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 economy, the natural environment, workplace and the communities in which we operate and vice versa. Therefore, we are committed to being a responsible company and making 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. In this respect, we vow to work with customers and suppliers to operate responsibly 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.

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 recognize 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 actualize 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 of 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 role for identifying, evaluating and monitoring of sustainability initiative and action, execute and implement the sustainability initiatives that are aligned to the Group's vision, mission, objectives and strategies.

The scope of our Sustainability Statement covers the period from 1 January 2018 to 31 December 2018 and the reporting boundary is mainly focused on the Malaysian operation for the time being.

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 into our corporate risk register during the financial year ended 31 December 2018 ("FYE2018"). Nevertheless, from the various accreditations that we have achieved over the years, it is obvious that we have indeed started our sustainability journey which is divided into three (3) key areas:

i. Economics
ii. Environmental
iii. Workplace

MATERIALITY

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

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

Top 5 operational risks and 5 non-operational risks had been reported by the RMC to Audit Committee during the year 2018. We have taken the necessary steps to mitigate most of the risks.

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 recognizes 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	• Product quality and performance • Sustaining long term relationship	• 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	• Health and safety • Communication and engagement • Working environment • Career development and training • Business performance review	• 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

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT (cont'd)

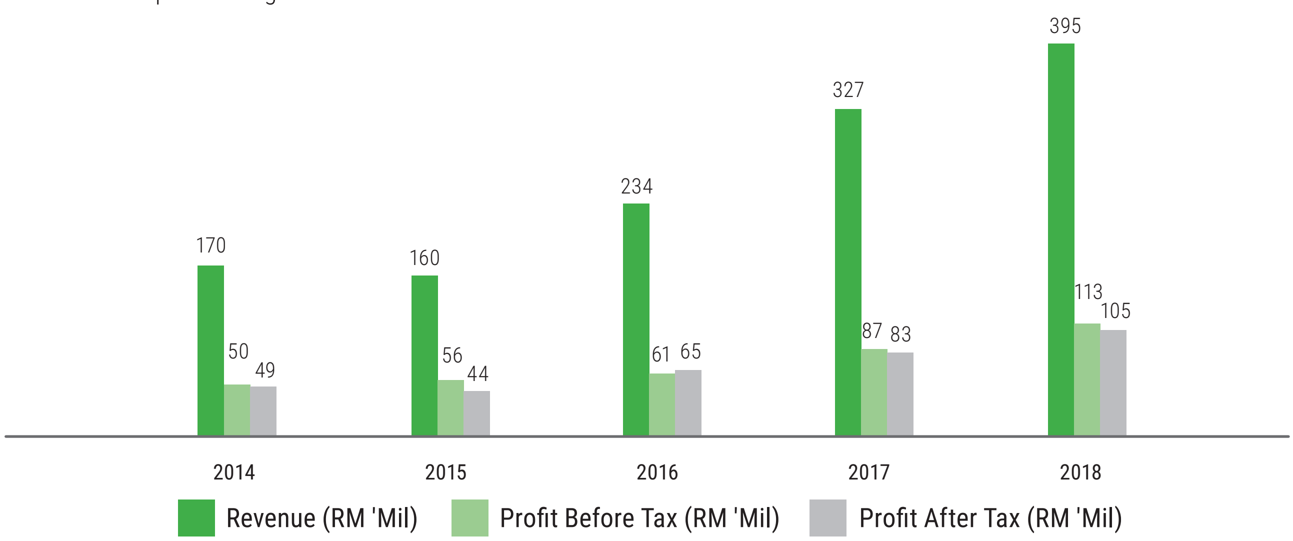
Stakeholders	*Sustainability Topics*	*Type of Engagement*	*Frequency*
Investors / Shareholders	• Business performance • Operation	• Corporate website • Investor relationship channel • Quarterly financial results • Quarterly analyst briefing • Annual Report • Regular meetings and correspondence • Feedback to media enquiries • ISO9001:2015 audit	On-going On-going Quarterly Quarterly Annually As required As required Annually
Suppliers	• Forging strategic partnership • Supplier performance review • Product quality	• Supplier selection via pre-qualification • Regular meetings and correspondence • Whistle blowing policy • Vendor Assessment Questionaire	On-going On-going On-going Annually
Media	• Timely and accurate information	• Press release	As required
Government and Regulators	• Regulatory compliance • Supporting country's economic growth	• Site visit and meeting • Participating in program organised by government bodies	As required As required
Community	• Environment protection • Local community activities involvement	• Participation in local community and activities • Sponsorship • Donation	On-going On-going On-going

ECONOMICS

Our key initiatives for business sustainability within the economics 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.

SUSTAINABILITY STATEMENT

ECONOMICS (cont'd)

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 guide 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 behavior, 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.

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") is expected to commence its operation in the 2nd half of 2019. The principal activities of PAC are Technological Design, Research, Value Added Engineering Development, Metrology Shared Services, 3D Prototyping, Smart Manufacturing System and Technical Training to the Automation Cluster Companies specialized 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.

PAC has started its earthwork and piling in June 2018 and construction in September 2018. The construction has completed more than 40% as at 31 December 2018. As of 15 March 2019, 10 SMEs which are automation cluster companies have been shortlisted for the final interview before commencing its operations.

SUSTAINABILITY STATEMENT

ECONOMICS (cont'd)

Local Ecosystem (cont'd)

Apart from that, the Centre of Excellence for Machine Vision ("CoE") which was established in 2014 is geared 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 ("BKIP") ["ViTrox Campus 2.0"] and active collaboration with our trusted technological partners, Institutes of Higher Learning ("IHLs"), government agencies and local SMEs, we set forth to expand our provision and area of expertise to share our knowledge and technologies with our local SMEs. Since inception, we have connected approximately 1,860 SMEs and 15 IHLs.

In 2018, CoE has been providing several technical sharing sessions to local SMEs and potential business partners as follows:

Date	Title
27 February 2018	A.I. Machine Learning has arrived
12 April 2018	Quick Start to ViTrox Machine Vision Platform
15 May 2018	Introduction of Theory of Inventive Problem Solving
3 October 2018	Intellectual Properties Talk
9 October 2018	Vision System Application Training

The practice of sharing knowledge and inspiration with local SMEs is crucial in our professional spheres and ecosystem sustainability. It drives the stimulation of innovation and vision in others and builds stronger ties.

ENVIRONMENTAL

We recognize 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 minimize any potential adverse effects of our business operations that may impact the community, environment and natural resources.

1. Environmental Permits and Reporting

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

In Environmental Permits and Reporting, we are glad that throughout FYE2018, the monthly schedule waste generated and disposed at our premises were as follows:

a. SW110 Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacity – 82.4kg
b. SW409 Disposed containers, bags or equipment contaminated with chemicals – 7.0kg
c. