped us to achieve a highly accurate and fast computed tomography reconstruction X-ray image. The first Beta release is well received by our major customers. Unlike other competitors, we believe in developing this technology in-house as it provides us with the flexibility to select the correct Hardware ("HW") components for a truly inline 3D AXI with exceptional call accuracy.
- **Artificial Intelligence for false call reduction:** ViTrox AI known as V.S. Model works as a feature extractor that is trained using a combination of images to learn the desired feature. It uses multiple AI models coupled with the 3D segmentation technology to eliminate the background noise in order to achieve an outstanding overall AI accuracy of 98.8% for one of the World top 5 CM.
- **Speed improvements on 3D technology:** ViTrox V510i 3D AOI has improved the cycle time by optimizing the image acquisition flow with more intelligence algorithms. The new algorithm will generate a virtual view and optimise the machine's physical scanning path. The new virtual view platform can reduce the total number of image acquisition views and it can optimise the acquisition flow for block skip marks and local fiducial. In addition, R&D has also upgraded the software compilation platform and image processing libraries in order to achieve faster inspection speed with better algorithms. The cycle time improvement can vary from 5% to 30% with multiple block skip marks or multiple local fiducials.

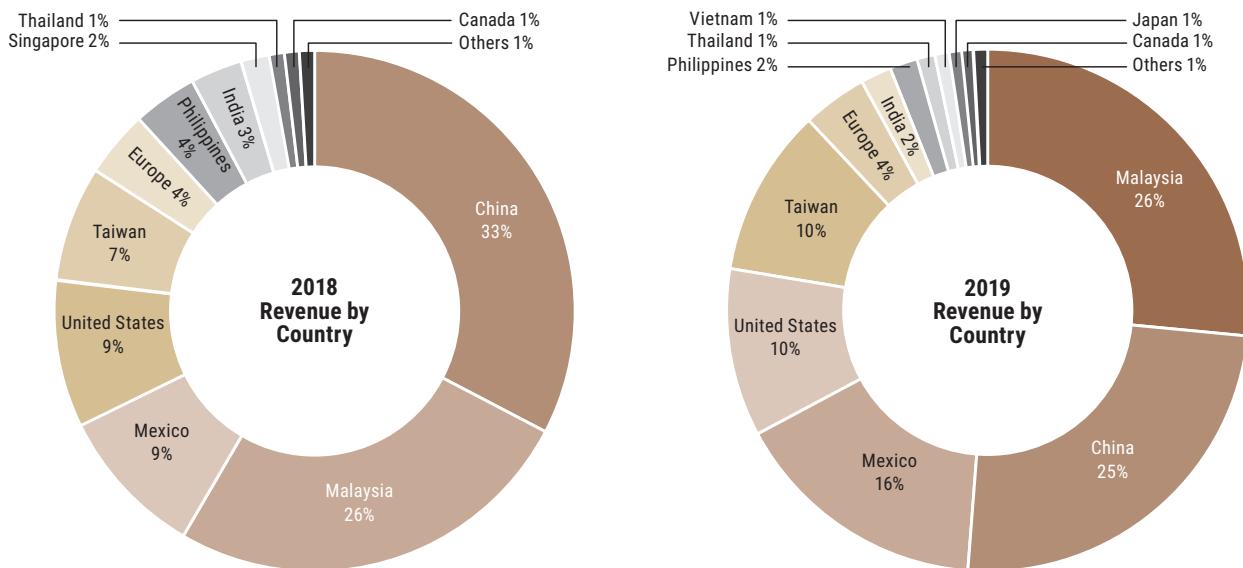
Management Discussion and Analysis

SALES & MARKETING

In FYE2019, our worldwide customer base was further expanded from 413 to 504, representing an exceptional 22% jump as compared to FYE2018. The largest customer contributed 7% of the Group revenue whereas the top 10 customers contributed approximately 40% of the Group revenue. ViTrox continues the strategy to diversify its customer base globally and reduce the dependency on a single large customer in certain regions. While we put significant efforts and resources to stay at the leading position in high growth areas such as the telecommunication infrastructure, automotive, computing, aerospace, medical device and smart devices, ViTrox will continue to explore new adjacent markets with the latest innovation and cost-effective solution, helping customers to eliminate and prevent defects in their advanced manufacturing lines across the globe.

In the year under review, ViTrox exports approximately 73% of goods and services, equivalent to RM249.3 million, to more than 40 countries around the world.

Sales Distribution by Country



Due to the trade tension between the US and China, the revenue contribution from China contracted from 33% to 25%, representing a 35% (RM45 million) drop as compared to a year ago. On the other hand, as more tier-1 and tier-2 Electronics Manufacturing Services ("EMS") companies diversify their business outside China to mitigate the risk due to trade tension, we experienced an increase in revenue contribution from other regions, namely the USA, Mexico and Taiwan. Revenue contribution from the USA and Mexico increased from 18% to 26%, representing an increase of 21% (RM16 million), while the contribution from Taiwan increased from 7% to 10% in FYE2019.

Our strong presence through internal sales and support team and strategic sales channel partners worldwide allow us to rapidly identify the latest developments and requirements of key customers globally and hence take quick action to co-develop inspection solution roadmap to address their current and future manufacturing needs.

Management Discussion and Analysis

SALES & MARKETING (cont'd)

Machine Vision System ("MVS")

Revenue for both MVS-S and MVS-T declined as compared to FYE2018. The decline is mainly attributed to 2 macro factors affecting product demand in FYE2019:

1. *Excess Inventory:* End-customer demand normalisation occurs due to excess inventory build-up (especially in the first half of FYE2019). Coming from 2 successive record-breaking growth years in semiconductor and equipment demand in FYE2017 & FYE2018, there was a divergence in actual product demand versus installed capacity.
2. *The trade war between US & China:* Trade war escalation throughout FYE2019 caused massive uncertainties in semiconductor capital equipment demand due to imposition of tariffs and import/export restrictions on equipment and components.

Machine Vision System – Standard ("MVS-S")

Vision systems, inspection handlers and spare parts contributed 69%, 17% and 14% of MVS-S revenue respectively in FYE2019. Product composition remains similar as compared to the preceding financial year (FYE2018: 65%, 17% and 18%) until we see an increased contribution from new products (e.g. inspection handlers).

Revenue in FYE2019 is the 3rd highest on record since the inception of MVS-S Business Unit and is marginally lower as compared to FYE2017 (2nd highest). It is a commendable financial performance having maintained a new revenue base of RM50 million (or higher) for 3 consecutive years.

Moving forward, MVS-S will continue to explore potential white-space opportunities in vision upgrades and retrofits on existing test handlers, while increasing our market share for vision inspection handlers.

Machine Vision System – Tray based ("MVS-T")

New customers contributed a significant 41% of the revenue in FYE2019. Despite the semiconductor market downturn in FYE2019, there were many new Out-Sourced Assembly and Test ("OSAT") customers established in the fast-growing China market. This is a result of our continuous focus, close follow-up and emphasis in expanding our market reach and market share in the high growth and high opportunity markets. It helped cushion the impact of the slowdown in demand from existing customers located in mature markets (e.g. Taiwan and South-east Asia).

Moving forward, MVS-T will continue to defend and expand upon our existing market share in the existing markets. In addition, major business development activities will focus on high growth markets, e.g. China. We will continue to strengthen and actively manage our strategic alliances and partnerships with effective local partners and increase our brand awareness and presence here.

With the launch of our 3rd generation inspection handlers in FY2020 onwards, we are optimistic that we will increase our market share in established markets and at the same time gain positive leverage in winning product benchmarking for new product demand.

Management Discussion and Analysis

SALES & MARKETING (cont'd)

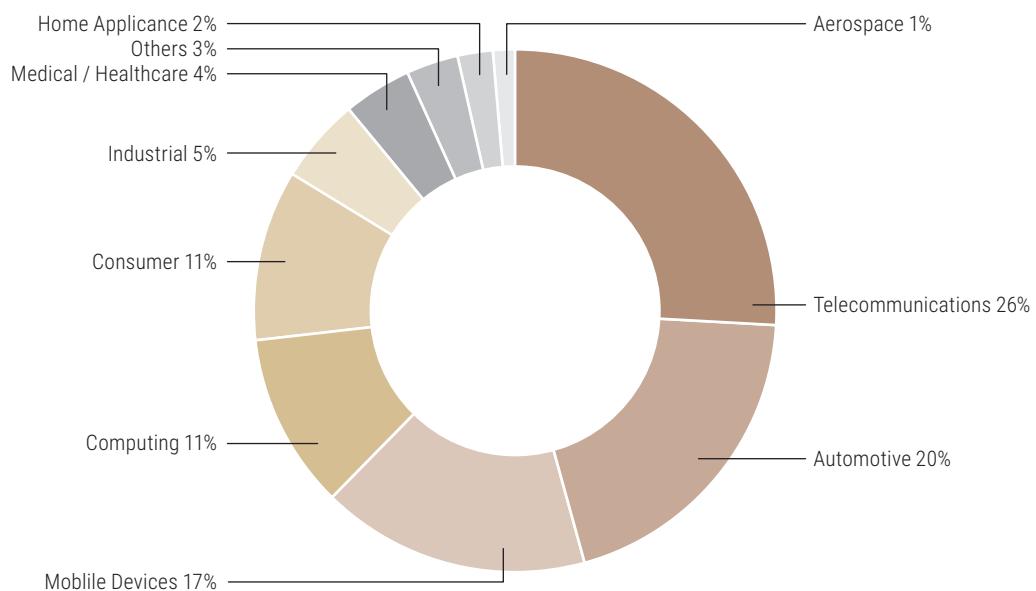
Automated Board Inspection ("ABI")

In FYE2019, ABI ended with a slightly lower revenue level as compared to FYE2018. Sales of the 3D AXI dropped marginally in FYE2019 as compared to FYE2018. The primary reduction of AXI sales is attributed to slower 5G adoption than expected and spending pushed out by tier-1 customers. On the other hand, 3D AOI sales experienced marginal raises mainly contributed by winning the Approve Vendor List from new customers. The revenue contribution from new customers on AOI, API and AXI was superb as we added 39 new customers with a revenue contribution of 26% towards ABI total revenue in FYE2019. Our comprehensive product portfolio with exceptional technology differentiation has positioned us well to strengthen the dominance and install base in the SMT inspection market.

Towards the end of the fourth quarter of FYE2019, we are seeing a strong recovery and encouraging pipeline driven by the repeat order from newly added customers and the relief of spending control from existing customers. We will embark with full steam to capture all these opportunities where we are in the upper hand of winning.

In FY2020, we will be aggressively promoting our new technology and new product through well-known trade exhibitions and digital media to develop branding and technology visibility. We are confident that the comprehensive product portfolio offering from ABI with V-ONE® Smart Manufacturing Software, V9i Conformal Coating and Final Inspection Robotic Vision System, 3D Paste Inspection System, 3D Optical Inspection System, 3D X-ray inspection system with AI options are helping us to achieve a One-Stop Solution to customers that competitors are not able to mimic.

Market Segment from our customer's product build by Revenue (RM)



Management Discussion and Analysis

BUSINESS STRATEGIES

ViTrox's mission is to help our customers to succeed in their business by providing the most innovative, advanced and cost-effective vision inspection and embedded electronics solutions to solve their manufacturing needs in a timely manner. Through the integration of advanced technology in machine vision, AI, embedded electronics and robotic, we aim to eliminate wastes in the manufacturing processes by identifying and preventing abnormalities in the manufacturing lines. Ultimately helping customers to achieve zero defects in their manufacturing lines.

FY2020 is a year that is full of economic uncertainty and yet tremendous business opportunities amid the ease of the trade tension between the USA and China, and increasing severity of the global epidemic of the Coronavirus or COVID-19. In this challenging external environment, our number 1 business strategy is to make business progress cautiously with stability.

Our core business strategies in FY2020 are:-

1. Market Diversification. Our global market expansion strategy remains to focus on high growth regions through strategic sales channel partners ("SCPs"), distributors, and our internal workforce. Besides, we will engage more SCPs in China, targeting tier-1 and tier-2 local EMS, CM companies and Original Design Manufacturers ("ODM") in view of the strong support of the government to building a strong local ecosystem in the semiconductor and electronics industries in the country, in line with the Made in China 2025 initiative launched by China government.
2. We are committed in R&D with approximately 12% - 13% of revenue to be invested in such activities. We will continue to find the right engineering talents to accelerate the development of AI-based vision inspection equipment that is able to adapt to multi-dimensional variables to achieve accurate and robust inspection without or minimum false call through advanced big data analytic, using V-ONE® solution. We are determined to deliver greater value differentiation to customers amid the business uncertainty as we believe that the next wave of industry revolution 4.0, 5G and AI are just around the corner.
3. The proliferation of V-ONE® to more customers worldwide and local Small and Medium-Sized Enterprise ("SME"). As the world is moving into the Data-Centric era, it is imperative that more companies should take advantage of the data analytic technology to improve their business operation and manufacturing capability to stay competitive globally. ViTrox's V-ONE®, a cost-effective advanced data analytic and AI platform will be able to assist many local SMEs to adopt the Industrial 4.0 capability, at a fraction of the cost, to increase their productivity and product quality.
4. Aggressively driving improvement in the end to end lead time to deliver our products and services to customers in a timely manner within 4 week lead time, ultimately. Various strategies are being formulated across the entire operation team to drive significant changes in how we do business to achieve shorter lead time from receiving of raw material to kitting and delivery of the finished products to customers. Our customer's needs are always our top priority and hence we will do our very best to delight our customers with the best products and services at all times.
5. Act and interact with all stakeholders with our core value - I.A.C.T.G. (Integrity, Accountability, Courage, Trust & Respect, Gratitude & Care) wholeheartedly. What really makes ViTrox become ViTrox, is our I.A.C.T.G. values and culture that bring our people together as one family with one vision, one voice and one team, to serve everyone with great love and respect, in pursuing our mission to be a great technology company in providing superior and cost-effective vision inspection and embedded electronics solutions to achieve zero defect in the manufacturing lines around the world.

Management Discussion and Analysis

BUSINESS STRATEGIES (cont'd)

ViTrox's Outlook

Semiconductor Back-end

FYE2019 The Year That Was

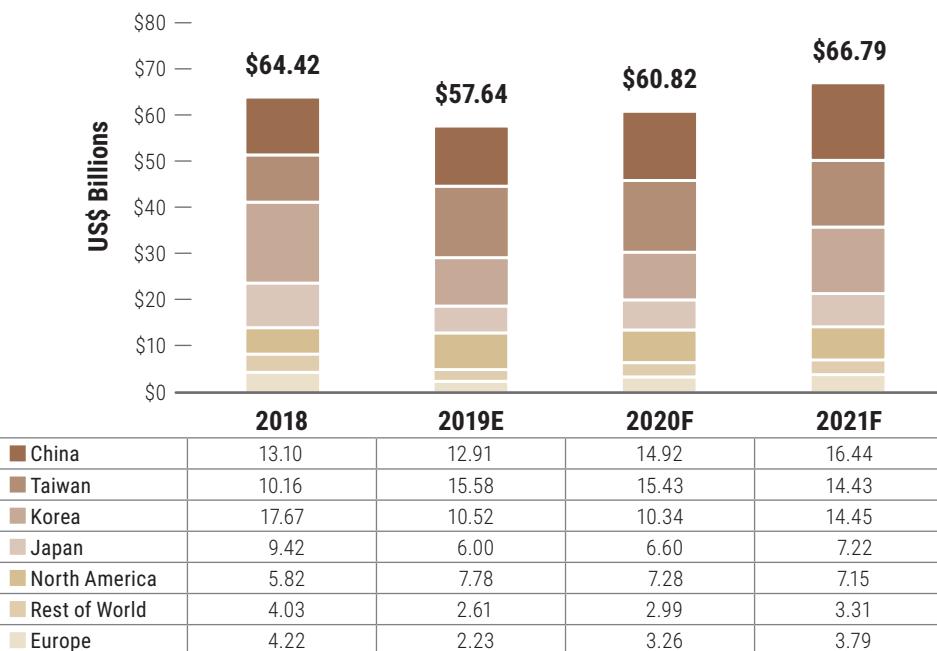
World Semiconductor Trade Statistics ("WSTS") reported the world semiconductor market in 2019 was \$412 billion, a 12.1% decline from \$469 billion in 2018. Most of the decline was in the memory market (primarily DRAM and Flash) which was down a third from a year ago. However overall semiconductor demand was down for the year as the global economy slowed from 3.6% growth in 2018 to 2.9% growth in 2019, according to the International Monetary Fund ("IMF").

FY2020 Demand Outlook (SEMI)

The 2019 decline in worldwide semiconductor volume shipments is a result of a combination of factors, i.e. market softness, inventory normalization and trade tensions. Moving forward, with trade tensions partially resolved and improving, SEMI forecasted equipment sales registering a 5.5 percent increase to \$60.8 billion in 2020 and continued expansion into 2021, with record revenues of \$66.8 billion as leading device manufacturers to invest in sub-10nm equipment, especially for foundry and logic.

Semiconductor Equipment Sales Forecast.

(Source: SEMI)

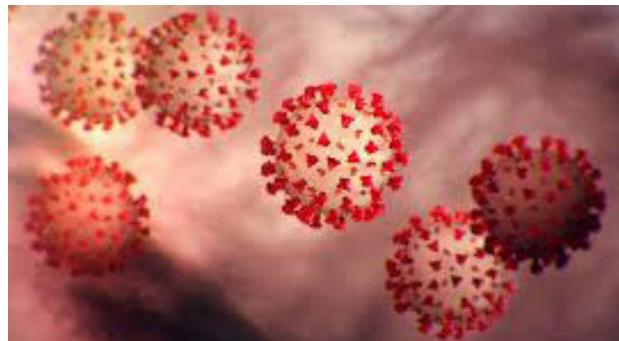


Management Discussion and Analysis

BUSINESS STRATEGIES (cont'd)

Black Swan Event: Impact of COVID-19 on Demand Outlook

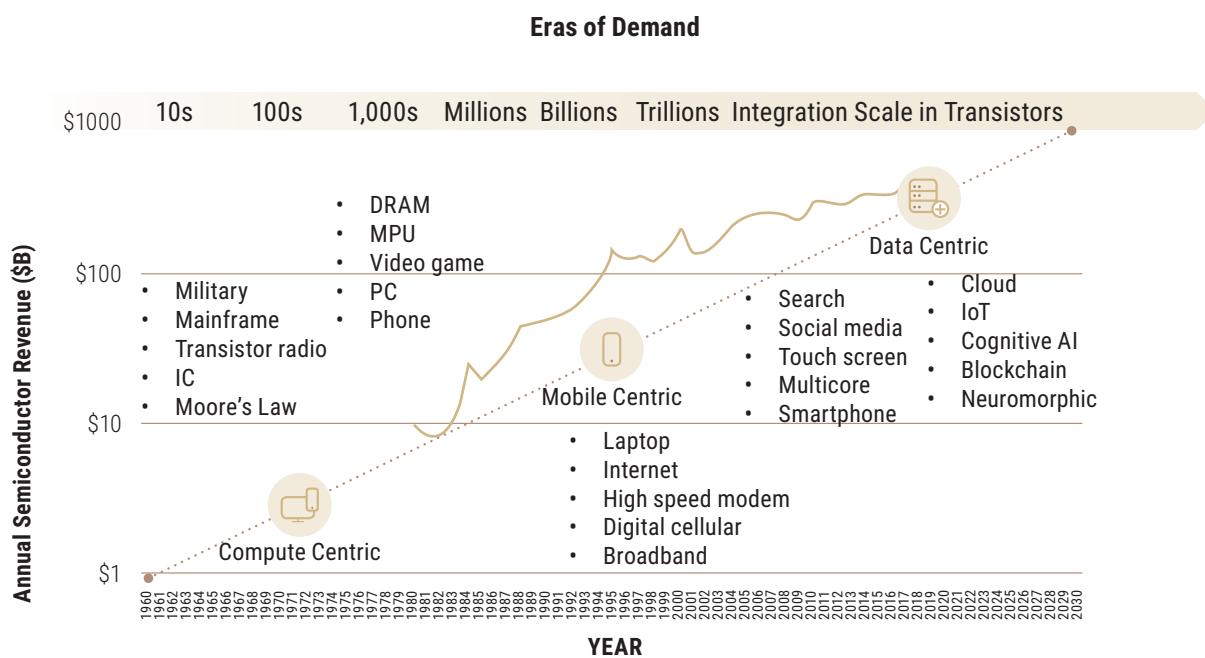
The near-term outlook for the semiconductor market is uncertain due to the COVID-19 outbreak. The impact of COVID-19 is dependent on how quickly the virus is contained. The optimistic case is a quick resolution that would result in a sharp drop in worldwide Gross Domestic Product ("GDP") growth in quarter 1 of 2020 (especially China) but returns to normal growth over the course of the year. The pessimistic case is a more severe and prolonged outbreak that would severely weaken the worldwide economy and disrupt global supply chains, consumer sentiment and demand.



Source: CDC

Beyond Now

Nevertheless, on a mid to long term time horizon perspective, the impetus for growth remains intact. This is mainly driven by adoption in new applications for 5G, Automotive, AI and IoT. Cloud and edge computing will grow in tandem to support the exponential increase in data storage and processing demands. This semiconductor mega-trend will lead to the growth of new IC product design and packaging, e.g. sensor type with high product mix composition for IoT and wearables, and large-size IC dimension to support enterprise, cloud and edge computing.



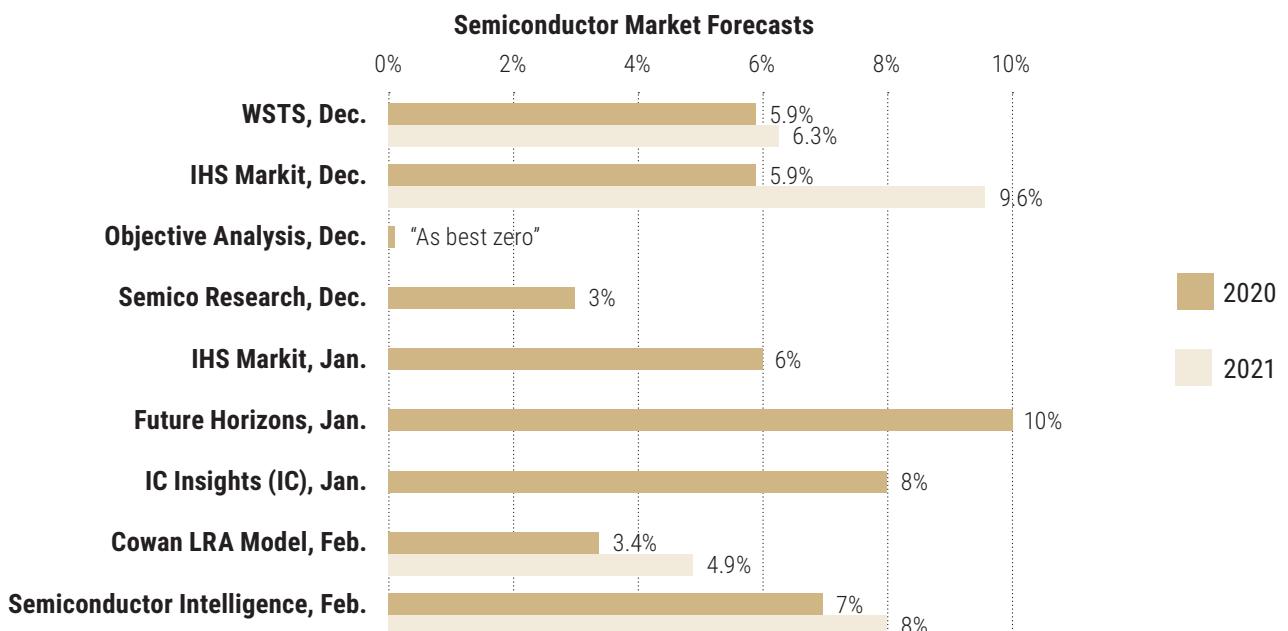
Source: SEMI Market Outlook, Semicon West 2019, SEMI

Management Discussion and Analysis

BUSINESS STRATEGIES (cont'd)

Our Take

In the midst of these short-term uncertainties presented by the virus outbreak and on-going trade tensions, we are cautiously optimistic that the semiconductor back-end business, especially in relation to the demand for vision inspection systems and equipment, will be weak in the first half of 2020 but anticipate the market condition will improve progressively in the second half of 2020 once the dust settles. Semiconductor demand will come from new product launches and product replacement cycle (for the mobile segment) and continuous 5G adoption and rollout in more countries. Upside surprise may come in the form of pent-up demand caused by the short-term slow-down induced by the current uncertainties.



Source: Semiconductor Intelligence

Electronics Assemblies

In 2020, we believe that ViTrox's automated optical inspection market will witness a growth of double-digit supported by rising demand for high-precision inspection from SMT and OSAT as well as the addition of new customers from tier-1 CMs/Original Equipment Manufacturer ("OEM")s/OSAT in 2019. According to multiple renowned market research institutes, the growth cycle is expected to remain solid with Compound Annual Growth Rate ("CAGR") of more than 12% until 2024. The key driving factors are from the aggressive investment and innovation breakthrough from 5G Digital Cellular Network, Smart Appliance, IoT, AI, Battery Fast Charging, Automotive Industry and Mobile Commerce market.

5G adoption was slower in 2019 caused by the restraints on coverage and device availability. Moving into 2020, 5G's growth is inevitable where carriers are building up the 5G infrastructure and network in many countries. This will accelerate the 5G roll-out where many of the telecommunication players offering 5G products have begun the ramp up with full steam for 2020 demand. Vitrox is well-positioned to grow with the market as we hold the major market share from this market segment.

The automotive industry has been experiencing a transformative wave since 2015 driven by the increasing proportion of electronic content in the combustion engine vehicle which is equipped with large-screen infotainment systems, hybrid electric engine, collision avoidance systems and telematics powered vehicles. These innovations will proliferate from formally available on the high-end vehicle to mid and low-end vehicle market. Besides, many eminent automotive companies such as BMW, Toyota, Audi, Nissan, Mercedes Benz and Hyundai are gearing to get their latest Electric Vehicles ("EV") and Hydrogen & Fuel Cells Vehicle out on the roads in 2020. All these initiatives will create moderate to high growth potential for Automated Board Inspection Business Unit. With our close collaboration with some of the well-known Automotive customers and EMS providers, we are ready to ride on the wave.

Management Discussion and Analysis

BUSINESS STRATEGIES (cont'd)

In the past two years, the Mobile Phones market was a little dull as new phones mainly concentrated on faster speed and bigger screens with minimal new technology integrated into it. We are expecting an exciting 2020 for smartphone innovation where this will be one of the top three growth factors for ABI Business Unit. The first exciting breakthrough on the mobile market in 2020 includes the foldable phone with a large screen which can be unfolded to display a tablet-sized display. Smartphone manufacturers are beginning to unveil this new type of smartphone where Huawei and Samsung are expecting to release the new model in the second quarter of 2020. Secondly, mobile players have latched to the idea of advancing the telephoto quality and advanced image processing as it was one of the primary factors people buy one phone over another in 2019. Apart from adding multiple lenses and cameras, mobile players also use sophisticated sensors, post-processing, wide-angle sensors and speedy processors to create an astounding customer experience, especially on high-end phones. The faster-charging speed technology and AI in the new mobile phone will also be the driving factor for the growth of the mobile market in 2020. ABI has been working with a few of the world top 6 mobile phone providers where we will continue to provide them with innovative solutions to meet or exceed their requirement for high volume and high accuracy manufacturing environments.

Likewise, consumer electronics is expected to witness high growth as mobile e-commerce, social media and smart appliances are transforming every aspect of human life with innovation and new applications. Each brand embraces innovative technology to keep up the perfect space in the global market. This will create tremendous growth opportunities for the EMS companies which are our stronghold accounts.

In a nutshell, technology had advanced significantly in 2019 where this cutting-edge innovation and application will penetrate all electronic market segments that will fuel the growth of the global automated inspection system market in 2020. ABI is well equipped to address the growth with our full-blown product offering, AI technologies and V-ONE® smart manufacturing software solution.

PEOPLE ORIENTATION

ViTrox is committed to expanding the talent pool to sustain the long term growth and success of the company. In FYE2019, our total permanent workforce increased to 651 people from 589 a year ago. In the year under review, 156 trainees from local and overseas institutions have successfully completed their internship training in ViTrox.

To grow the future talent pipeline in Science, Technology, Engineering and Mathematics ("STEM"), ViTrox became an active member in Penang STEM Education & Workforce Council. We were one of the Gold Sponsors for Future Engineer Development Summit held in Penang Skills Development Centre ("PSDC") on 18 & 19 September 2019. The 2-day invite-only event targets individuals from related government agencies, higher education institutions, professional bodies, industry leaders, science centres and Non-Governmental Organizations ("NGO") to identify the roles and associated constraints in developing future-ready engineers.

ViTrox continued to receive overwhelming requests from students from various universities, colleges, polytechnics to have their learning tour to ViTrox Campus 2.0 in FYE2019. There were 20 groups comprising approximately 940 students and lecturers visited us in the year under review.

We also participated in numerous career fairs and talks in the private and public Institutions of Higher Learning ("IHL") in Malaysia where ViTrox managers and engineers shared their valuable industries' insights and best practices to our future graduates while meeting with potential talents from faculties of engineering, physics, mathematics and computer science.

Learning & Development

At the heart of digital transformation driven by immersive growth of Industrial 4.0, the learning landscape is rapidly shifting too. As high-tech innovations accelerate, so does the need to create more highly relevant upskilling training programmes and delivery methods for our people. Ultimately, it is the people who will truly drive change and digital transformation.

The culture of continuous Learning and Development is deeply ingrained into every corner of our Company. Just as it is a linear and parallel progression to the business' growth, it is important for us to build a sustainable learning environment that allows a broad range of training programmes to continue to flourish within the company to grow our people; from classroom training sessions to informal knowledge sharing. In FYE2019, ViTrox seized the need by increasing the training pool fund from RM487,000 in FYE2018 to RM667,000 in FYE2019 with the focus of developing our people. This empowers a culture of collaboration and engagement among our people through continuous learning and development.

Management Discussion and Analysis

PEOPLE ORIENTATION (cont'd)

Learning & Development (cont'd)

Learning and development programmes have undergone a great deal of change in the 21st century. With an encouraging learning environment, we witnessed a significant increase of 61% in overall learning hours from 25,996 hours in FYE2018 to 41,716 hours in FYE2019. Employees today are looking for progressive growth in their professional career, satisfaction and feeling valued at their work. At ViTrox, employee training and development continues being the fundamental pillar and catalyst to build employee competencies and confidence that drives high performance, optimum results and company success. The days of relying on conventional classroom-based training are long gone, now we employ a diverse landscape of training methodologies like e-learning, coaching, mentoring, informal sharing sessions and many more to cater to all types of learning styles.

Every individual comes with a different set of skills; hence there are huge opportunities to nurture their potential. We firmly believe ongoing training allows our people to acquire new skills, sharpen existing ones, perform better, increase work productivity and be better leaders. In FYE2019, ViTrox had since introduced a diversified in-house soft skill programme - 'Productivity Series', 'Self-Series' and 'Advanced Series' alongside with 'Effective Series' (launched since 2018) to enable our employees to nurture and foster their presentation skills, email writing skills, project management skills, language speaking and writing proficiencies and more (often known as people skills). On the other hand, technical skills are equally important as soft skills as it elevates productivity and efficiency when it comes to performing tasks. At ViTrox, we drive and foster positive peer-to-peer learning culture through knowledge transfer from one another. With the advent of Human Resource ("HR") technology, it has become easier to adapt learning and sharing professional knowledge with the employees. Employees feel valued, appreciated and more motivated when the company makes an investment in their growth.

CORPORATE CONSCIENCE

ViTrox is well known as a value-driven organization as we always aim to create a meaningful company culture. We are determined to make a positive impact in the community we operate in with loving-kindness through our corporate conscience programmes.

In the year under review, we initiated a series of corporate conscience programmes by not only providing monetary funds but also lending our time and effort to help bring about changes in others' lives.

Community

"Cultural capital is the new frontier of competitive advantages". This strongly indicates that our image and well-being are essential factors for customers, partners, and other external parties to perceive our brand quality in general.

In response to this ethic study, ViTrox practices humanism stances as our daily community-based cultivation. For instance, we practice volunteerism as a defining trait to develop a healthy and thoughtful life among each other. In the year under review, there were more than 680 ViTroxians, spending over 6,000 volunteer hours in various activities organised by our internal voluntary clubs and external occasions. Externally, V-Serve Programme had successfully received contributions from 266 volunteers with more than 800 hours served through community service events and social activities, which resulted in the accumulated funds of approximately RM34,350 to worldwide charity organizations in FYE2019. We continued to encourage our people to contribute their small change to the bamboo bank on a daily basis to support the poor and the needy in our society through "A Good Deed a Day" programme.

ViTrox strives to sustain environmental sustainability as far as it goes. We encourage the best practice of 5Rs (Rethink, Reduce, Reuse, Repair and Recycle) by setting up recycle bins and recycle centres on the campus. As a result, we had recycled over 19,000 kg of waste and donated more than RM7,000 to various charity organizations through the funds collected from the waste in FYE2019. We also launched 5S+ (Sort, Set in Order, Shine, Standardise, Sustain and Safety) activities. On a monthly basis, all workplaces were audited by a 5S audit team. On a quarterly basis, all employees participated in "cleaning the campus" activity.

Management Discussion and Analysis

CORPORATE CONSCIENCE (cont'd)

Community (cont'd)

As we strongly emphasise on the Corporate Social Responsibility ("CSR") Programme, ViTrox had donated approximately RM300,000 to various social and charity activities in FYE2019. This is part of our contributions to the community where we aren't just bringing a constructive impact to the technology industry, but also to the community.



Education

ViTrox sponsored various events and programmes organised by universities and colleges as an initiative to nurture local young talents in STEM. Universiti Teknologi Petronas ("UTP") Petrobot, Key Fiesta at Universiti Tunku Abdul Rahman ("UTAR") Kampar and Penang International Science Fair 2019 were among the sponsored events.

To inspire more engineers to have a keen interest in machine vision, we had conducted 4 vision classes for students from 4 local universities, namely Multimedia University ("MMU") Malacca, Universiti Malaysia Perlis ("UNIMAP"), Universiti Sains Malaysia ("USM") and UTP.

Striving to be an organization that cares for its community, ViTrox will continue the corporate conscience programmes in the focus areas to create a long-lasting positive impact in the community.

GRATITUDE FROM MANAGING DIRECTOR / PRESIDENT / CEO

FYE2019 was a challenging and yet fulfilling year for ViTrox, backed by solid financial fundamentals and strong cash flow, despite lower revenue and profit recorded due to slow down in the global demand caused by trade tension and excessive inventory. In the year under review, we have successfully laid a strong foundation in our manufacturing and R&D capability and capacity, in preparation for the upturn of the demand of our products and services in the dawn of the new era of data-centric driven by 5G, Industrial 4.0 and AI proliferation across the globe in the next few years. I would like to express my sincere appreciation to my ViTrox team for your relentless commitment, hard work and dedication to working with me to make ViTrox a better company compared to a year ago. Our belief in the I.A.C.T.G. values gives us the strength to overcome all hurdles and roadblocks during this challenging time. I am extremely grateful to be entrusted to lead and work closely with my fellow highly passionate ViTroxians in building a unique and meaningful global technology company that makes the world a better place. Thank you!

On behalf of the management team, I would like to take this opportunity to express my highest gratitude to the Board, our customers, shareholders, business associates and relevant government authorities who have given us guidance, good business opportunities and strong support throughout the year. I look forward to your continuous support in the coming years. Thank you!

This statement was made in accordance with a resolution of the Board dated 2 April 2020.

Highlights of 2019

16-18 January

ViTrox participation in RoboDEX Japan 2019 in Tokyo, Japan

24 January



ViTrox received **Supplier Recognition Award 2018** from ASE Malaysia

The award specially organized by ASE Group to recognize the efforts of 17 local equipment suppliers

7 March

ViTrox participation in IIoT Plugfest Convention 2019 in Penang, Malaysia

11 March

ViE participation in EtherCAT SEA Seminar Malaysia 2019 in Johor Bahru, Malaysia

13 March

ViE participation in EtherCAT SEA Seminar Malaysia 2019 in Penang, Malaysia

14 March

ViTrox received Supplier Recognition Award - "**ASE Group Outstanding Supplier Award 2018**" from ASE Taiwan

The award specially organized by ASE Group as an annual recognition to appreciate the efforts of 20 equipment suppliers

20-22 March

ViTrox participation in Semicon China 2019 in Shanghai, China

26 March

ViTrox announced a wholly-owned subsidiary - ViTrox Technologies GmbH in Germany

30 March



ViTrox celebrated its Automated Board Inspection ("ABI") Division's 10th Anniversary in Penang, Malaysia

16-18 April

ViTrox participation in 3D AOI Productivity and Technology Demonstration at EAP Demo Room in Ohio, USA

24-26 April

ViTrox participation in NEPCON China 2019 in Shanghai, China

30 April - 3 May

ViTrox participation in 3D AOI Roadshow 2019 with SMT0 in Guadalajara, Mexico

1 May

ViTrox announced the partnership with Tecnolab as the newly appointed Sales Channel Partner in Italy

7-9 May

ViTrox participation in Semicon Southeast Asia (SEA) 2019 in Kuala Lumpur, Malaysia

7-9 May

ViTrox participation in SMTconnect 2019 with Yxlon in Nuremberg, Germany

8 May



ViTrox signed Memorandum of Understanding with UTAR

19-22 June

ViTrox participation in NEPCON Thailand 2019 in Bangkok, Thailand

1 July

ViTrox announced the partnership with Accelonix as the newly appointed Sales Channel Partner in Western Europe

Highlights of 2019

10 July

ViTrox made the list on **Forbes Asia's 200 Best Under A Billion 2019**

17-19 July

ViTrox participation as a Silver Sponsor in Electronics Manufacturing Expo Asia ("EMAX") Asia 2019 in Penang, Malaysia

24 July



ViTrox signed Memorandum of Understanding with Center of Goodness Study ("CGSC") to foster the spirit of goodness and compassion in the Industry

9 August

ViTrox announced the official setup of Shenzhen Demo centre in China

28-29 August

ViTrox hosted ViTrox Smart Technology Days 2019 in Shenzhen, China

10 September

ViTrox hosted Mexico Technology Day 2019 with SMT in Juarez, Mexico

12 September

ViTrox hosted Mexico Technology Day 2019 with SMT in Guadalajara, Mexico

19 September



ViTrox won the **Highest Returns To Shareholders Awards in The Edge Billion Ringgit Club 2019** with recognition of "Highest Growth Profit After Tax Over Three Years" and "Highest Returns On Equity Over Three Years" in the technology sector

16 October

ViTrox participation in the US Technology Day with EAP in Ohio, USA

17 October



ViTrox received the **HR Excellence Award** as the Silver winner in the category of "Excellence in Workplace Wellbeing" in Kuala Lumpur, Malaysia

22-24 October

ViTrox participation in Industrial Transformation Asia Pacific ("ITAP") 2019 Singapore

23 October

ViTrox participation in Guadalajara Tech & Expo Forum in Mexico

24 October

ViTrox participation in the US Technology Day with Evotest in California, USA

2-3 November



ViTrox participation in the annual Penang International Science Fair 2019 ("PISF") in Malaysia

12 November



ViTrox received Global Technology Award from Productronica 2019 in Germany

12-15 November

ViTrox participation in Productronica Germany 2019 in Germany

Media News

Supplier Recognition Award 2018 From ASE Malaysia

ViTrox was awarded "Supplier Recognition Award" during ASEM Awards 2018, which was specially organized to recognize the efforts of local suppliers. In competing with 17 other equipment suppliers, ViTrox stands out for several reasons: with real-time on-call support and fast on site response, supportive to their customers' future needs, and continuous improvements in its technologies and capabilities to meet ASE's requirements.

"As a local technology company, I'm beyond honoured that we are given this award. I hope each and everyone of us from ViTrox would continue to stay humble, sincere, and always eager to learn more in order to bring the entire company into another level of success", claimed by Mr Chu Jenn Weng, the President & CEO of ViTrox.

- *ViTrox Press Release, 28 February 2019*



Best Supplier Awards "ASE Group Outstanding Supplier Award" From ASE Taiwan

ViTrox was once again honoured with Best Supplier Awards "ASE Group Outstanding Supplier Award" during ASE Taiwan Awards 2018 held on 14th March 2019 in Kaohsiung, Taiwan. This award was specially organized as an annual recognition to appreciate the efforts of suppliers and ViTrox was among one of the 20 equipment suppliers from different regions.

"Honoured to receive the same award again, we promise to keep up the hard work, continue providing the advanced vision system, and march to achieving vision alongside ASE Group as well," Mr Chu Jenn Weng, the President and CEO of ViTrox proclaimed.

- *ViTrox Press Release, 10 April 2019*



Media News

ViTrox Automated Board Inspection ("ABI") Division's 10th Anniversary

Formed since year 2009, Automated Board Inspection ("ABI") Division has produced solutions that run inspections for printed circuit board assembly such as Advanced Solder Paste Inspection System ("API"), Advanced 3D Optical Inspection System ("AOI"), Advanced 3D X-Ray Inspection System ("AXI"), and Advanced Robotic Vision System ("ARV").

"There are many things that I wanted to thank for the tremendous contributions from the team. We will continue growing our business to other countries that we've not entered before." stated by Mr Wee Kah Khim, the Senior Vice President of ViTrox.

"Our future is exciting, and we will stay humble, sincere, and always eager to work hard for higher achievement in the future," proclaimed by Mr Chu Jenn Weng, the President and CEO of ViTrox.

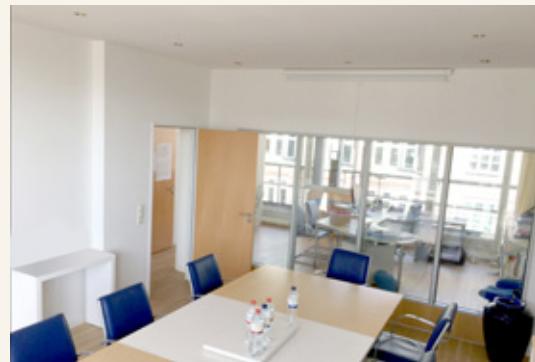
- *ViTrox Press Release, 19 April 2019*



The Official Set up of the Wholly-owned Subsidiary - ViTrox Technologies GmbH in Germany

The official set up of ViTrox Technologies GmbH serves as the sales and support office to support ViTrox's business growth which enables ViTrox to provide complementing sales support and fast response to the European customers of PCBA SMT, Semiconductor and the adjacent markets while elevating its presence in the Europe market.

- *I-Connect007, 3 May 2019*



ViTrox and UTAR signed Memorandum of Understanding to Boost S.T.E.M. Education in Malaysia

This represents a significant conjoint of academic and industry to promote Science, Technology, Engineering and Mathematics ("STEM") education which both parties will work closely for student development activities in the Northern region of Malaysia.

"We believe such university-industry collaboration will help us to aspire the advantages of Industry 4.0 as it creates a local talent pipeline to the industry for an unwavering ecosystem." proclaimed by Mr Chu Jenn Weng, the President & CEO of ViTrox.

- *UTAR News, 9 May 2019*



Media News

Made the List on Forbes Asia's 200 Best Under A Billion 2019

Three Malaysian companies have made it to the 200 top-performing public companies of the 2019 Forbes Asia's Best Under A Billion list. ELSOFT RESEARCH BHD, Pentamaster Corp Bhd and ViTrox Corp Bhd have been recognised as among the leading public companies in the Asia-Pacific with an annual revenue of between USD 5million and USD 1billion.

ViTrox made it to Forbes' Asia's 200 Best Under A Billion as one of the three Malaysian companies, which beat a total of 19,000 companies where candidates were screened for profitability, growth and modest indebtedness.

ViTrox posted sales and net income at USD 98million and USD 26million.

"The Best Under A Billion list demonstrates the dynamism of Asia's small and medium-sized businesses in creating value across the region. "Some of Asia's biggest success stories, such as Alibaba, were formerly on the list," said Justin Doebele, editor of Forbes Asia, in a statement.

- *TheStar, 12 July 2019*



The Official Setup of Shenzhen Demo Centre

ViTrox officially set up the Shenzhen product demonstration centre located in Shenzhen Hongfu Industrial Park to provide more comprehensive support and a higher level of service to the customer in southern China.

- *ViTrox Press Release, 9 August 2019*



Media News

The Highest Growth In Profit After Tax & Highest Return On Equity Over Three Years Awards In The Edge Billion Ringgit Club 2019

The stellar earnings performance made ViTrox one of the four joint winners of the award for highest growth in profit after tax over three years in the technology sector.

ViTrox's rapid earnings growth, at more than 30%, has made it a shining star in the technology industry. The semiconductor firm saw a three-year compound annual growth rate of 33.51% in its profit after tax ("PAT"), which swelled from RM44.32 million in FY2015 to RM105.48 million in FY2018 – a 33.5% three-year CAGR.

On a year-on-year basis, the quickest growth in PAT was seen in FY2016 – at 46% to RM64.85 million from RM44.32 million in FY2015. The impressive PAT growth is in line with its revenue growth, which has more than doubled since FY2015.

Despite the escalating trade tensions between China and the US, which raises concerns that companies along the supply chain of the semiconductor industry will be hit hard, ViTrox's revenue expanded to a record high of RM394.7 million in FY2018, a 20.5% increase from the year before.

ViTrox attributes its success to the strong demand for its Advanced X-ray Inspection System, Advanced Optical Inspection System and Machine Vision System.

Increased market shares in China, Mexico, the US, Taiwan, Europe and the Philippines, continuous development of new technologies and ongoing internal improvements also helped to drive ViTrox's earnings growth.

It is worth noting that since it was listed on Bursa Malaysia, the equipment inspection solution provider has recorded 18 consecutive years of profitability.

- *The Edge Malaysia, 30 September 2019*



ViTrox signed Memorandum of Understanding with Center of Goodness Study ("CGSC") to Foster The Spirit Of Goodness And Compassion

ViTrox collaborates with CGSC on leveraging recourses to promote Goodness Study 善学文化 education and the concept of altruism into enterprise and organization management.

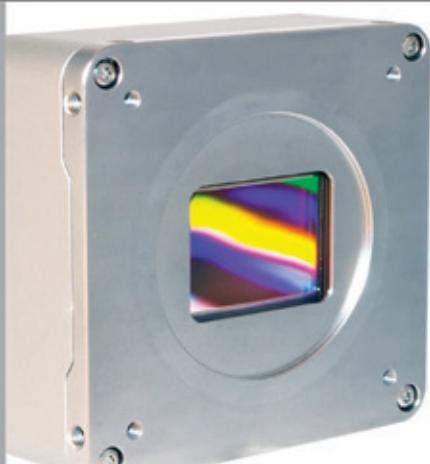
"We believe the collaboration with CGSC will help ViTrox to transform into a high-tech company that provides world-leading solutions while serving the purpose of spreading goodness to society." proclaimed by Mr Chu Jenn Weng, the President & CEO of ViTrox.

- *ViTrox Press Release, 21 November 2019*

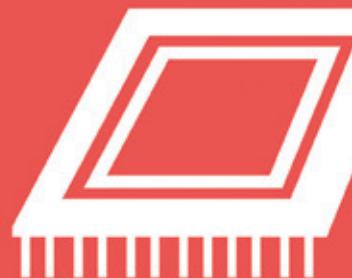


Adimec CUSTOM SOLUTIONS FOR THE PERFECT FIT

S-65A30
FOR DISPLAY
MODULE
INSPECTION

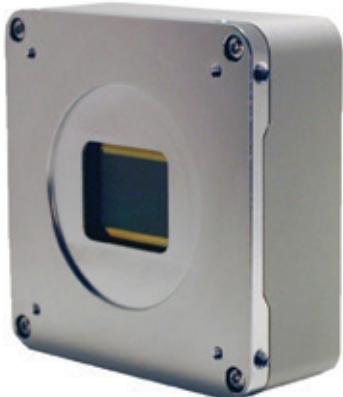
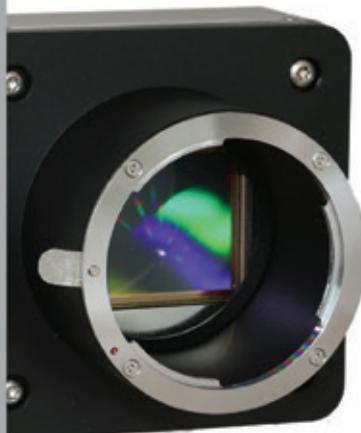


DISPLAYS



ELECTRONICS
PCB Electronics Manufacturing & Displays

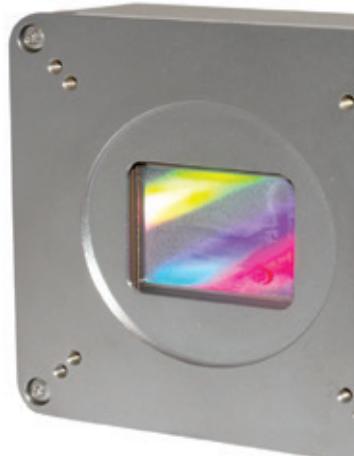
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DAISHIN is one of the biggest parts feeder makers in Japan. They have been evolving itself uniquely in its own way through many years R&D activities. Their piezoelectric stack parts feeder system meets electronic components miniaturization and high speed conveying.

Mitutoyo



Needless to say, **Mitutoyo** is a mega company specializing in measuring instruments with high metrological technology. They are leading the world in the development of larger, more complex, more sensitive measuring instruments such as optical comparators, CMM and so on.



MAKINO develops high speed and high precision machining centers. Their machines show high productivity and secure quality in limited cycle time. Also **MAKINO** wins recognition in various industries such as IT related, automotive and aerospace due to its high potential machine tools.



TRUSCO NAKAYAMA is specialized in all kind of professional tools for manufacturing industry with its PRO TOOLS. In Japan they called it "ORANGE BOOK".



NACHI

TUNGALOY is the first company who developed cemented carbide tools in Japan. Throughout history of more than 70 years, Tungaloy has been leading cutting tools industry. They offer indexable inserts, steel products, PCB drills and wear resistant tools.

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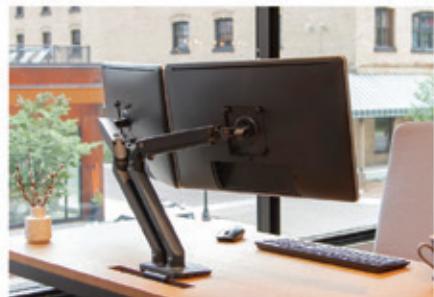
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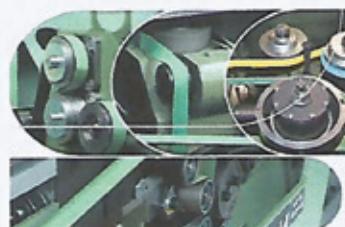


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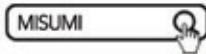


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Sustainability Statement

SUSTAINABILITY AND OUR BUSINESS

ViTrox Corporation Berhad ("ViTrox", or the "Group") recognises that the stability and growth of our business are interconnected with the sustainability of the economic, environmental and social ("EES") aspects in which we are operating. We are committed to be a responsible company and make a positive contribution to society and the environment.

The core of sustainability of our business in Malaysia is founded on ethical business practices and effective governance without any major change in this scope. In this respect, we vow to work with customers and suppliers to enhance our supply chain value and create an engaging workplace for our employees. This helps us to inspire trust in our workplace, develop strong relationships with our stakeholders, and create long-term value for society and our business.

Certainly, there are challenges having sustainability as part of our key business priority but we continue striving to manage the on-going challenges and constantly liaise with our stakeholders to understand their views and regularly in touch with the latest legislative and regulative updates.

We persistently build our core values and fundamental principles in our daily business operations in order to strive hard to make greater success.

CORE VALUES

ViTrox's core values, **I.A.C.T.G.** (The Power of 5), represents the fundamental principles of ViTrox's shared values that guide us to think, talk and do the right things every day in the pursuit of both individual and company greatness.

'**I.A.C.T.G.**' is the acronym for '**Integrity**', '**Accountability**', '**Courage**', '**Trust & Respect**', and '**Gratitude & Care**'.



Integrity (诚正信实)

Integrity means Sincerity (真诚), Righteousness (公正), Faithfulness (正信) and Honesty (踏实). It is about doing the right thing, even if nobody is watching. We treat others fairly, with a sincere heart and the way that we want to be treated. By cultivating these inner qualities, we will live in harmony and always be respected by others.

Accountability (承担)

This is the self-commitment to do the right thing and stand by the decision. We take ownership of a committed task and its outcome and are willing to take extra steps to achieve the desired result. Accountability makes us a credible person. (不只把事情做完, 更把事情做好)

Courage (勇气)

We have the strength to face and overcome whatever difficulties we encounter along the way, and are willing to stand in front of everyone during a crisis and say 'I will do it!'. We dare to challenge the status quo, make changes for the better and think out of the box. With 'Courage', we stand strong in front of adversities and never back down.

Trust & Respect (信任与尊重)

We communicate openly and candidly with each other and extend our respect and team spirit to customers, partners, suppliers, and the communities in which we live and work. We treat everyone as an individual and, hence, we respect and recognise each individual for their unique talents. We believe that people want to do a good job and will do so, given the proper tools and support.

Gratitude & Care (感恩与关怀)

Gratitude gives us a positive and wonderful view of life and leads us to actualise our true values. We can dissolve thoughts of fear, self-doubt, worry, anger and depression by having a grateful mind. We feel grateful every day for the continuous support and contributions from our customers, colleagues, suppliers and our communities. We serve our customers, colleagues, suppliers and our communities with a caring heart and by paying attention to feelings and needs. "How can I help?" is the common language we use at ViTrox to show that we care and to help others who are in need. Through our caring culture, we improve our organization daily and are continuously working to build a happy and meaningful organization.

Sustainability Statement

SUSTAINABILITY GOVERNANCE

Our Enterprise Risk Management ("ERM") framework provides the necessary policies, structure, targets and reporting systems to address the material risks and opportunities and we have been systematically embedding sustainability principles throughout our operations. The ERM is headed by an Executive Director, Mr. Yeoh Shih Hoong and its committee comprises the remaining Executive Directors of ViTrox ("Risk Management Committee" or "RMC"). This Committee will be supported by representatives from various department heads ("Risk Management Working Group" or "RMWG"). Any findings and discussion of the ERM are reported to the Audit Committee.

The RMC and RMWG are responsible for materiality assessment and undertake the role for identifying, evaluating and monitoring sustainability initiative and action, execute and implement the sustainability initiatives that are aligned to the Group's vision, mission, objectives and strategies.

We have yet to formalise a Sustainability Committee at the date of this report. But, we had been working towards this under the guidance of RMC and incorporated the sustainability-related risk and opportunity ("RO") into our corporate RO register in FYE 2019.

The scope of our Sustainability Statement covers the period from 1 January 2019 to 31 December 2019 and the reporting boundary is mainly focused on Malaysian operations.

From the various accreditations that we had achieved over the years, it is obvious that we have indeed started our sustainability journey which is divided into four main areas as follows:

- | | |
|-------------------|-----------------|
| i. Economic | iii. Workplace |
| ii. Environmental | iv. Communities |

MATERIALITY

The most material matters to our business were determined from an analysis of internal documents, internal process, peer reviews and RO register.

We review sustainability-related RO periodically as part of our risk assessment. This process is to ensure our sustainability practice continues to address our key sustainability concerns. Our RO register evolves to keep pace with legislative requirements and industry best practices while addressing stakeholders' interests.

Materiality matrix is used to identify the Sustainability Matters during the assessment. Their significance is relative to the importance to external stakeholders and internal stakeholders. We have identified nine material Sustainability Matters of which the top three material Sustainability Matters of importance to our external and internal stakeholders. They are supply chain management & local ecosystem, employee development & talent management and corporate governance & code of ethics. The remaining six Sustainability Matters are still important and will be continuously monitored and reported.

		Materiality Matrix	
		Low	High
Importance to External Stakeholders	High	<ul style="list-style-type: none"> • Energy Usage • Water & Waste Management • Contributions to Communities 	<ul style="list-style-type: none"> • Supply Chain Management & Local Ecosystem • Employee Development & Talent Management • Corporate Governance & Code of Ethics
	Low	<ul style="list-style-type: none"> • Labour & Human Rights • Employee Welfare 	<ul style="list-style-type: none"> • Occupational Safety & Health
Low	High		

Sustainability Statement

STAKEHOLDER ENGAGEMENT

We believe that maintaining a good degree of communication and understanding with all the internal and external stakeholders involved is highly essential in our journey to be a good corporate governance and reputable sustainable business entity. Hence, the Company recognises the need to conduct a continuous dialogue and information sharing with the relevant stakeholders in a timely, effective and transparent manner. A summary of the stakeholder groups, the sustainability topics, and the type of engagement with frequency are listed as below:

Stakeholders	Sustainability Topics	Type of Engagement	Frequency
Customers	<ul style="list-style-type: none"> • Product quality and performance • Sustaining long term relationship 	<ul style="list-style-type: none"> • Customer satisfaction survey • On-site visits at ViTrox's premises • Customer audit, if any • Exhibition and roadshow 	On-going On-going On-going Annually
Employees	<ul style="list-style-type: none"> • Health and safety • Communication and engagement • Working environment • Career development and training • Business performance review 	<ul style="list-style-type: none"> • Volunteer Program • Training and development • Formal meeting and discussion • Employee feedback (My voice) • Employee satisfaction survey • Employee Suggestion Program • Appraisal and performance review 	On-going On-going On-going On-going Quarterly Quarterly Annually
Investors / Shareholders	<ul style="list-style-type: none"> • Business performance • Operation 	<ul style="list-style-type: none"> • Corporate website • Investor relationship channel • Quarterly financial results • Quarterly analyst briefing • Annual Report • Regular meetings and correspondence • Feedback to media enquiries • ISO9001:2015 audit 	On-going On-going Quarterly Quarterly Annually As required As required Annually
Suppliers	<ul style="list-style-type: none"> • Forging strategic partnership • Supplier performance review • Product quality 	<ul style="list-style-type: none"> • Supplier selection via pre-qualification • Regular meetings and correspondence • Whistle blowing policy • Vendor Assessment Questionnaire 	On-going On-going On-going Annually
Media	<ul style="list-style-type: none"> • Timely and accurate information 	<ul style="list-style-type: none"> • Press release 	As required
Government and Regulators	<ul style="list-style-type: none"> • Regulatory compliance • Supporting country's economic growth 	<ul style="list-style-type: none"> • Site visit and meeting • Participating in program organised by government bodies 	As required As required
Community	<ul style="list-style-type: none"> • Environment protection • Local community activities involvement 	<ul style="list-style-type: none"> • Participation in local community and activities • Sponsorship • Donation 	On-going On-going On-going

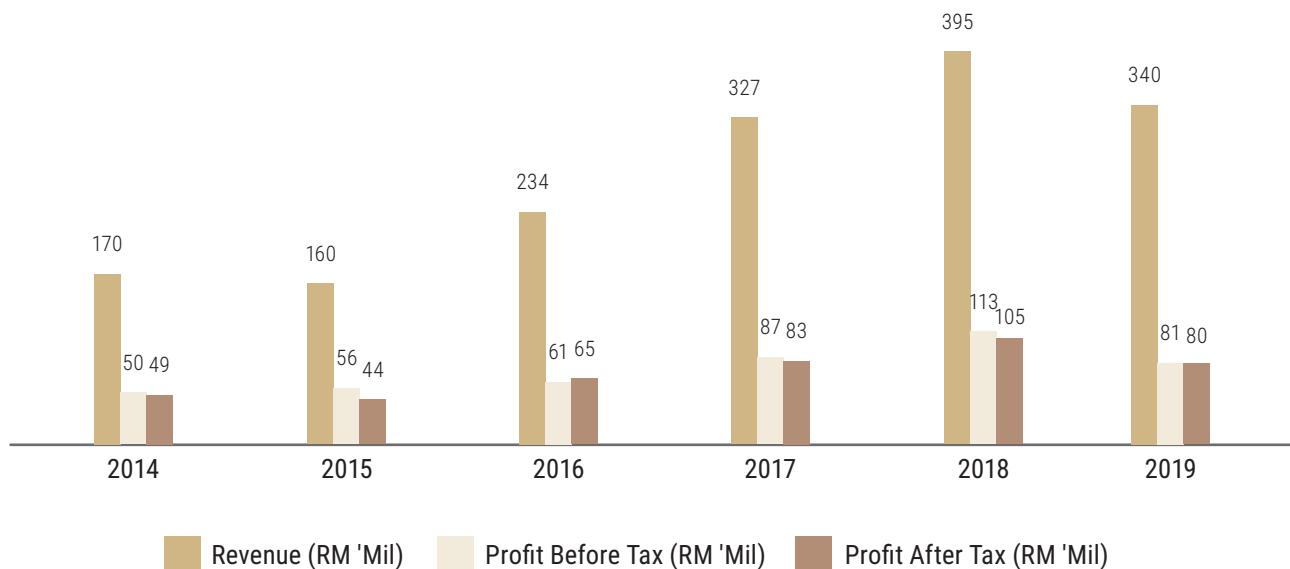
Sustainability Statement

ECONOMIC

Our key initiatives for business sustainability within the economic space are focused on several key areas.

Financial Performance

We believe financial strength and sustainability go hand in hand. Hence, we are committed to strengthening our financial position and enhancing our competitiveness by adopting good and ethical business practices, corporate governance as well as effective capital management.



We shall continue to strive towards long-term business profitability and growth and are committed to providing the most innovative, advanced and cost-effective machine vision solution of excellent quality to our customers through the integration of our technology, our people and our strategic alliances.

Our Code of Ethics

Our Code of Ethics for Directors states the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct in the way we conduct our business. This Code of Ethics for Directors is our way to set the tone and standards in articulating acceptable practices and guidelines of behaviours expected from Directors, Management and employees that integrates into our company-wide Management practices.

We have established and implemented policies and procedures on whistleblowing to facilitate the stakeholders of the Company to report genuine concerns or allegations about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group. By encouraging a whistleblowing culture, we hope to achieve a desirable organization of transparent structure and effective, clear communication. More information about our whistle blowing policy can be found at <https://vitrox.com/company/whistle-blowing-policy.php>

Corporate Governance and Compliance

We recognise the importance of adopting good corporate governance and acknowledge the importance of the principles set out in the Malaysian Code on Corporate Governance and are committed to ensuring high standards of good corporate governance are in place and practice within the Group in order to safeguard the shareholders' assets and relevant stakeholders' interests as well as enhancing shareholders' value.

Sustainability Statement

ECONOMIC (cont'd)

Corporate Governance and Compliance (cont'd)

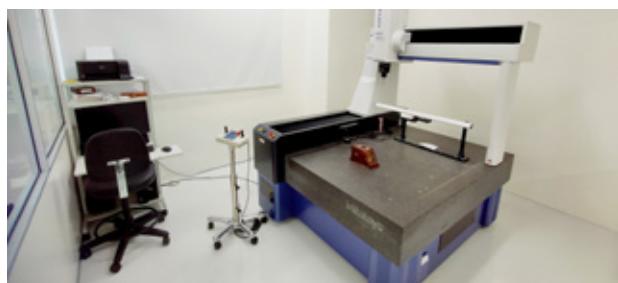
As a result of these reforms, the fundamentals of the Company remain resilient and our ability to safeguard our financial and other stakeholders' vested interest remain uncompromised. Details of our corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement contained in this Annual Report.

Local Ecosystem

We truly believe that the health of the local Semiconductor, Electrical & Electronics & Automation Ecosystem is a vital factor in long-term sustainable growth for the Company and the country. An associate company of ViTrox, Penang Automation Cluster Sdn. Bhd. ("PAC") has commenced its operation in October 2019. The main functions of PAC are technological design & development, metrology shared services, smart manufacturing system and technical training to the automation cluster companies specialised in the area of design, development and manufacture of high precision metal fabrication components, modules and systems for semiconductor, electronics, automotive, aerospace and other high growth industries in the region.

This will enable us to build a robust and reliable supply chain ecosystem in the country that supports its long-term strategy to grow the business in providing a wider range of high-end automated inspection equipment supporting various industries globally.

In the year under review, there are 6 Computer Numerical Control ("CNC") Machining SMEs, 1 Sheet Metal SME and PAC own operations of CNC Double Column and Precision Tooling occupying 10 units of industry lots.



Sustainability Statement

ECONOMIC (cont'd)

Local Ecosystem (cont'd)

As the platform to share knowledge and insights of machine vision technologies, the Centre of Excellence for Machine Vision ("CoE") continues its effort to drive the creation of an ecosystem for advanced machine vision technologies in Malaysia.

With our new facilities strategically located at the heart of Batu Kawan Industrial Park, ViTrox Campus 2.0, we actively collaborate with our trusted technological partners and government agencies to expand our provision and area of expertise to share dynamic, latest and diversified range of knowledge and advanced technologies with our local SMEs. As of 31 December 2019, we have connected with approximately 1,883 SMEs and 18 Institute of Higher Learning ("IHLs").

To accelerate the growth of the ecosystem, CoE encourages local SMEs to explore, understand and adopt machine vision technologies through attending technical training sessions as follow:

Title	Date
Imaging Technologies	29-05-2019
4th Industrial Revolution & Human Capital Development	09-08-2019
IR 4.0 Digital Transformation with Simulation Driven Design	21-08-2019
Enhance Your Competitive Advantage & Capture market Share with Patents and IP Rights	24-09-2019
ISO 45001 : 2018 Awareness & Strategic Implementation	30-10-2019

We recognise that consistent sharing of knowledge and technology related to machine vision with our local SMEs would open up the door of opportunities for collaboration and conversations. It also enables us to foster closer professional ties within the ecosystem.

ENVIRONMENTAL

We recognise and consider the environmental impact of our daily business activities. Environmental stewardship is our top priority in safeguarding the health and safety of the public. With the new facilities at ViTrox Campus 2.0, we continue to monitor and minimise any potential adverse effects of our business operations that may impact the community, environment and natural resources.

1. Environmental Permits and Reporting

On 1 September 2019, the Environmental Policy was separated from the Environmental Safety & Health Policy that was established in 2014 as we view environmental sustainability is as important as business sustainability. ViTrox is committed to the preservation of our environment and to comply with all relevant regulatory, statutory and applicable requirements according to the Environmental Quality Act 1974, promote environmental sustainability through:

- i. efficient usage of raw materials, natural resources and energy
- ii. dedicated 5Rs (Refuse, Reduce, Repair, Reuse and Recycle) programmes
- iii. proper waste management practices
- iv. systematically promote and provide education and training on environmental protection and responsibilities across all levels within ViTrox

All required environmental permits (e.g. discharge monitoring), approval and registrations are obtained, maintained and kept current and their operational and reporting requirements are strictly adhered to.

Throughout FYE2019, we have conducted monthly scheduled waste and the waste generated and disposed at our premises were as follows:

- i. SW409 Disposed containers, bags or equipment contaminated with chemicals – 30.4kg
- ii. SW410 Rags, plastics, papers or filters contaminated with scheduled wastes – 74.0kg

which are compliant to the Environmental Quality Act 1974 under Environmental Quality (Scheduled Waste) Regulations 2005 respectively.

Sustainability Statement

ENVIRONMENTAL (cont'd)

2. Solar Photovoltaic System

Among all the renewable energy sources, solar energy is indeed a great sustainable, green energy choice and one that can provide numerous benefits to not only the businesses but to our environment too!

A 458kW industrial-scale Solar Photovoltaic ("PV") System was installed at ViTrox Campus 2.0 since August 2018 as part of the environmental preservation program. The installation, which covers the roof of the building, featured a total of 1,410 panels and generated 720,519kWh in FYE2019, which saved up to approximately RM250,000 of energy savings. The solar power generation is equivalent to 12,822 trees cleansing the air for one year and it contributes offsets amounting to 500 tonnes of carbon emission annually.

As we all know, the global population will continue to grow, but our Earth only has a finite amount of fuels, oil, coal, and natural gas. Making full use of clean and renewable solar energy can reduce greenhouse gas emissions and enable us to have a more stable and sustainable energy future.

3. Eco-pond

The concept of having eco-ponds is to create a self-sustainable and self-renewing mini-ecosystem, similar to our nature where rivers and streams are constantly renewed with clean and fresh water. To conserve water and to maintain a healthy ecological balance, we built two eco-ponds in ViTrox Campus 2.0.

The first eco-pond is with a rainwater collection tank of approximate 2200 cubic feet while the second eco-pond is of approximate 2100 cubic feet. The eco-ponds are designed to provide water for irrigation of landscape, outdoor water usage and preservation, and provide sustainable water supply to V-Farm.

4. V-Carpooling Program

The benefits of having a carpool program extend well beyond just cutting down on air pollution and traffic congestion. We have established the V-Carpooling Program with the participation of more than 260 employees. Carpooling can have great positive effects on employee productivity as they arrive at work more energized and ready to take on the challenges of the day. On top of that, employees also get to enjoy financial savings by reducing fuel expenses and vehicle wear and tear.

It is also one of our collective efforts to act responsible and think sustainable for our environment.

5. V-Farm Programme

V-Farm Programme is to produce pesticide-free vegetables, herbs, and fruits which are then harvested, post-processed and contributed to the V-Meal Programme. As we grow our own vegetables and fruits, it is also our effort to help reduce carbon emissions and waste. Excess vegetables and herbs are also dehydrated for making tea and longer shelf life preservation. Fruits are also fermented to become a V-Fruit enzyme, providing a choice of healthy beverage to our employees. Besides, the excess is also donated to Malaysia Yu Hua Zhai Association, an organization that provides free vegetarian lunch to the public.



Sustainability Statement

ENVIRONMENTAL (cont'd)

6. V-Meal Programme

One of the key staples of human happiness is food. We believe it is important to create a lunch culture that fosters closer employee relationships, collaboration and creativity. We continued to implement V-Meal Programme to provide free, varied, nutritious and healthy vegetarian lunch to all the employees from every Monday to Thursday.

We are refuelling our bodies with all the essential vitamins, minerals and nutrients like antioxidants and fibre we need when we eat healthy lunch for our daily diet.

Collectively, we had prepared more than 76,000 vegetarian meals to our employees in FYE2019. A healthy employee is a focused and productive employee and thus, our meal intake is fundamental to our health and well-being in the short and long term.

WORKPLACE

ViTrox aims to provide a supportive, motivated and healthy workplace for employees, and to foster a caring community in our working environment. ViTrox Campus 2.0 is built to envision a revolutionary industrial building design with institutional campus cultures. With ViTrox Campus 2.0, we strive to create a workplace that inspires harmonious and innovation while simultaneously developing employees' potential holistically – a "second home" environment, which balances employees' body, mind and soul. We understand that a great workplace helps to drive higher engagement, inspire passion and excitement and nurture a great attitude, all of which positively impacts performance across all levels. Motivated and engaged employees are key to the success of business development and operation. Our people are on the front lines in delivering and transforming our innovations, products and services of excellent quality standards to our customers. We continued to promote the Learning and Teaching Culture among the people, where our people are empowered to learn and develop skills in a conducive working environment, which supports lifelong and continuing education that build a true sense of loyalty and commitment to organizational success.



Sustainability Statement

WORKPLACE (cont'd)

Respect for Labour and Human Rights

We are committed to uphold the human rights of workers and to treat them with dignity and respect as stated in the Employees Handbook. This applies to all our people, including temporary, contract, direct employees, and any other types of workers. Our objectives include:

1. attain the highest standard of employment practice in compliance with the enacted laws.
2. uphold the culture and principles of equal opportunities in employment.
3. create a working environment where every team member is treated fairly and without fear of reprisal, intimidation or harassment.

Employee Development and Talent Management

At ViTrox, we provide ample learning opportunities available to all employees. We encourage continued learning to develop the potential of each employee further. Continuous training and development also enable our people to keep up with the industry challenges, opportunities and trends at the forefront position of industry developments especially riding on the wave of Industrial 4.0. In FYE2019, we had organised a total of 321 sharing sessions, 107 technical skills training (FYE2018: 147) and 127 soft skills training (FYE2018: 96) sessions that expand and focus on our employees' growth and professional development. The training programmes that were provided to our employees are categorised in internal training (56%) and external training (44%).

Employee training is essential to both the Company growth and an individual's success. We organised a total of 132 in-house training programmes in FYE2019. The type of internal training programmes that were provided to the employees are as follows:

	FYE2019 No. of Training	FYE2018 No. of Training
Technical and Engineering	29	28
Productivity	37	22
Quality	29	16
Management	23	5
Safety and Health	6	3
Sales & Marketing	4	3
Manufacturing	1	1
Supply Chain	3	1
Total	132	79

In addition to internal training, we also offered external training programmes to employees of all job levels to enhance their workplace competence and prepare them for greater responsibilities. Our people get to learn both hard skills and soft skills through training sessions. We emphasise on the long-term commitment to our people's career growth.

In summary, we had invested a total of 102 external training in FYE2019. The type of training that our employees participated were as follows:

	FYE2019 No. of Training	FYE2018 No. of Training
Management	24	61
Technical and Engineering	34	49
Safety and Health	14	18
Manufacturing	1	15
Productivity	11	7
Sales & Marketing	4	7
Quality	9	6
Information Technology	1	1
Supply Chain	4	0
Total	102	164

Healthier Work-Life Practices

Work plays a significant part in all our lives. In fact, one-third of our lives are spent at work and it makes a huge impact on one's quality of life. At ViTrox, we understand and recognize how important it is to foster a positive workplace that encourages employees to stay healthy, happy and motivated. When employees are well-taken care of, they feel invested in the organisation's goals and are more willing to contribute more.

In FYE2019, we collaborated with a healthcare centre to provide free health screening on the campus which benefited more than 400 ViTroxians to promote the well-being of employees. Also, BeFRIENDERS was also invited to raise awareness on developing better emotional self-awareness which in turn leads to improved emotional health and well-being. We also organised a blood donation campaign to raise wider awareness among employees that blood donation is a selfless and benevolent action one can do to benefit all of society and those who are in need.

Sustainability Statement

WORKPLACE (cont'd)

Healthier Work-Life Practices (cont'd)



What better way there is to celebrate successes and achievements together as one big family? We organised an all-expenses-paid trip to one of the most beautiful islands in Japan - Hokkaido, towards the end of 2019 as an initiative to recognise and appreciate our people and their contributions in driving the growth of the Group. The company trip was organised in 12 batches and benefited approximately 500 employees. There are no better memories than the ones that are made together, and it will be cherished forever.



Sustainability Statement

WORKPLACE (cont'd)

Healthier Work-Life Practices (cont'd)

Like how a potted plant needs consistent watering, we care for our employees' work-life balance. At ViTrox, we have a total of 9 voluntary interest clubs and each club organizes many unique activities for our employees to participate in to develop one's skills and personal interests. One should not stop learning because life never stops teaching!

- 1 Music & Singing Club
2. Performing & Art Club
- 3 Charity Club
4. Flora & Farming Club
5. Cooking Club
6. Go Green Club
7. Photography Club
8. Sport & Recreation Club
9. Toastmasters Club

A Safe and Healthy Work Environment

Employee health and safety remain as our top priority as evidenced by the number of training and hours spent in both in-house and external training as highlighted in the earlier sections of this Statement. At ViTrox, we have an Occupational Safety and Health Management ("OSH") unit to safeguard, manage, discuss and report areas related to ViTrox's Health, Safety and Environment ("HSE") performance. The OSH will continue to monitor effectiveness, engage with Management, and drive improvement. The team also reports on measures to be taken to prevent or minimise accidents from occurring.

In FYE2019, our total workforce increased approximately 10% as compared to a year ago. Despite such increase, the recorded occupational incident reduced to 1 in FYE2019 against 13 in FYE2018. This only 1 recorded occupational incident contributed to 2 lost days as compared to 13 lost days in FYE2018. The incidents were reported and recorded according to the Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease ("NADOPOD") Guideline by Department of Occupational Safety and Health Malaysia and ViTrox's Incident Reporting and Recording Matrix. We prepared an employee incident report to create awareness among employees and to review the effectiveness of our safety and health programmes. Besides, we had included Hazard Identification, Risk Assessment and Risk Control ("HIRARC") as part of our Environment, Safety and Health ("EHS") Management System, to further understand the hazards at the workplace, and implement the most effective control measures to continue to improve and drive for zero accident without lost day.



Environmental Safety & Health Policy

ViTrox Technologies Sdn. Bhd. continually strives to provide a safe and healthy working environment for employees, with the objective to prevent accidents at the workplace and occupational illness. ViTrox is committed to

- comply to latest local statutory and legislation.
- promote Environmental, Safety and Health among employees through continuous training, dissemination of information and proper standard operating instruction.
- carry out regular workplace Safety and Health inspection, monitoring and auditing.
- ensure all accidents, work related illness, or near misses are reported, investigated and corrective measures taken to prevent recurrence.
- continue to improve the Environmental Protection, Occupational Safety and Health Performance of the company.
- dispose Scheduled Wastes according to the Environmental Quality Act 1974 and all of its regulations.

In upholding this policy, the employees shall

- care for own-self and others safety and health at all time.
- follow the standard work instruction at all times.
- maintain good housekeeping practices.
- use Personal Protective Equipment (PPE) when required and maintain the PPE.
- report hazardous conditions, accidents and occupational illness soonest possible.
- participate and support Safety and Health programs.

Committed by
Mr. Chu Jenn Weng, President & CEO
ViTrox Technologies Sdn Bhd

VIITROX ...innovating vision

No	Description	2019	2018
1	Total Headcount (including Subcontractors and Trainees)	790	709
2	Impermanent Disability Injuries	1	13
3	Lost Days	2	13

Sustainability Statement

WORKPLACE (cont'd)

Emergency Response

In FYE2019, we had approximately 43 people as compared to 34 people in FYE2018 are part of ViTrox's Emergency Response Team ("ERT"), who are ready to respond in emergency situations. They are trained to administer first aid, firefighting, help evacuate buildings, and provide other assistance. We conduct annual Incident Management Drills to be prepared for a real emergency.



COMMUNITIES

In October 2019, we participated in the Buddhist Tzu Chi Society Malaysia 1013 - "One Person, One Good deed" fundraising event. We organised this 1013 event on our campus during the V-Meal programme by serving vegan lunch to our employees and they donated voluntarily. Besides, our voluntary club also prepared homemade Rojak and sold to employees. We managed to raise RM20,000 and donated to the Buddhist Tzu Chi Society Malaysia.

In a continuous effort to nurture the relationship with the community, we had also contributed approximately RM183,000 in FYE2019 for the following events:

No.	Events
1	Sponsorship for Invest Malaysia 2019
2	Sponsorship for ETG Seminar Series Malaysia 2019
3	Sponsorship for Penang Junior Innovate and National Competition PISF
4	Sponsorship for International Conference of Advanced Science, Technology and Engineering (MECON 2019)
5	Sponsorship for UTP Petrobotos Participations in ROBOCON 2019
6	Donation for Medicins San Frontieres (Doctor Without Borders)
7	Sponsorship for KEY FIESTA under Faculty of Engineering and Green Technology
8	Sponsorship for Electronics Manufacturing Expo Asia 2019 (EMAX 2019)
9	Sponsorship for Charity Fundraising Event
10	Sponsorship for the Federation of Malaysian Thalassaemia Societies
11	Donation for PIBG SMJK HENG EE
12	Sponsorship for UTAR
13	Sponsorship for Penang Future Foundation
14	Sponsorship for Penang STEM Education and Workforce Council: Future Engineer Development Summit
15	Donation to Tzu-Chi for 1013 Charity Event 2019

This Statement was made in accordance with a resolution of the Board dated 2 April 2020.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of ViTrox Corporation Berhad ("ViTrox" or "the Company") is committed to ensure high standards of corporate governance are in place and practiced throughout the Group. The Board recognises the importance of adopting good corporate governance and is committed to ensure high standards of good corporate governance are in place and practiced within the Group in order to safeguard the shareholders and relevant stakeholders' interests as well as enhancing shareholders' value.

This statement is prepared in compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and it is to be read together with the Company's Corporate Governance Report 2019 ("CG Report") which is available on ViTrox's website <https://www.vitrox.com/investor/annual-report.php> as well as via the Company's announcement made to Bursa Malaysia Securities Berhad. The CG Report provides the details on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance ("Code") during FY2019.

Principle A: Board Leadership and Effectiveness

1. Board Responsibilities

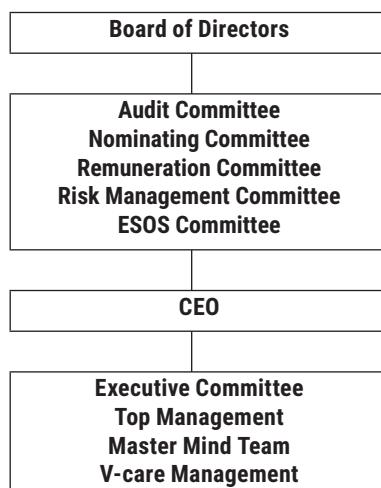
The Board is responsible for oversight and overall management of the Company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership function, the Board is delegating specific powers of the Board to relevant various committees within the Board ("Board Committees"), the CEO and the senior management of the Company. All approvals are supported by the authority limits, which clearly sets out relevant matters reserved for the Board's approval, as well as those which the Board may delegate to the Board Committees, the CEO and the senior management.

The Board plays an active role in the development of the Company's strategy. The Board reviews and approves the annual business plan recommended by the management.

The Board has direct access to senior management and has unrestricted and immediate access to information relating to the Group's business and affairs in the discharge of their duties. The Board will consider inviting the senior management to attend meetings for reporting on major issues relating to their respective responsibility.

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("TOR"). The Chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

The CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. The Board is also kept informed of key strategic initiatives and significant operational issues and the Group's performance, based on the approved KPIs in the Corporate Hoshin Plan.



Corporate Governance Overview Statement

Principle A: Board Leadership and Effectiveness (cont'd)

1. Board Responsibilities (cont'd)

The Company practices a division of responsibilities between the Independent Non-Executive Chairman and the CEO. Their roles are separated and clearly defined to ensure a balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the CEO. The positions of the Chairman and CEO are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of ViTrox ("Board Charter").

Additionally, ViTrox has in place the Whistleblower Policy and Procedures that fosters an environment in which integrity and ethical behavior are maintained and any illegal or improper actions and/or wrong doing in the Company may be exposed. The Company's Codes of Ethics for Directors continue to govern the standards of ethics and good conduct expected from Directors. Further details pertaining to the respective TOR of Board Committee, Board Charter, Code of Ethics and Whistleblower Policy and Procedures are available at ViTrox's website under "Company" section.

The Board members have full access to the two (2) Company Secretaries (both are qualified to act as company secretary under Section 235(2) of the Companies Act 2016 ("CA") who provide advisory services to the Board, particularly on changes in MMLR, CG issues and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to the administrative matters.

2. Board Composition

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management.

The Board through its Nominating Committee ("NC") conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals. On 27 February 2020, the NC conducted an assessment of the effectiveness of the Board, respective Board Committee and Independence ("the Assessment") in respect of FYE2019. Appraisal forms which comprising quantitative and qualitative performance criteria to evaluate the performance of each member of the Board as well as each Board Committee, were being circulated at the Meeting for assessment. The NC reviewed the required mix of skills, experience and other qualities of the Board and Board Committee and agreed that it has the necessary mix of skill, experience and other necessary qualities to serve effectively.

The Board is presently of the view that there is no necessity to fix a maximum tenure limit for Independent Non-Executive Directors ("NED") as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. The current complement of NEDs provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. However, those NED served more than nine (9) years will be subject to shareholders' approval for the re-appointment during the annual general meeting ("AGM").

Based on the review of the Board composition in FYE2019, the Board agreed to maintain the Board size at 8 as this size would enable effective oversight and delegation of responsibilities by the Board in meeting the Company's current needs and requirements. Whereas, the women representation on the Board of ViTrox maintained at 25% during the year.

Corporate Governance Overview Statement

Principle A: Board Leadership and Effectiveness (cont'd)

2. Board Composition (cont'd)

A Board matrix has also been developed internally and used as reference for the Board refreshment and succession planning to complement one another. During the Assessment, the NC observed that the gap areas remain relevant in the current Board composition. Hence, the following are taken into consideration in strengthening the mix of skills and composition of the Board:

	Composition
Independent NED	5
Executive Director	3

Nationality	Composition
Malaysian	8
Foreigner	0

Industry / Background	Composition*
Technology	5
Marketing	1
Industrial	6
Corporate / Planning	5
Accounting / Finance	1
Governance Risk and Compliance	5
Law / Legal	1

Age	Composition
40-49	4
50-59	2
60-69	1
≥70	1

*Individual directors may fall into one or more categories

Gender	Composition
Male	6
Female	2

Race / Ethnicity	Composition
Bumiputra	1
Chinese	7
Foreign	0

Tenure	Composition
1-2 years	1
9-11 years	1
>12 years	6

The Assessment conducted by the NC also indicated that there was no apparent weaknesses/shortcoming identified that warrants specific action plan to address the same. Nevertheless, the Board agreed on an enhancement areas relating to the needs of the Directors to upskill and/or further equip the Directors with the necessary competencies and knowledge to meet the needs of the Board from time to time.

3. Remuneration

It is the Company's policy to remunerate Directors adequately to attract and retain the Directors of the necessary caliber to manage its business in promoting business stability and growth. The determination of the remuneration of each Independent NED is decided by the Board as a whole. The Board reimburses any reasonable expense incurred by these Directors in the course of their duties as Directors.

The Remuneration Committee ("RC") is responsible for recommending to the Board on the remuneration framework and the remuneration package of Executive Directors ("EDs") to ensure that rewards commensurate with their contributions to the Group's growth and profitability in order to align the interest of the Directors with those of the shareholders. The RC also ensures the level of remuneration for NEDs and ED are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

Corporate Governance Overview Statement

Principle A: Board Leadership and Effectiveness (cont'd)

3. Remuneration (cont'd)

The current Board Remuneration was approved by the shareholders at the 15th AGM of the Company held on 23 May 2019.

In February 2020, the RC undertake a review of the Board Remuneration with the view to determine its competitiveness and sufficiency to attract, retain and motivate individuals with strong credentials, high caliber and astute insights to serve on the Board of ViTrox. The Board approved the recommendation by the RC in respect to the revisions to the Board Remuneration which will be put forth to the shareholders for approval at the 16th AGM, in accordance with Sections 230 and 340(1)(c) of the CA.

Principle B: Effective Audit and Risk Management

1. Audit Committee

The Audit Committee of the Company ("AC") comprises wholly four (4) Independent NEDs. The AC is chaired by an Independent NED, Ms. Chuah Poay Ngee. In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the factors as prescribed in the checklist. Annually, the composition of AC is reviewed by the NC and recommended to the Board for its approval. With the view to maintain an independent and effective AC, the NC ensures that only an Independent NED who possesses the appropriate level of expertise and experience, and has the strong understanding of the Company's business would be considered for membership on AC.

2. Risk Management and Internal Control Framework

The Board fulfils its responsibilities in the risk governance and oversight functions through its Risk Management Committee ("RMC") in order to manage the overall risk exposure of the Group. The RMC assessed and monitored the efficacy of the risk management controls and measures taken, whilst the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to internal audit function for the Group. The RMC comprise of EDs who are familiar with the Company's business situation. The Board is satisfied with the performance of the RMC and AC and their respective Chairmen in discharging their responsibilities, based on the results of the Board Committees effectiveness evaluation of the FYE2019.

The Board is of the view that the internal control and risk management system in place is sound and sufficient to safeguard the Group's assets, shareholders' investments and the interests of customers, regulators, employees and other stakeholders. The details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Corporate Governance Overview Statement

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

1. Communication with Stakeholders

ViTrox ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosure. ViTrox also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on ViTrox's website and engagement through the investor relations function. In FYE2019, a number of events were held during the year to maintain an open communication with the investors, shareholders, intermediaries, regulators, employees and other communities as highlighted in sustainability statement.

2. Conduct of General Meetings

ViTrox's AGM is an important means of communicating with its shareholders. At the 15th AGM of the Company held on 23 May 2019, 8 members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the 15th AGM in an orderly manner and allowed the shareholders or proxies to speak at the meeting. The CEO presented the overall performance of the Group at the meeting. The senior management of the Company were also present to respond to any enquiries from the shareholders.

The voting at the 15th AGM was conducted by way of electronic poll-voting. The Company continues to explore the leveraging of technology, to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

This CG Overview Statement was approved by the Board of Directors of ViTrox on 2 April 2020.

Audit Committee Report

The Board of Directors ("Board") presents the Audit Committee ("AC" or "Committee") Report which provides insights into the manner in which the Committee discharged its functions for the Group in the FYE2019.

COMPOSITION

The present members of the Committee comprise:-

Chuah Poay Ngee

Chairman

Independent, Non-Executive Director

Dato' Seri Dr. Kiew Kwong Sen

Member

Independent, Non-Executive Director

Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani

Member

Independent, Non-Executive Director

Chang Mun Kee

Member

Independent, Non-Executive Director

This composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Main LR). Ms. Chuah Poay Ngee, the Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of the Main LR.

Details of the Terms of Reference for Committee are available on the Company's corporate website.

Attendance at Meetings

The information on the attendance of each member at the Committee meetings held during the FYE2019 is as follows:-

Member	No. of Meetings Held	No. of Meetings Attended
Chuah Poay Ngee	5	5
Dato' Seri Dr. Kiew Kwong Sen	5	5
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	5	4
Chang Mun Kee	5	4

Summary of work performed by the Audit Committee

The activities carried out by the Committee during the FYE2019 in the discharge of its duties and responsibilities are as follows:-

1. Financial Reporting

- a. In overseeing the Company's financial reporting, the Committee reviewed the quarterly financial statements for the fourth quarter of FYE2019 and the annual audited financial statements of FYE2019 at its meeting on 27 February 2020 and 2 April 2020 respectively.

Audit Committee Report

Summary of work performed by the Audit Committee (cont'd)

1. Financial Reporting (cont'd)

- a. The quarterly financial statements for the first, second and third quarters of FYE2019, which were 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 Main LR were reviewed at the Committee meetings on 25 April 2019, 25 July 2019 and 24 October 2019 respectively. On 27 February 2020, the Committee reviewed the quarterly financial statements for the fourth quarter of FYE2019. The Committee's recommendations were presented for approval at the subsequent Board meeting.
- b. To safeguard the integrity of information, the CEO/CFO of the Company, who are also the director/officer primarily responsible for the financial management of the Group had, on 25 April 2019, 25 July 2019, 24 October 2019 and 27 February 2020, given assurance to the Committee that:-
 - i. Appropriate accounting policies had been adopted and applied consistently;
 - ii. The going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements was appropriate;
 - iii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
 - iv. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, IASs and Main LR; and
 - v. The Annual Financial Statements and Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for FYE2019.

2. External Audit

The Committee has on 26 February 2019, 28 March 2019, 24 October 2019, 27 February 2020 and 2 April 2020 respectively met with the External Auditors without the presence of the Executive Members.

On 26 February 2019, the External Auditors tabled the Audit Review Memorandum FYE2018 for the Committee's information and discussion, inter alia, 2 accounting and audit issues i.e. Slow Moving Inventories and Impairment of Trade Receivables were highlighted to the Committee for its attention. There were no critical areas of concern raised by the External Auditors.

During the Meeting on 28 March 2019, the External Auditors tabled the draft audited Financial Statement FYE2018 for discussion. Besides, External Auditors were requested by the Committee to recommend area(s) that the Group should pay attention to.

On 24 October 2019, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for financial year ending 2019, more particularly outlined the engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters to the Audit Committee. The Committee noted the new accounting standards as highlighted by the External Auditors e.g. MFRS 16 Leases.

Audit Committee Report

Summary of work performed by the Audit Committee (cont'd)

2. External Audit (cont'd)

At the Meeting held on 27 February 2020, the External Auditors tabled and the Committee reviewed the Audit Review Memorandum of the Group for FYE2019. The External Auditors identified 2 accounting and audit issues i.e. Slow Moving Inventories and Impairment of Trade Receivables to the Committee. At the same Meeting, copies of the External Auditors Performance and Independence Checklist in respect for the FYE2019 were being distributed at the Meeting for review (the Assessment). The Committee concluded that based on the Assessment, amongst others as set out below, the External Auditors Performance for year FYE2019 was found adequate and thereby recommended the re-appointment of Messrs. Crowe Malaysia PLT ("CM") as the External Auditors of the Group to the Board for approval by its shareholders:-

- after having satisfied with its audit independence and the performance of CM throughout its course of audit FYE2019;
- highly satisfied that the quality processes/performance of External Auditors;
- able to give adequate technical support when audit issue arises; and
- adequate experience and resources of CM and audit engagements.

3. Internal Audit Function

The Group has engaged the services of an independent professional accounting and consulting firm, BDO Governance Advisory Sdn. Bhd. ("BDO") to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. BDO reports directly to the Committee on its activities. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes. The annual cost for the Group's internal audit function is RM24,000.

The Internal Auditors presented its findings together with recommendation and management action plan to the Committee for review on 25 July 2019 and 24 October 2019 respectively. Besides, the Committee also followed up from time to time the updates and corrective actions by the Management on audited areas reported in the prior quarters.

During the FYE2019, Internal Auditors have conducted review on internal control for the following areas:-

Audit Areas	Reporting Date
1. Conversion and Production Cycle	11 July 2019
2. Inventory Management Cycle	15 October 2019

4. Employees' Share Option Scheme ("ESOS") Allocation

On 2 April 2020, the Committee reviewed and verified the allocation of options pursuant to the ESOS for FYE2019 and satisfied that it is in compliance with the criteria set out in the By-Laws and provision of the Scheme.

The Audit Committee reviewed the Statement on Risk Management and Internal Control in respect of FYE2019 on 2 April 2020 for publication in the Annual Report 2019. Information pertaining to the Company's internal controls is shown in the Statement on Internal Control and Risk Management set out on page 72 to 76 of this Annual Report.

Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR")

The Board of Directors ("the Board") of ViTrox Corporation Berhad ("the Company") is pleased to present this Statement on Risk Management & Internal Control ("this Statement"), which has been prepared in accordance with the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers* issued by Bursa Malaysia Securities Berhad.

Internal Control Objectives

The Board recognizes the importance of maintaining a sound system of internal control to achieve the following objectives:-

1. Safeguard the shareholders' investment and assets of the Group
2. Identify and manage risks affecting the business of the Group
3. Ensure compliance with regulatory requirements
4. Ensure the effectiveness and efficiency of operations to achieve business objectives of the Group
5. Ensure the integrity and reliability of financial information

Board Responsibility

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, and managing risks that may affect the achievement of business objectives. The control structure and process which have been instituted throughout the Group are updated and reviewed from time to time to suit changes in business environment, and this on-going process has been in place for whole financial year under review and up to date of approval of this Statement for inclusion in the annual report.

The role of the Board amongst others, is to ensure:-

1. Organizational structure of each business unit clearly defines operational and financial responsibilities
2. Key responsibilities are clearly defined and properly segregated
3. Authority level is properly defined
4. Key management personnel including Executive Directors meet regularly to address key business risks and operational issues
5. Operational procedures are governed by Standard Operating Manuals which are reviewed and updated regularly
6. Effective financial reporting system is in place to ensure timely generation of financial information for management's review

The Board is ultimately responsible to ensure that the Group maintains a sound system of internal control. However, the Board wishes to draw attention that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements, loss or fraud.

The Audit Committee ("AC") is responsible for reviewing and monitoring the adequacy and effectiveness of Group's internal controls. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function. In this respect, the Group has outsourced the internal audit function to an external independent professional consulting firm. Audit issues and actions taken by Management to address the issues tabled by Internal Audit ("IA") were deliberated during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR")

Board Responsibility (cont'd)

The Risk Management Committee ("RMC") provides oversight on risk management matters relating to the activities of the Group, to ensure prudent risk management over ViTrox's business and operations. At its scheduled meetings in 2019, the RMC had reviewed, appraised and assessed the efficacy of the controls and progress of action plans taken to mitigate, monitor and manage the overall risk exposure of the Group. The RMC also reviewed proposals for new products, monitored the progress and status of risk management activities, as well as raised issues of concern and provided feedback for Management's action.

Internal control and risk-related matters which warranted the attention of the Board were recommended by the RMC and reviewed by AC before presenting to the Board for its deliberation and approval and matters or decisions made within the AC's and RMC's purview were escalated to the Board for its information.

Key Internal Control Processes

The Group Internal Control System comprises the following key processes:-

1. Authority and Responsibility

- a. Certain responsibilities are delegated to Board Committees through clearly defined Terms of Reference ("TOR").
- b. The Authority Manual is reviewed and updated periodically to reflect the authority and authorisation limits of Management in all aspects of the Group's major business operations and regulatory functions.
- c. The Management Governance Framework, comprising committees for the governance function i.e. Risk Management Working Group ("RMWG") and three committees for the operations function i.e. Top Management, Master Mind Team and V-care Management Team, has clearly defined role and responsibility to enable good business and regulatory governance.

2. Planning, Monitoring and Reporting

- a. An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year. These are deliberated on and approved by the Management before its implementation.
- b. The Board is updated on the Group's performance at the scheduled meetings on quarterly basis. The Group's business plan and actual versus budget performance for the year are reviewed and deliberated on by the Board on a quarterly basis.
- c. There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy, business and regulatory plans.
- d. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are required to provide reasonable assurance to the Board that Group's risk management and internal control system are operating adequately and effectively in all aspects, based on the risk management and internal control system of the Group.

The Executive Directors are also responsible of the appropriate accounting policies have been adopted and applied consistently, the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements of the Group is appropriate, and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs") and that the Annual Financial Statements and the quarterly Condensed Consolidated Financial Statements of the Group give a true and fair view of the financial position and financial performance of the Group and do not contain any material misstatement.

3. Policies and Procedures

Policies and procedures of business processes are documented and set out in a series of Standard Operating Manual and implemented throughout the Group. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs.

All the documented policies and procedures can be accessed via the Company's intranet for easy access by employees.

Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR")

Key Internal Control Processes (cont'd)

4. Audits

- a. The Board has outsourced the internal audit function to BDO Governance Advisory Sdn. Bhd. ("BDO"), an independent professional firm of consultants.

Internal audit is carried out to assess the adequacy and integrity of the internal control system of the Group based on the internal audit plan reviewed and approved by the AC. Based on the audits, the internal auditors will advise management on areas of improvement and subsequently, initiate follow-up actions to determine the extent of implementation of their recommendations.

The internal audit plan was circulated to the members of the AC prior to the execution of the assignment. Findings arising from the internal audit exercise were reported and discussed at the AC meeting.

During the year under review, the internal auditors have not reported any significant weaknesses in the system of internal controls of the Group.

- b. The IA team is required to conduct assessments of the internal control system pertaining to the processes of the relevant business/functional units which have a bearing on the financial information of the Group, to ensure the reliability and integrity of such information. At least 2 audit areas to be covered in a year. For the FYE2019, the covered audit area are Conversion & Production Cycle and Inventory Management Cycle.
- c. The External Auditors' annual planning memorandum and audit review memorandum is tabled annually to the AC for deliberation and approval.

5. Risk Management

The Board has established an organisation structure with clearly defined line of responsibility, authority limits and accountability aligned to business and operation requirements which supports the maintenance of a strong and robust control environment.

The Group is continuously committed in setting standards whilst maintaining an effective risk management framework to ensure the Group's objective are achieved and stakeholders interest are protected. The Board acknowledges its responsibility to adopt best practices in risk management and internal control as part of the Group's business culture.

RMC is the first line of defence and accountable for all risks assigned under their respective areas of responsibility. This group of personnel is also responsible for the continuous development of the risk management capabilities of employees and ensures that risk management is embedded in all key processes and activities. The RMC reviews the risk management reports it receives from the RMWG and assesses risks at the Group level.

RMWG is formed at each business/functional unit and it reports to the RMC. The functions of the RMWG are to identify risks, quantify the risk impact and formulating risk mitigation strategies.

The AC will monitor the effectiveness of the risk management and internal control system during FYE2019 and discussed at the AC Meeting.

The Group has established a structured process for identification, assessment, communication, monitoring and periodical review of risks. The analysis and evaluation of the risks are guided by approved risk criteria. The Group also has risk management tools to support the risk management process and reporting.

In FYE2019, the RMC has continuously monitored the top 6 operational risks and top 4 non-operational risks respectively, which were identified in FYE2018. 3 of the operational risks were continuously monitored by internal operation enhancement. The remaining 3 operational risks were covered by the IA in FYE2019. Whereas, all the 4 non-operational risks were continuously mitigated by internal process enhancement.

Being a certified ISO 9001:2015 organization, the Group endeavours to continuously reviewing and enhancing the above processes and procedures in accordance with global best practices and standards to ensure that the risk management framework remains relevant and applicable in the evolving market environment.

Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR")

Key Internal Control Processes (cont'd)

5. Risk Management (cont'd)

Towards the end of FYE2019, all existing significant risks have been reviewed together with any relevant inherent and emerging risks to assess their impact on the Group for the upcoming year. Except for those risks which have been gradually mitigated through the internal process/operation enhancement, the Group recognises that the remaining significant risks will remain relevant for the financial year ending 2020.

6. Compliance Management

The Group's compliance management covers compliance to all legal obligations imposed on ViTrox, in particular laws, regulations, rules and major identified guidelines or legal requirements. It also covers risk-based compliance to internal policies and procedures, code of ethics and business conduct.

In FYE2019, there were no major non-compliance issues encountered.

7. Performance Management

Key Performance Indicators ("KPIs"), which are based on the Corporate and Divisional Hoshin Plan and Individual KPIs and Behavioural Competencies are used to track and measure employees' performance.

Ongoing employee and customer satisfaction surveys are conducted to gain feedback on the effectiveness and efficiency of stakeholder engagements for continuous improvement.

8. Employees' Competency

Proper guidelines within the Group regarding employment and dismissal, formal training programmes as well as other relevant procedures are in place to ensure that employees are competent and adequately guided in carrying out their responsibilities.

9. Conduct of Employees

ViTrox's corporate culture is originated on the following core values which are continuously inculcated in employees on their conducts to ViTrox and its stakeholders:-

ViTrox's core values, '**I.A.C.T.G.**' - The Power of 5', represents the fundamental principles of ViTrox's shared values that guide us to think, talk and do the right things every day in the pursuit of both individual and company greatness. '**I.A.C.T.G.**' is the acronym for '**Integrity**', '**Accountability**', '**Courage**', '**Trust and Respect**', and '**Gratitude and Care**'.

ViTrox has a Whistleblower Policy and Procedures ("WPP") to provide an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group. The AC has the overall responsibility in overseeing the implementation of the WPP for ViTrox Group.

Segregation of duties is practised whereby conflicting tasks are assigned to different employees to reduce the scope for error and fraud.



Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad
Main Market Listing Requirements ("MMLR")

Key Internal Control Processes (cont'd)

10. Supplier Code of Conduct

The Board expects all ViTrox Group's suppliers to observe high ethical business standard of honesty and integrity and to apply these values to all aspects of their business and professional practices.

A Supplier Code of Conduct is established in which the Group's minimum expectations on the suppliers vis-à-vis legal compliance and ethical business practices are stipulated.

The Code applies to all suppliers, vendors, contractors and any other persons doing business with the Group.

11. Insurance

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken by Management to review the coverage of the assets as recorded in the current fixed asset register and their respective carrying amount and "replacement values", that is the prevailing market price for the same or similar item, where applicable.

Review of this Statement

Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement for inclusion in the 2019 Annual Report. As set out in their terms of engagement, the limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

Based on review by External Auditors, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers and Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017 to be set out, nor is this Statement factually inaccurate.

IA has also reviewed this Statement and reported to the AC that, while it has addressed certain individual lapses in internal control during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's risk management and internal control system.

Conclusion

The Board is of the view that the system of internal control and risk management in place for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

The Board has also received reasonable assurance from the CEO and the CFO that the Group's risk management and internal control system are operating adequately and effectively in all aspects, based on the risk management and internal control system of the Group.

Statement of Directors' Responsibilities

Pursuant to Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR")

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flows and results, of the Group and of the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:-

- That the Group and the Company have used appropriate accounting policies, and these are applied consistently;
- That reasonable and prudent judgements and estimates were made;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and subsidiary companies maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

This statement was made in accordance with a board of directors resolution dated 2 April 2020.

Additional Compliance Information

Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the FYE2019 by the Company's Auditors, or a firm or corporation affiliated to the Auditors' firm are as follow:-

Category	Audit Fees (RM)	Non-Audit Fees (RM) [^]
Company	40,000	31,500
Subsidiaries	77,500	74,600
Total	117,500	106,100

[^] Non-audit fees consist of review of Statement on Risk Management and Internal Control and tax fees.

Employees' Share Scheme

The shareholders of the Company had via its Extraordinary General Meeting held on 27 February 2014, amongst others, approved the Establishment of an Employees' 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. The implementation of the ESOS is effective from 4 March 2014.

During FYE2019, the total number of ESOS exercised, lapsed and outstanding are set out below:-

Category	Number of ESOS options as at 31 December 2019		
	Balance 1 January 2019	Exercised	Balance 31 December 2019
Directors	600,000	-	- 600,000
Employees	1,278,600	(451,600)	- 827,000
Total	1,878,600	(451,600)	- 1,427,000

Pursuant to the Company's ESOS, not more than 70% of the options available under scheme shall be allotted, in aggregate, to Directors and senior management.

Since the commencement of the scheme, 51.51% of the options under the scheme have been granted to Directors and senior management.

During the financial year, no options have been granted to Directors and senior management.

Additional Compliance Information

Employees' Share Scheme (cont'd)

The table below set out the ESOS granted to, exercised by the Non-Executive Directors (except for Mary Yeo Chew Yen who was appointed on 1 April 2018) pursuant to the ESOS in respect of the FYE2019:-

	Number of ESOS Options			
	Balance 1 January 2019	Granted	Exercised	Balance 31 December 2019
Dato' Seri Dr. Kiew Kwong Sen	-	-	-	-
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	-	-	-	-
Chuah Poay Ngee	-	-	-	-
Chang Mun Kee	600,000	-	-	600,000
Total	600,000	-	-	600,000

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 31 December 2019 or entered into since the end of the previous financial year.

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Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2019. All values shown in this report are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and development of 3D and line scan vision inspection system. The principal activities and other details of the subsidiaries are disclosed in Note 8 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	79,651	37,491

DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividends:-

	RM'000
In respect of financial year ended 31 December 2018:-	
- Interim tax exempt dividend of 1.75 sen per share, paid in January 2019	8,235
- Final tax exempt dividend of 4 sen per share, paid in July 2019	18,830
In respect of financial year ended 31 December 2019:-	
- Interim tax exempt dividend of 1.50 sen per share, paid in January 2020	7,065
	<u>34,130</u>

The directors have proposed a final tax exempt dividend of 2.80 sen per share in respect of the financial year ended 31 December 2019, subject to the members' approval at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company issued 451,600 new ordinary shares pursuant to the Employees' Share Option Scheme ("ESOS") as follows:-

Number of shares	Exercise price RM	Cash consideration RM'000
72,000	0.81	58
77,600	1.01	79
302,000	2.79	843
451,600		980

The Company did not issue any debentures during the financial year.

Directors' Report

SHARE OPTIONS

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 27 February 2014, approved the Company's ESOS. The ESOS became effective on 4 March 2014.

The principal features of the ESOS are as follows:-

- (i) At any point of time when the offer is made, the maximum number of shares to be issued under the ESOS shall not exceed 10% of the total issued and fully paid-up share capital of the Company during the duration of the ESOS.
- (ii) Any employee (including executive directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and has been confirmed and completed at least 1 year of service within the Group on a full time basis.
- (iii) All non-executive directors who have been appointed to the Board for more than 1 year shall be eligible to participate in the ESOS in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad and subject to the Articles of Association of the Company.
- (iv) The ESOS shall be valid for a duration of 10 years from the effective date.
- (v) The option price shall be determined based on the weighted average market price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%.
- (vi) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.
- (vii) The new shares to be allotted and issued upon exercise of any options granted under the scheme will, upon allotment and issuance, rank pari passu in all respects with the then existing shares and paid-up shares in the Company, save and except that the new shares so allotted and issued will not be entitled to any right, dividend, allotment and/or distribution declared, made or paid, the entitlement date of which precedes the date of exercise of the options.

The movements in the number of options during the financial year are as follows:-

Date of offer	Date of expiration	Exercise price RM	Number of options over ordinary shares				Balance at 31.12.2019
			Balance at 1.1.2019	Granted	Exercised	Forfeited	
15 May 2014	1 March 2024	0.81	372,000	0	(72,000)	0	300,000
20 October 2014	1 March 2024	1.01	387,600	0	(77,600)	0	310,000
16 May 2017	1 March 2024	2.79	1,119,000	0	(302,000)	0	817,000
			1,878,600	0	(451,600)	0	1,427,000

BAD AND DOUBTFUL DEBTS

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

Directors' Report

CURRENT ASSETS

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

DIRECTORS

The directors in office since the beginning of the financial year are:-

Dato' Seri Dr. Kiew Kwong Sen
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani
Chu Jenn Weng
Siaw Kok Tong
Yeoh Shih Hoong
Chuah Poay Ngee
Chang Mun Kee
Mary Yeo Chew Yen

Directors' Report

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:-

Name of director	Number of ordinary shares			
	Balance at 1.1.2019	Bought	(Sold)	Balance at 31.12.2019
Dato' Seri Dr. Kiew Kwong Sen				
- Direct	8,183,800	0	(1,000,000)	7,183,800
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani				
- Direct	1,877,000	0	0	1,877,000
Chu Jenn Weng				
- Direct	126,978,334	0	0	126,978,334
- Indirect*	1,228,198	0	0	1,228,198
Siaw Kok Tong				
- Direct	90,123,028	0	0	90,123,028
Yeoh Shih Hoong				
- Direct	48,386,464	0	0	48,386,464
- Indirect*	362,096	0	0	362,096
Chuah Poay Ngee				
- Direct	442,000	0	(37,000)	405,000
Chang Mun Kee				
- Direct	300	0	0	300
- Indirect**	12,734,298	0	0	12,734,298
Mary Yeo Chew Yen				
- Direct	6,600	30,400	0	37,000
- Indirect*	19,000	0	0	19,000

Name of director	Number of options over ordinary shares			
	Balance at 1.1.2019	Granted	Exercised	Balance at 31.12.2019
Chang Mun Kee				
- Direct	600,000	0	0	600,000

* Deemed interest by virtue of shares held by family member (who is not director of the Company)

** Registered in the name of a trustee of a discretionary trust of which the director and his family members are beneficiaries

By virtue of his interests in shares in the Company, Chu Jenn Weng is deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

Directors' Report

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 23 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement, apart from the Company's ESOS, whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 25 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

Signed in accordance with a resolution of the directors dated 4 May 2020

Chu Jenn Weng

Siaw Kok Tong

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 91 to 139 give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the directors dated 4 May 2020

Chu Jenn Weng

Siaw Kok Tong

Statutory Declaration

I, Chu Jenn Weng, being the director primarily responsible for the financial management of ViTrox Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 91 to 139 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed Chu Jenn Weng at George Town in
the State of Penang on this 4 May 2020

Chu Jenn Weng

Before me

Shamini A/P M Shanmugam

No. P157

Commissioner of Oaths

Independent Auditors' Report

to the Members of ViTrox Corporation Berhad

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ViTrox Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 91 to 139.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<u>Valuation of inventories (Refer to Notes 3 and 11 to the financial statements)</u> The Group carries significant inventories. Management periodically reviews the inventories for potential write-downs by considering their aging profile, estimation of market price fluctuations and net realisable value. These reviews involve judgements and estimation uncertainty in forming expectations about future consumptions, sales and demands.	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:-<ul style="list-style-type: none"> • the Group's inventory management process; • how the Group identifies and assesses inventory write-downs; and • how the Group makes the accounting estimates for inventory write-downs. • Reviewing the ageing analysis of inventories and testing the reliability thereof. • Examining the perpetual records for inventory movements and to identify slow moving aged items. • Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. • Reviewing the net realisable value of major inventories. • Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

Independent Auditors' Report

to the Members of ViTrox Corporation Berhad

Report on the audit of the financial statements (cont'd)

Key audit matters (cont'd)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<u>Impairment of receivables (Refer to Notes 3 and 12 to the financial statements)</u> The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:-<ul style="list-style-type: none"> • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof. • Reviewing the subsequent cash collections for major receivables and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue amounts. • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix. • Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

to the Members of ViTrox Corporation Berhad

Report on the audit of the financial statements (cont'd)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent Auditors' Report

to the Members of ViTrox Corporation Berhad

Report on the audit of the financial statements (cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Eddy Chan Wai Hun
02182/10/2021 J
Chartered Accountant

Date: 4 May 2020

Penang

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Non-current assets			
Property, plant and equipment	4	99,088	155,144
Investment properties	5	40,600	600
Right-of-use assets	6	34,804	0
Development expenditure	7	0	658
Investment in associate	9	4,063	3,047
Investments in club memberships, at cost		91	91
Deferred tax assets	10	0	487
		178,646	160,027
Current assets			
Inventories	11	111,495	103,696
Receivables	12	126,378	156,687
Derivatives	13	439	117
Prepayments		4,449	5,360
Current tax assets		3,675	1,485
Cash and cash equivalents	14	191,584	148,733
		438,020	416,078
Current liabilities			
Payables	15	68,251	83,894
Dividend payable		7,065	8,235
Loans and borrowings	16	7,343	3,145
Lease liabilities	17	98	0
Contract liabilities	18	5,224	8,352
Current tax liabilities		667	1,268
		88,648	104,894
Net current assets		349,372	311,184
Non-current liabilities			
Loans and borrowings	16	41,381	53,089
Lease liabilities	17	219	0
Deferred tax liabilities	10	2,484	1,579
Deferred income on government grants	19	1,546	3,038
		45,630	57,706
Net assets		482,388	413,505
Equity			
Share capital	20	52,018	50,637
Revaluation surplus		14,160	0
Capital reserve		520	489
Share option reserve		803	929
Currency translation reserve		(510)	(222)
Retained profits		415,397	361,672
Total equity		482,388	413,505

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Revenue	21	339,592	394,684
Interest income		4,925	4,009
Other income		3,720	3,271
Amortisation of development expenditure		(658)	(718)
Changes in work-in-progress and finished goods		5,815	22,693
Depreciation	22	(8,379)	(6,811)
Employee benefits expense	23	(51,010)	(68,495)
Impairment losses on financial assets	24	(170)	(255)
Raw materials consumed		(124,405)	(155,181)
Finance costs		(2,059)	(1,054)
Other expenses		(85,179)	(78,978)
Share of associate's loss		(734)	(65)
Profit before tax	25	81,458	113,100
Tax expense	26	(1,807)	(7,616)
Profit for the financial year		79,651	105,484
Other comprehensive income:-			
<i>Items that will not be reclassified to profit or loss:-</i>			
- Fair value gains on investment properties	5	14,980	0
- Deferred tax effect thereof		(820)	0
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
- Currency translation differences for foreign operations		(288)	(214)
Total other comprehensive income for the financial year		13,872	(214)
Comprehensive income for the financial year		93,523	105,270
Earnings per share:-	27		
- Basic (sen)		16.92	22.43
- Diluted (sen)		16.88	22.36

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2019

	Non-distributable			Distributable	
	Share capital RM'000	Revaluation surplus RM'000	Capital reserve* RM'000	Share option reserve RM'000	Currency translation reserve RM'000
Balance at 1 January 2018	49,275	0	277	745	(8)
					278,740
					329,029
Share-based payments	0	0	0	572	0
Issue of shares pursuant to Employees' Share Option Scheme	1,362	0	0	(388)	0
Dividends (Note 28)	0	0	0	0	(22,340)
Total transactions with owners	1,362	0	0	184	0
					(22,340)
					(20,794)
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	0	(214)
Profit for the financial year	0	0	0	0	0
Comprehensive income for the financial year	0	0	0	0	(214)
Transfer to capital reserve	0	0	212	0	0
					(212)
Balance at 31 December 2018	50,637	0	489	929	(222)
					361,672
					413,505

* This represents the cumulative amount transferred from the retained profits of a subsidiary under the statutory requirements of the People's Republic of China.

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2019

	Non-distributable			Distributable	
	Share capital RM'000	Revaluation surplus RM'000	Capital reserve* RM'000	Share option reserve RM'000	Currency translation reserve RM'000
Balance at 1 January 2019	50,637	0	489	929	(222)
Share-based payments	0	0	0	275	0
Issue of shares pursuant to Employees' Share Option Scheme	1,381	0	0	(401)	0
Dividends (Note 28)	0	0	0	0	(25,895)
Total transactions with owners	1,381	0	0	(126)	0
					(25,895)
					(24,640)
Fair value gains on investment properties	0	14,980	0	0	0
Deferred tax effect thereof	0	(820)	0	0	0
Currency translation differences for foreign operations	0	0	0	0	(820)
Total other comprehensive income for the financial year	0	14,160	0	0	(288)
Profit for the financial year	0	0	0	0	0
Comprehensive income for the financial year	0	14,160	0	0	(288)
Transfer to capital reserve	0	0	31	0	0
					(31)
Balance at 31 December 2019	52,018	14,160	520	803	(510)
					415,397
					482,388

* This represents the cumulative amount transferred from the retained profits of a subsidiary under the statutory requirements of the People's Republic of China.

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Profit before tax		81,458	113,100
Adjustments for:-			
Amortisation of deferred income		(1,492)	(1,648)
Amortisation of development expenditure		658	718
Depreciation		8,379	6,811
Fair value gains on financial instruments		(439)	(117)
Gain on disposal of property, plant and equipment		(1,244)	(306)
Impairment losses on financial assets		170	255
Interest expense		2,059	1,054
Interest income		(4,925)	(4,009)
Inventories written down		7,784	5,018
Property, plant and equipment written off		29	1
Reversal of inventories written down		(5,018)	(3,430)
Share-based payments		275	572
Share of associate's loss		734	65
Unrealised loss on foreign exchange		1,800	600
Operating profit before working capital changes		90,228	118,684
Changes in:-			
Inventories		(10,565)	(33,500)
Receivables		28,007	(36,272)
Derivatives		117	1,046
Prepayments		911	(2,168)
Payables		(15,233)	671
Contract liabilities		(3,128)	5,094
Cash generated from operations		90,337	53,555
Tax paid		(5,660)	(6,299)
Tax refunded		1,634	56
Net cash from operating activities		86,311	47,312
Cash flows from investing activities			
Acquisition of property, plant and equipment		(11,863)	(28,124)
Acquisition of right-of-use assets	29	(2)	0
Grants received		0	2,521
Interest received		4,925	3,992
Proceeds from disposal of property, plant and equipment		1,333	306
Subscription for shares in associate		(1,750)	(2,100)
Net cash used in investing activities		(7,357)	(23,405)

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from financing activities			
Dividends paid		(27,065)	(21,157)
Interest paid		(2,097)	(1,908)
Issue of shares		980	974
Payment of lease liabilities	29	(86)	0
Repayment of term loans	29	(6,988)	(3,216)
Net cash used in financing activities		(35,256)	(25,307)
Currency translation differences		(847)	(439)
Net increase/(decrease) in cash and cash equivalents		42,851	(1,839)
Cash and cash equivalents brought forward		148,733	150,572
Cash and cash equivalents carried forward	14	191,584	148,733

The annexed notes form an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Non-current assets			
Property, plant and equipment	4	0	3
Development expenditure	7	0	658
Investments in subsidiaries	8	11,222	10,553
Investment in associate	9	4,900	3,150
		16,122	14,364
Current assets			
Receivables	12	20,830	18,611
Prepayments		97	83
Current tax assets		0	25
Cash and cash equivalents	14	59,415	58,979
		80,342	77,698
Current liabilities			
Payables	15	3,128	10,170
Dividend payable		7,065	8,235
		10,193	18,405
Net current assets		70,149	59,293
Non-current liabilities			
Deferred income on government grants	19	0	237
Net assets		86,271	73,420
Equity			
Share capital	20	52,018	50,637
Share option reserve		803	929
Retained profits		33,450	21,854
Total equity		86,271	73,420

The annexed notes form an integral part of these financial statements.

Statement of Comprehensive Income

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Revenue	21	50,829	43,450
Interest income		1,898	1,805
Other income		240	373
Amortisation of development expenditure		(658)	(718)
Depreciation	22	(2)	(217)
Employee benefits expense	23	(12,678)	(19,956)
Other expenses		(2,132)	(1,569)
Profit before tax	25	37,497	23,168
Tax expense	26	(6)	(3)
Profit for the financial year		37,491	23,165
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		37,491	23,165

The annexed notes form an integral part of these financial statements.

Statement of Changes in Equity

for the financial year ended 31 December 2019

	Non-distributable		Distributable	
	Share capital RM'000	Share option reserve RM'000	Retained profits RM'000	Total equity RM'000
Balance at 1 January 2018	49,275	745	21,029	71,049
Share-based payments	0	572	0	572
Issue of shares pursuant to Employees' Share Option Scheme	1,362	(388)	0	974
Dividends (Note 28)	0	0	(22,340)	(22,340)
Total transactions with owners	1,362	184	(22,340)	(20,794)
Profit (representing comprehensive income) for the financial year	0	0	23,165	23,165
Balance at 31 December 2018	50,637	929	21,854	73,420
Share-based payments	0	275	0	275
Issue of shares pursuant to Employees' Share Option Scheme	1,381	(401)	0	980
Dividends (Note 28)	0	0	(25,895)	(25,895)
Total transactions with owners	1,381	(126)	(25,895)	(24,640)
Profit (representing comprehensive income) for the financial year	0	0	37,491	37,491
Balance at 31 December 2019	52,018	803	33,450	86,271

The annexed notes form an integral part of these financial statements.

Statement of Cash Flows

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Profit before tax		37,497	23,168
Adjustments for:-			
Amortisation of deferred income		(237)	(364)
Amortisation of development expenditure		658	718
Depreciation		2	217
Dividend income		(30,000)	(25,000)
Interest income		(1,898)	(1,805)
Property, plant and equipment written off		1	0
Share-based payments		106	220
Operating profit/(loss) before working capital changes		6,129	(2,846)
Changes in:-			
Receivables		(2,380)	12,371
Prepayments		(14)	(44)
Payables		(7,042)	922
Cash (absorbed by)/generated from operations		(3,307)	10,403
Tax paid		(6)	(17)
Tax refunded		25	17
Net cash (used in)/from operating activities		(3,288)	10,403
Cash flows from investing activities			
Dividends received		30,000	25,000
Interest received		1,898	1,805
Subscription for shares in associate		(1,750)	(2,100)
Subscription for shares in subsidiary		(339)	0
Net cash from investing activities		29,809	24,705
Cash flows from financing activities			
Dividends paid		(27,065)	(21,157)
Issue of shares		980	974
Net cash used in financing activities		(26,085)	(20,183)
Net increase in cash and cash equivalents		436	14,925
Cash and cash equivalents brought forward		58,979	44,054
Cash and cash equivalents carried forward	14	59,415	58,979

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2019

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are those of investment holding and development of 3D and line scan vision inspection system. The principal activities of the subsidiaries are disclosed in Note 8.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and its principal place of business is located at 746, Persiaran Cassia Selatan 3, Batu Kawan Industrial Park, 14110 Bandar Cassia, Penang, Malaysia.

The consolidated financial statements set out on pages 91 to 96 together with the notes thereto cover the Company and its subsidiaries ("Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 97 to 100 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

The financial statements were authorised for issue in accordance with a resolution of the directors dated 4 May 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:-

MFRS	Effective for annual periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019

The initial application of the above MFRSs did not have any significant impacts on the financial statements except as disclosed in Note 2.2.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation of financial statements (cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Changes in accounting policies

The initial application of MFRS 16 *Leases*, which replaces MFRS 117 *Leases* and other related interpretations, has resulted in certain changes in accounting policies for lessees. MFRS 16 eliminates the distinction between finance and operating leases for lessees and introduces a single lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with certain recognition exemptions. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments).

The Group has elected to apply the new requirements of MFRS 16 from 1 January 2019 with the following cumulative effects of initial application recognised at that date without restating the comparative information:-

Note	Brought forward from preceding year RM'000	Effect of adopting MFRS 16 RM'000	Adjusted RM'000		
Consolidated statement of financial position as at 1 January 2019 (extract)					
Property, plant and equipment	(i) 155,144	(37,224)	117,920		
Right-of-use assets	(i)(ii) 0	37,559	37,559		
Lease liabilities	(ii) 0	335	335		
Total equity	413,505	0	413,505		

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

- (i) For leases that were previously classified as finance leases in accordance with MFRS 117, the carrying amounts of the right-of-use assets at 1 January 2019 were those brought forward from 31 December 2018 measured applying MFRS 117. The underlying assets were reclassified from property, plant and equipment and would be accounted for in accordance with MFRS 16 from 1 January 2019.
- (ii) For leases that were previously classified as operating leases in accordance with MFRS 117, the Group recognised and measured the right-of-use assets and lease liabilities at 1 January 2019 at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate of 5.00% per annum. As a practical expedient, the Group has elected not to apply the transition requirements to leases for which the lease term would end within 12 months of 1 January 2019.

2.3 Basis of consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.11. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of consolidation (cont'd)

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.11.

Capital work-in-progress is not depreciated. Leasehold land was depreciated on a straight-line basis over the lease term of 60 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2%
Furniture, fittings and equipment	20% - 33%
Motor vehicles	25%
Renovation and electrical installation	25%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Investment properties

Investment property is property held (by the owner or the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both. Investment property is stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

When an owner-occupied property becomes an investment property to be stated at fair value, the Group applies the accounting policies as disclosed in Note 2.4 (for owned property) or Note 2.6 (for leased property) up to the date of change in use. Any difference at that date between the carrying amount of the property in accordance with Note 2.4 or Note 2.6 and its fair value is treated in the same way as a revaluation adjustment.

2.6 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Initial recognition and measurement

When the Group acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Leases (cont'd)

Initial recognition and measurement (cont'd)

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent measurement

A right-of-use asset that meets the definition of investment property is subsequently measured using the fair value model as disclosed in Note 2.5. Other right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.11.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

Previous financial years

Prior to 1 January 2019, the Group classified each lease as either an operating lease or a finance lease. A finance lease transferred substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease did not.

A finance lease, including hire purchase, was initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments were subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets was consistent with that for equivalent owned assets.

Lease payments under an operating lease were recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Research and development expenditure

Research expenditure is recognised in profit or loss when incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group or the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is recognised in profit or loss when incurred.

Capitalised development expenditure, considered to have finite useful lives, is stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.11. Amortisation is calculated on a straight-line basis over the estimated commercial lives of the underlying products of not more than 5 years. The amortisation period and method are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.8 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.11.

2.9 Investment in associate

An associate is an entity over which an investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the consolidated financial statements, investment in associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.11.

In the separate financial statements of the Company, investment in associate is stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.11.

2.10 Investments in club memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.11.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than investment properties stated at fair value, deferred tax assets and inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

2.12 Inventories

Inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.13 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.14. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.14 Financial assets

Financial assets of the Group and the Company consist of receivables, derivatives and cash and cash equivalents.

Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.19). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Financial assets (cont'd)

(i) Amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

(ii) Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

(iii) Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All derivatives are classified under this category. Any gain or loss is recognised in profit or loss.

Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Financial liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings, derivatives and financial guarantee contracts.

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Derivatives are subsequently measured at fair value through profit or loss. Any gain or loss is recognised in profit or loss.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

2.16 Foreign currency transactions and translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate, whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Foreign currency transactions and translation (cont'd)

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

2.17 Share capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, the difference between the sale consideration and the cost of the shares resold is adjusted to share capital. When treasury shares are cancelled, the cost of the shares cancelled is applied in the reduction of distributable reserves and the issued share capital is diminished by the shares so cancelled.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use 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 valuation techniques used include the following or a combination thereof:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Fair value measurement (cont'd)

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

Non-financial assets

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

Financial assets and financial liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings 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 of forward exchange contracts are measured 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).

2.19 Revenue from contracts with customers

The Group and the Company recognise revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Revenue from contracts with customers (cont'd)

Sale of goods

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

Rendering of services

The Group and the Company determine that the transfer of control of promised services generally coincides with their performance as the customer simultaneously receives or consumes the benefits of the performance as the Group or the Company performs. Accordingly, revenue from the rendering of services is recognised over time when the services are performed. The Group and the Company measures the progress towards complete satisfaction of the performance obligation using an output method, i.e. time elapsed.

2.20 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income is recognised in profit or loss using the effective interest method.

2.21 Government grants

Government grants are recognised when there is reasonable assurance that the Group or the Company will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group or the Company recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are presented under "other income" in the statement of comprehensive income.

2.22 Employee benefits

Short-term employee benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Defined contribution plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). One of the Group's foreign subsidiaries makes contributions to its country's statutory pension scheme. Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Employee benefits (cont'd)

Share-based payments

The Employees' Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are treated as equity-settled share-based payment transactions and recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

2.23 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.25 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

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3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements made in applying accounting policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of estimation uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 11).

Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 12).

4. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land RM'000	Buildings RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation and electrical installation RM'000	Capital work-in- progress RM'000	Total RM'000
Cost							
Balance at 1 January 2018	2,691	28,094	30,736	260	750	95,270	157,801
Additions	0	2,326	3,750	265	22	21,761	28,124
Borrowing costs capitalised	0	0	0	0	0	901	901
Disposals/Write-offs	0	0	(331)	0	0	0	(331)
Currency translation differences	0	0	(7)	0	0	0	(7)
Reclassifications	35,422	81,936	220	0	0	(117,578)	0
Balance at 31 December 2018	38,113	112,356	34,368	525	772	354	186,488
Balance at 1 January 2019							
- Brought forward from preceding year	38,113	112,356	34,368	525	772	354	186,488
- Effect of adopting MFRS 16	(38,113)	0	0	0	0	0	(38,113)
- Adjusted	0	112,356	34,368	525	772	354	148,375
Additions	0	0	4,327	0	350	7,186	11,863
Transfer to investment properties	0	(28,094)	0	0	(664)	0	(28,758)
Disposals/Write-offs	0	0	(1,209)	0	0	0	(1,209)
Currency translation differences	0	0	(2)	0	0	0	(2)
Reclassifications	0	3,776	33	0	0	(3,809)	0
Balance at 31 December 2019	0	88,038	37,517	525	458	3,731	130,269
Accumulated depreciation							
Balance at 1 January 2018	535	4,019	19,499	139	680	0	24,872
Depreciation	354	1,376	4,937	83	61	0	6,811
Disposals/Write-offs	0	0	(330)	0	0	0	(330)
Currency translation differences	0	0	(9)	0	0	0	(9)
Balance at 31 December 2018	889	5,395	24,097	222	741	0	31,344

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for the financial year ended 31 December 2019

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for the financial year ended 31 December 2019

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group

	Leasehold land RM'000	Buildings RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation and electrical installation RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation (cont'd)							
Balance at 1 January 2019	889	5,395	24,097	222	741	0	31,344
- Brought forward from preceding year	(889)	0	24,097	0	0	0	(889)
- Effect of adopting MFRS 16	0	5,395	24,097	222	741	0	30,455
- Adjusted	0	2,314	5,136	106	65	0	7,621
Depreciation	0	(5,146)	0	0	(659)	0	(5,805)
Transfer to investment properties	0	0	(1,091)	0	0	0	(1,091)
Disposals/Write-offs	0	0	1	0	0	0	1
Currency translation differences	0	0	0	0	0	0	0
Balance at 31 December 2019	0	2,563	28,143	328	147	0	31,181
Carrying amount							
Balance at 1 January 2018	2,156	24,075	11,237	121	70	95,270	132,929
Balance at 31 December 2018	37,224	106,961	10,271	303	31	354	155,144
Balance at 31 December 2019	0	85,475	9,374	197	311	3,731	99,088

The leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2019

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company

	Furniture, fittings and equipment RM'000	Renovation RM'000	Total RM'000
Cost			
Balance at 1 January 2018 / 31 December 2018	3,085	86	3,171
Write-offs	(3)	0	(3)
Balance at 31 December 2019	3,082	86	3,168
Accumulated depreciation			
Balance at 1 January 2018	2,865	86	2,951
Depreciation	217	0	217
Balance at 31 December 2018	3,082	86	3,168
Depreciation	2	0	2
Write-offs	(2)	0	(2)
Balance at 31 December 2019	3,082	86	3,168
Carrying amount			
Balance at 1 January 2018	220	0	220
Balance at 31 December 2018	3	0	3
Balance at 31 December 2019	0	0	0

5. INVESTMENT PROPERTIES

Group

	Leasehold land RM'000	Buildings RM'000	Shoplots RM'000	Total RM'000
Fair value				
Balance at 1 January 2018 / 31 December 2018	0	0	600	600
Transfer from property, plant and equipment	0	22,953	0	22,953
Transfer from right-of-use assets	2,067	0	0	2,067
Fair value gains	14,933	47	0	14,980
Balance at 31 December 2019	17,000	23,000	600	40,600

Notes to the Financial Statements

for the financial year ended 31 December 2019

5. INVESTMENT PROPERTIES (cont'd)

The fair values of investment properties were measured based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2).

The fair value gains of RM14,980,000 recognised during the financial year represented the differences between the carrying amounts of the properties transferred and their fair values, and were accounted for as a revaluation increase in other comprehensive income.

6. RIGHT-OF-USE ASSETS

Group

	Leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Cost				
Balance at 1 January 2019				
- Brought forward from preceding year	0	0	0	0
- Effect of adopting MFRS 16	38,113	109	226	38,448
- Adjusted	38,113	109	226	38,448
Additions	0	70	0	70
Transfer to investment properties	(2,691)	0	0	(2,691)
Balance at 31 December 2019	35,422	179	226	35,827

Accumulated depreciation

Balance at 1 January 2019				
- Brought forward from preceding year	0	0	0	0
- Effect of adopting MFRS 16	889	0	0	889
- Adjusted	889	0	0	889
Depreciation	663	42	53	758
Transfer to investment properties	(624)	0	0	(624)
Balance at 31 December 2019	928	42	53	1,023

Carrying amount

Balance at 1 January 2019 - Adjusted	37,224	109	226	37,559
Balance at 31 December 2019	34,494	137	173	34,804

The Group acquired the right to use the leasehold land as its principal place of business for 60 years. It also leases motor vehicles and office equipment from third parties for 3 to 5 years.

The leasehold land has been pledged as security for credit facilities granted to the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2019

7. DEVELOPMENT EXPENDITURE

	Group RM'000	Company RM'000
Cost		
Balance at 1 January 2018	6,840	2,872
Write-offs	(3,968)	0
Balance at 31 December 2018 / 31 December 2019	<u>2,872</u>	<u>2,872</u>
Accumulated amortisation		
Balance at 1 January 2018	5,464	1,496
Amortisation	718	718
Write-offs	(3,968)	0
Balance at 31 December 2018	2,214	2,214
Amortisation	658	658
Balance at 31 December 2019	<u>2,872</u>	<u>2,872</u>
Carrying amount		
Balance at 1 January 2018	<u>1,376</u>	<u>1,376</u>
Balance at 31 December 2018	<u>658</u>	<u>658</u>
Balance at 31 December 2019	<u>0</u>	<u>0</u>

8. INVESTMENTS IN SUBSIDIARIES

Company

	2019 RM'000	2018 RM'000
Unquoted shares, at cost	9,542	9,042
Employees' share options granted to subsidiaries	2,180	2,011
Impairment loss	(500)	(500)
	<u>11,222</u>	<u>10,553</u>

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2019	2018	
ViTrox Technologies Sdn. Bhd.	Malaysia	100%	100%	Design, development and production of automated vision inspection system and digital automated vision inspection equipment and modules

Notes to the Financial Statements

for the financial year ended 31 December 2019

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2019	2018	
ViE Technologies Sdn. Bhd.	Malaysia	100%	100%	Design, development and production of printed circuit board assemblies for microprocessor applications
ViTrox International Sdn. Bhd.	Malaysia	100%	100%	Investment holding
ViTrox Technologies (Suzhou) Co., Ltd. ⁽¹⁾	China	*100%	*100%	As sales and support office
ViTrox Technologies GmbH ⁽¹⁾⁽²⁾	Germany	*100%	0%	As sales and support office

* Interest held through ViTrox International Sdn. Bhd.

(1) Not audited by Crowe Malaysia PLT

(2) Not required to be audited and consolidated using unaudited financial statements

9. INVESTMENT IN ASSOCIATE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	4,900	3,150	4,900	3,150
Share of post-acquisition changes in net assets	(837)	(103)	0	0
	4,063	3,047	4,900	3,150

The details of the associate are as follows:-

Name of associate	Principal place of business/ Country of incorporation	Effective ownership interest			Principal activity
		2019	2018		
Penang Automation Cluster Sdn. Bhd.	Malaysia	35%	35%		Investment holding, manufacture of high precision metal fabrication components, modules, systems and providing technology and engineering services

Notes to the Financial Statements

for the financial year ended 31 December 2019

9. INVESTMENT IN ASSOCIATE (cont'd)

The summarised financial information of the associate is as follows:-

	2019 RM'000	2018 RM'000
Non-current assets	41,070	11,097
Current assets	1,990	1,298
Current liabilities	(31,461)	(3,698)
Net assets	11,599	8,697
Revenue	344	0
Loss (representing comprehensive income)	(2,097)	(186)

The reconciliation of the above summarised financial information to the carrying amount of the investment in associate is as follows:-

	Group 2019 RM'000	2018 RM'000
Net assets	11,599	8,697
Effective ownership interest	35%	35%
Share of net assets	4,060	3,044
Goodwill	3	3
Carrying amount	4,063	3,047

10. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Group

	2019 RM'000	2018 RM'000
Balance at 1 January	(1,092)	(586)
Deferred tax expense relating to origination and reversal of temporary differences recognised in:-		
- Profit or loss	(515)	(834)
- Other comprehensive income	(820)	0
Deferred tax income relating to change in tax rate	0	347
Deferred tax liabilities under provided in prior year	(57)	(19)
Balance at 31 December	(2,484)	(1,092)

Disclosed as:-

- Deferred tax assets	0	487
- Deferred tax liabilities	(2,484)	(1,579)

In respect of (taxable)/deductible temporary differences of:-

- Property, plant and equipment	(855)	(1,552)
- Investment properties	(1,629)	(17)
- Inventories	0	34
- Financial instruments	0	443
	(2,484)	(1,092)

Notes to the Financial Statements

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11. INVENTORIES

Group

	2019 RM'000	2018 RM'000
Raw materials	37,470	35,486
Work-in-progress	40,068	38,458
Finished goods	33,957	29,752
	111,495	103,696

12. RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables:-				
- Subsidiary	0	0	20,829	18,450
- Unrelated parties	125,619	152,077	0	0
	125,619	152,077	20,829	18,450
- Loss allowance	(1,636)	(1,466)	0	0
	123,983	150,611	20,829	18,450
Other receivables	2,395	6,076	1	1
Amount due from subsidiary	0	0	0	160
	126,378	156,687	20,830	18,611

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2019, there was 1 (2018 : NIL) major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM15,569,000 (2018 : NIL). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	26,358	29,988	20,829	18,450
China	38,966	62,882	0	0
Mexico	19,266	11,946	0	0
Taiwan	14,872	5,191	0	0
Others	26,157	42,070	0	0
	125,619	152,077	20,829	18,450

Notes to the Financial Statements

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12. RECEIVABLES (cont'd)

Trade receivables (cont'd)

The credit terms of trade receivables range from 30 to 365 days.

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Not past due	86,617	87,659	20,829	18,450
1 to 30 days past due	12,784	23,488	0	0
31 to 60 days past due	11,852	20,921	0	0
61 to 90 days past due	5,223	6,203	0	0
More than 90 days past due	9,143	13,806	0	0
	125,619	152,077	20,829	18,450

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

Group

	Not past due RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000
2019						
Gross carrying amount	86,617	12,784	11,852	5,223	9,143	125,619
Average credit loss rate	0.79%	0.92%	1.80%	2.89%	5.14%	1.30%
Loss allowance	685	117	213	151	470	1,636
2018						
Gross carrying amount	87,659	23,488	20,921	6,203	13,806	152,077
Average credit loss rate	0.59%	0.69%	1.62%	2.85%	1.97%	0.96%
Loss allowance	518	161	338	177	272	1,466

The average credit loss rates were based on the payment profile of revenue over a period of 36 (2018 : 24) months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the Financial Statements

for the financial year ended 31 December 2019

12. RECEIVABLES (cont'd)

Trade receivables (cont'd)

The changes in the loss allowance are as follows:-

	Group 2019 RM'000	2018 RM'000
Balance at 1 January	1,466	1,211
Impairment losses	170	255
Balance at 31 December	1,636	1,466

Amount due from subsidiary

The amount due from subsidiary was unsecured, interest free and repayable on demand.

13. DERIVATIVES

Group

	2019 RM'000	2018 RM'000
Forward exchange contracts - at fair value	439	117

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2019, the Group had contracts with financial institutions due within 1 year to buy RM31,384,000 (2018 : RM17,669,000) and sell USD7,513,000 (2018 : USD4,241,000) at contractual forward rates.

The fair values 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).

14. CASH AND CASH EQUIVALENTS

	Group 2019 RM'000	2018 RM'000	Company 2019 RM'000	2018 RM'000
Highly liquid investments in money market funds	142,853	113,525	59,049	58,766
Term deposits	25,470	12,019	0	0
Cash and bank balances	23,261	23,189	366	213
	191,584	148,733	59,415	58,979

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

The effective interest rates of term deposits as at 31 December 2019 ranged from 2.03% to 4.02% (2018 : 2.10% to 4.20%) per annum.

Notes to the Financial Statements

for the financial year ended 31 December 2019

15. PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables:-				
- Associate	17	0	0	0
- Unrelated parties	37,192	30,627	0	0
	37,209	30,627	0	0
Other payables	31,042	53,267	3,128	10,170
	68,251	83,894	3,128	10,170

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

The credit terms of trade and other payables range from 14 to 120 days.

16. LOANS AND BORROWINGS

Group

	2019 RM'000	2018 RM'000
Term loans	48,724	56,234
Disclosed as:-		
- Current liabilities	7,343	3,145
- Non-current liabilities	41,381	53,089
	48,724	56,234

Term loans are secured against certain property, plant and equipment (Note 4) and right-of-use assets (Note 6). The effective interest rate as at 31 December 2019 was 3.30% (2018 : 3.70%) per annum.

Term loans are repayable over 8 to 10 years. The repayment analysis is as follows:-

	2019 RM'000	2018 RM'000
Gross loan instalments:-		
- Within 1 year	8,725	4,985
- 1 to 5 years	32,508	42,296
- After 5 years	12,997	16,854
Total contractual undiscounted cash flows	54,230	64,135
Future finance charges	(5,506)	(7,901)
Present value of term loans	48,724	56,234

The fair values of term loans were 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 were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

Notes to the Financial Statements

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17. LEASE LIABILITIES

Group

	2019 RM'000	2018 RM'000
Gross lease liabilities:-		
- Within 1 year	111	0
- 1 to 5 years	231	0
Total contractual undiscounted cash flows	342	0
Future finance charges	(25)	0
Present value of lease liabilities	317	0
Disclosed as:-		
- Current liabilities	98	0
- Non-current liabilities	219	0
	317	0

The incremental borrowing rate applied to lease liabilities as at 31 December 2019 was 5.00% per annum.

18. CONTRACT LIABILITIES

Group

	2019 RM'000	2018 RM'000
Balance at 1 January	8,352	3,269
Revenue recognised from opening contract liabilities	(8,352)	(3,258)
Excess of consideration over revenue recognised	5,224	8,352
Currency translation differences	0	(11)
Balance at 31 December	5,224	8,352

As disclosed in Note 2.19, the Group generally satisfies its performance obligations at a point in time upon delivery of goods or over time when the services are performed. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

19. DEFERRED INCOME ON GOVERNMENT GRANTS

	Group	Company		
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance at 1 January	3,038	4,686	237	601
Amortisation	(1,492)	(1,648)	(237)	(364)
Balance at 31 December	1,546	3,038	0	237

The Group and the Company received grants from the local government for certain research and development projects. The grants covered 50% to 100% of the project costs subject to the limits approved by the local government.

Notes to the Financial Statements

for the financial year ended 31 December 2019

20. SHARE CAPITAL

	No. of ordinary shares with no par value '000	RM'000
Issued and fully paid		
Balance at 1 January 2018	470,160	49,275
Issue of shares pursuant to ESOS	393	1,362
Balance at 31 December 2018	470,553	50,637
Issue of shares pursuant to ESOS	452	1,381
Balance at 31 December 2019	<u>471,005</u>	<u>52,018</u>

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 27 February 2014, approved the Company's ESOS. The ESOS became effective on 4 March 2014.

The principal features of the ESOS are as follows:-

- (i) At any point of time when the offer is made, the maximum number of shares to be issued under the ESOS shall not exceed 10% of the total issued and fully paid-up share capital of the Company during the duration of the ESOS.
- (ii) Any employee (including executive directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and has been confirmed and completed at least 1 year of service within the Group on a full time basis.
- (iii) All non-executive directors who have been appointed to the Board for more than 1 year shall be eligible to participate in the ESOS in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad and subject to the Articles of Association of the Company.
- (iv) The ESOS shall be valid for a duration of 10 years from the effective date.
- (v) The option price shall be determined based on the weighted average market price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%.
- (vi) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.
- (vii) The new shares to be allotted and issued upon exercise of any options granted under the scheme will, upon allotment and issuance, rank pari passu in all respects with the then existing shares and paid-up shares in the Company, save and except that the new shares so allotted and issued will not be entitled to any right, dividend, allotment and/or distribution declared, made or paid, the entitlement date of which precedes the date of exercise of the options.

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20. SHARE CAPITAL (cont'd)

The movements in the number of options during the financial year are as follows:-

	No. of options over ordinary shares ('000)	Weighted average exercise price RM	Weighted average share price RM	Range of exercise prices RM	Weighted average remaining contractual life
Outstanding at 1 January 2018	2,387	2.14			
Exercised	(393)	2.48	6.30		
Forfeited	(115)	2.79			
Outstanding at 31 December 2018	<u>1,879</u>	2.03		0.81 - 2.79	5.2 years
Exercisable at 31 December 2018	<u>878</u>	1.16			
Outstanding at 1 January 2019	1,879	2.03			
Exercised	(452)	2.17	7.06		
Outstanding at 31 December 2019	<u>1,427</u>	1.99		0.81 - 2.79	4.2 years
Exercisable at 31 December 2019	<u>1,237</u>	1.07			

The fair values of share options granted since the effective date of the ESOS are measured using the Black Scholes Model with the following inputs:-

	Option 1	Option 2	Option 3
Grant date	15.5.2014	20.10.2014	16.5.2017
Fair value at grant date	RM0.97	RM1.42	RM2.06
Weighted average share price	RM1.81	RM2.24	RM6.20
Exercise price	RM1.63	RM2.02	RM5.58
Expected volatility	38.18%	42.90%	23.12%
Option life	9.8 years	9.4 years	6.7 years
Expected dividends	0.87%	0.65%	1.12%
Risk-free interest rate	4.45%	4.15%	3.85%

The expected volatility reflects the assumption that historical volatility is indicative of future trends but may not necessarily be the actual outcome. No other features of the share options granted were incorporated into the measurement of fair value.

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21. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers:-				
- Sale of vision inspection solutions	310,530	373,459	0	0
- Service rendering for technical supports	29,062	21,225	20,829	18,450
	339,592	394,684	20,829	18,450
Other source of revenue:-				
- Dividend income	0	0	30,000	25,000
	339,592	394,684	50,829	43,450

Disaggregation of revenue from contracts with customers

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Geographical areas:-				
- Malaysia	90,283	101,249	20,829	18,450
- China	84,093	128,636	0	0
- Mexico	53,866	37,380	0	0
- Taiwan	34,970	28,213	0	0
- United States of America	35,252	36,186	0	0
- Others	41,128	63,020	0	0
	339,592	394,684	20,829	18,450
Timing of revenue recognition:-				
- At a point in time	310,530	373,459	0	0
- Over time	29,062	21,225	20,829	18,450
	339,592	394,684	20,829	18,450

22. DEPRECIATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	7,621	6,811	2	217
Right-of-use assets	758	0	0	0
	8,379	6,811	2	217

Notes to the Financial Statements

for the financial year ended 31 December 2019

23. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Group	Company		
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors:-				
- Fees	191	171	191	171
- Other short-term employee benefits	796	908	316	354
- Defined contribution plans	203	245	92	106
	1,190	1,324	599	631
Other employees:-				
- Short-term employee benefits	44,204	60,311	10,849	17,317
- Defined contribution plans	5,341	6,288	1,124	1,788
- Share-based payments	275	572	106	220
	49,820	67,171	12,079	19,325
	51,010	68,495	12,678	19,956

The estimated money value of benefits received or receivable by directors otherwise than in cash from the Group and the Company amounted to RM24,000 (2018 : NIL) and RM12,000 (2018 : NIL) respectively.

24. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Group	2019 RM'000	2018 RM'000
Trade receivables from contracts with customers	170	255

Notes to the Financial Statements

for the financial year ended 31 December 2019

25. PROFIT BEFORE TAX

	Group 2019 RM'000	2018 RM'000	Company 2019 RM'000	2018 RM'000
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	118	123	40	40
- Prior year	0	35	0	10
Fee expense for financial instruments not measured at fair value through profit or loss	123	148	1	1
Interest expense for financial liabilities not measured at fair value through profit or loss	2,042	1,054	0	0
Interest expense for lease liabilities	17	0	0	0
Inventories written down	7,784	5,018	0	0
Lease expense relating to:-				
- Short-term leases	293	0	0	0
- Others	0	257	0	0
Property, plant and equipment written off	29	1	1	0
Research and development expenditure	34,223	41,923	13,376	18,988
Unrealised loss on foreign exchange	1,800	600	0	0
and crediting:-				
Amortisation of deferred income	1,492	1,648	237	364
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	341	583	0	0
Gain on disposal of property, plant and equipment	1,244	306	0	0
Grants related to income	0	55	0	0
Interest income for financial assets measured at amortised cost	4,925	4,009	1,898	1,805
Realised gain on foreign exchange	219	725	0	0
Reversal of inventories written down	5,018	3,430	0	0

26. TAX EXPENSE

	Group 2019 RM'000	2018 RM'000	Company 2019 RM'000	2018 RM'000
Tax based on results for the year:-				
- Current tax	3,074	6,467	6	4
- Deferred tax	515	487	0	0
	3,589	6,954	6	4
Tax (over)/under provided in prior year:-				
- Current tax	(1,839)	643	0	(1)
- Deferred tax	57	19	0	0
	1,807	7,616	6	3

Notes to the Financial Statements

for the financial year ended 31 December 2019

26. TAX EXPENSE (cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	3.71	2.28	0.67	1.37
Non-taxable income	(2.00)	(1.28)	(20.56)	(28.13)
Pioneer income exempted	(17.40)	(20.90)	0.00	0.00
Effect of differential tax rates	(3.90)	2.05	(4.09)	2.78
Average effective tax rate	4.41	6.15	0.02	0.02

27. EARNINGS PER SHARE

Group

The earnings per share is calculated by dividing the Group's profit for the financial year by the weighted average number of ordinary shares in issue during the year as follows:-

	2019	2018
Profit for the financial year (RM'000)	79,651	105,484
Number of shares in issue as at 1 January ('000)	470,553	470,160
Effect of shares issued pursuant to ESOS ('000)	284	175
Weighted average number of shares for computing basic earnings per share ('000)	470,837	470,335
Number of shares under ESOS deemed to have been issued for no consideration ('000)	1,125	1,436
Weighted average number of shares for computing diluted earnings per share ('000)	471,962	471,771
Basic earnings per share (sen)	16.92	22.43
Diluted earnings per share (sen)	16.88	22.36

Notes to the Financial Statements

for the financial year ended 31 December 2019

28. DIVIDENDS

Group and Company

	2019 RM'000	2018 RM'000
In respect of financial year ended 31 December 2017:-		
- Final tax exempt dividend of 3 sen per share	0	14,105
In respect of financial year ended 31 December 2018:-		
- Interim tax exempt dividend of 1.75 sen per share	0	8,235
- Final tax exempt dividend of 4 sen per share	18,830	0
In respect of financial year ended 31 December 2019:-		
- Interim tax exempt dividend of 1.50 sen per share	7,065	0
	25,895	22,340

The directors have proposed a final tax exempt dividend of 2.80 sen per share in respect of the financial year ended 31 December 2019, subject to the members' approval at the forthcoming Annual General Meeting.

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Group

Acquisition of right-of-use assets

	2019 RM'000	2018 RM'000
Cost of right-of-use assets acquired	70	0
Acquisition by means of leases	(68)	0
Net cash disbursed	2	0

Lease liabilities

	2019 RM'000	2018 RM'000
Balance at 1 January		
- Brought forward from preceding year	0	0
- Effect of adopting MFRS 16	335	0
- Adjusted	335	0
Additions	68	0
Payments	(86)	0
Balance at 31 December (Note 17)	317	0

Notes to the Financial Statements

for the financial year ended 31 December 2019

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Lease liabilities (cont'd)

The total cash outflow for leases is as follows:-

	2019 RM'000	2018 RM'000
Operating activities		
Lease expense recognised in profit or loss (Note 25)	293	N/A
Investing activities		
Acquisition of right-of-use assets	2	N/A
Financing activities		
Interest portion of lease liabilities (Note 25)	17	N/A
Principal portion of lease liabilities	86	N/A
	398	N/A

Loans and borrowings

	2019 RM'000	2018 RM'000
Balance at 1 January		
Repayments	(6,988)	(3,216)
Currency translation differences	(484)	899
Other changes	(38)	47
Balance at 31 December (Note 16)	48,724	56,234

30. RELATED PARTY DISCLOSURES

Transactions with related parties during the financial year are as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Key management personnel compensation:-				
- Short-term employee benefits	1,011	1,079	519	525
- Defined contribution plans	203	245	92	106
	1,214	1,324	611	631
Dividends declared from subsidiaries	0	0	30,000	25,000
Granting of employees' share options to subsidiaries	0	0	169	352
Purchase of goods from associate	15	0	0	0
Rendering of services to subsidiary	0	0	20,829	18,450
Rendering of services from associate	2	0	0	0
Subscription for shares in associate	1,750	2,100	1,750	2,100
Subscription for shares in subsidiary	0	0	500	0

Notes to the Financial Statements

for the financial year ended 31 December 2019

31. SEGMENT REPORTING

Group

Operating segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the design, development and production of vision inspection system and printed circuit board assemblies for microprocessor applications.

Geographical information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers, whereas segment assets are based on the geographical location of assets.

	External revenue		Non-current assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	90,283	101,249	174,309	156,239
China	84,093	128,636	274	254
Mexico	53,866	37,380	0	0
Taiwan	34,970	28,213	0	0
United States of America	35,252	36,186	0	0
Others	41,128	63,020	0	0
	339,592	394,684	174,583	156,493

Major customers

The major groups of customers that contributed 10% or more of the Group's total revenue are as follows:-

	External revenue	
	2019 RM'000	2018 RM'000
Group I*	67,154	74,116
Group II*	41,194	43,268

* The identity of the major group has not been disclosed as permitted by MFRS 8 Operating Segments.

32. CONTRACTUAL COMMITMENTS

Group

	2019 RM'000	2018 RM'000
Acquisition of property, plant and equipment	13,157	10,981

Notes to the Financial Statements

for the financial year ended 31 December 2019

33. FINANCIAL GUARANTEE CONTRACTS

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to a subsidiary up to a total limit of RM106,791,000 (2018 : RM107,833,000). The total utilisation of these credit facilities as at 31 December 2019 amounted to RM52,282,000 (2018 : RM58,909,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiary.

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.15. After considering that the probability of the subsidiary defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

34. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit risk

The Group's exposure to credit risk arises mainly from receivables, derivative contracts and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to a subsidiary. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 33.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 12. As the Group only deals with reputable financial institutions, the credit risk associated with derivative contracts and deposits placed with them is low.

Liquidity risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Notes to the Financial Statements

for the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currency within the Group is Ringgit Malaysia ("RM"), whereas the major foreign currency transacted is US Dollar ("USD"). The gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	Group Denominated in USD	
	2019	2018
	RM'000	RM'000
Receivables	87,914	109,566
Cash and cash equivalents	31,967	22,643
Payables	(19,553)	(19,693)
Term loans	(48,724)	(56,234)
	51,604	56,282

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2019	2018
	RM'000	RM'000
Appreciation of USD against RM by 10%	4,931	5,502
Depreciation of USD against RM by 10%	(4,931)	(5,502)

Notes to the Financial Statements

for the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, loans and borrowings and lease liabilities.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:-

	Group	
	2019	2018
	RM'000	RM'000
Fixed rate instruments		
Financial assets	25,470	12,019
Financial liabilities	317	0
Floating rate instruments		
Financial liabilities	48,724	56,234

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2019	2018
	RM'000	RM'000
Increase in interest rates by 50 basis points	(238)	(276)
Decrease in interest rates by 50 basis points	238	276

Notes to the Financial Statements

for the financial year ended 31 December 2019

35. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:-

	Group	
	2019	2018
	RM'000	RM'000
Loans and borrowings	48,724	56,234
Lease liabilities	317	0
Total interest-bearing debts	49,041	56,234
Total equity	482,388	413,505
Total capital	531,429	469,739
Debt-to-equity ratio	10%	14%

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

List of Properties

Name of Registered Owner / Postal Address / No. Title Identification	Approx Age of Building / Tenure / Date of Expiry of Lease	Description / Existing Use	Land Area / Build Up Area Sq Metre	Net Book Value as at 31 December 2019	Year of Valuation / Acquisition
1. ViTrox Technologies Sdn. Bhd. HSD 21704, Lot No. PT 5286, Mukim 12, Daerah Barat Daya, Pulau Pinang	13 years / 60 years lease expiring on December 26, 2066	ViTrox Innovation Centre	12,153 / 13,122	40,000,000	December 31, 2019 (Date of Valuation)
<u>Bearing Postal Address</u> No. 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang					
2. ViTrox Technologies Sdn. Bhd. HSD 47985, Lot No. PT 5920, Mukim 13, Seberang Perai Selatan, Pulau Pinang	2 years / 60 years lease expiring on October 25, 2075	ViTrox Campus 2.0	89,999 / 41,613	119,969,656	December 9, 2014 (Date of Acquisition)
<u>Bearing Postal Address</u> No. 746, Persiaran Cassia Selatan 3, Taman Perindustrian Batu Kawan, 14110 Bandar Cassia, Penang					
3. ViTrox Technologies Sdn. Bhd. Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang	15 years / 99 years lease upon Sale & Purchase Agreement signed	Shoplot for investment purposes	- / 96	300,000	December 31, 2019 (Date of Valuation)
<u>Bearing Postal Address</u> Level No. 04, Unit No. 20, Kristal Point II, Lebuh Bukit Kecil 6, 11900 Bayan Lepas, Penang					
4. ViTrox Technologies Sdn. Bhd. Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang	15 years / 99 years lease upon Sale & Purchase Agreement signed	Shoplot for investment purposes	- / 96	300,000	December 31, 2019 (Date of Valuation)
<u>Bearing Postal Address</u> Level No. 04, Unit No. 21, Kristal Point II, Lebuh Bukit Kecil 6, 11900 Bayan Lepas, Penang					

Statistics of Shareholdings

as at 31 March 2020

SHARE CAPITAL

Total number of issued shares : 471,038,800
 Class of Shares : Ordinary Shares
 Voting Rights : One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Holders	No. of Shares	%
1 – 99	30	920	0.00
100 – 1,000	879	430,708	0.09
1,001 – 10,000	666	2,809,762	0.59
10,001 – 100,000	365	12,561,198	2.67
100,001 – 23,551,939	208	195,803,520	41.57
23,551,940 and above	3	259,432,692	55.08
Total	2,151	471,038,800	100.00

THIRTY LARGEST SECURITIES HOLDERS

No.	Name	Shareholdings	%
1	Chu Jenn Weng	125,000,000	26.54
2	Siaw Kok Tong	90,046,228	19.12
3	Yeoh Shih Hoong	44,386,464	9.42
4	Affin Hwang Nominees (Asing) Sdn Bhd Qualifier: DBS Vickers Secs (S) Pte Ltd For Voyager Assets Limited	12,734,298	2.70
5	Tan Booi Charn	12,655,100	2.69
6	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: Exempt An For DBS Bank Ltd (SFS-PB)	9,500,000	2.02
7	Kumpulan Wang Persaraan (Diperbadankan)	8,615,000	1.83
8	Kiew Kwong Sen	7,183,800	1.53
9	Tan Hong Soon	4,500,000	0.96
10	Wong Ting Lik	4,493,088	0.95
11	Citigroup Nominees (Asing) Sdn Bhd Qualifier: CBNY For Norges Bank (FI 17)	4,378,249	0.93
12	Cartaban Nominees (Tempatan) Sdn Bhd Qualifier: PAMB For Prulink Equity Fund	4,285,000	0.91
13	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Cheong Siew Chyuan (470322)	4,000,000	0.85
14	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: Exempt An For Credit Suisse (HK BR-TST-TEMP)	4,000,000	0.85
15	Amanahraya Trustees Berhad Qualifier: Public Islamic Select Treasures Fund	3,519,900	0.75
16	Chua Siew Kim	3,509,498	0.75
17	Wee Kah Khim	3,176,600	0.67
18	Lim Yee @ Lim Wei Yee	2,948,300	0.63
19	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Deutsche Trustees Malaysia Berhad For Eastspring Investments small-Cap Fund	2,736,900	0.58
20	HSBC Nominees (Asing) Sdn Bhd Qualifier: TNTC For Barings Asean Frontiers Fund	2,279,400	0.48

Statistics of Shareholdings

as at 31 March 2020

THIRTY LARGEST SECURITIES HOLDERS (cont'd)

No.	Name	Shareholdings	%
21	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	2,274,600	0.48
22	Citigroup Nominees (Asing) Sdn Bhd Qualifier: Exempt An For Citibank New York (Norges Bank 14)	2,265,851	0.48
23	Su Sow Boay	2,152,977	0.46
24	CGS-CIMB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Mak Tian Meng (MY3136)	2,079,600	0.44
25	HSBC Nominees (Asing) Sdn Bhd Qualifier: JPMCB NA For Pacific Assets Trust PLC	1,993,100	0.42
26	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB For Chu Jenn Weng (PB)	1,978,334	0.42
27	Ahmad Fadzil Bin Mohamad Hani	1,877,000	0.40
28	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: MTruttee Berhad For Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	1,856,500	0.39
29	Cartaban Nominees (Asing) Sdn Bhd Qualifier: Exempt An For State Street Bank & Trust Company (WEST CLT OD67)	1,823,300	0.39
30	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd For Singular Asia Flexible Fund (5758-401)	1,660,400	0.35

SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	126,978,334	26.96	-	-
Siaw Kok Tong	90,123,028	19.13	-	-
Yeoh Shih Hoong	44,386,464	9.42	4,000,000^	0.85

DIRECTORS' SHAREHOLDING

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	126,978,334	26.96	-	-
Siaw Kok Tong	90,123,028	19.13	-	-
Yeoh Shih Hoong	44,386,464	9.42	4,000,000^	0.85
Dato' Seri Dr. Kiew Kwong Sen	7,183,800	1.53	-	-
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	1,877,000	0.40	-	-
Chuah Poay Ngee	405,000	0.09	-	-
Chang Mun Kee	300	-	12,734,298*	2.70
Mary Yeo Chew Yen	37,000	0.01	-	-

[^] Registered in the name of HSBC Nominees (Tempatan) Sdn Bhd – Exempt an For Credit Suisse (HK BR-TST-TEMP), is the custodian bank of Credit Suisse Hong Kong Private Banking, of which Yeoh Shih Hoong 4,000,000 shares are currently safe-kept in.

* Registered in the name of Affin Hwang Nominees (Asing) Sdn Bhd - DBS Vickers Secs (S) Pte Ltd For Voyager Assets Limited, is the trustee of a discretionary trust, for charity and estate planning purpose, where the beneficiaries of which are members of Mr. Chang Mun Kee's family and himself.

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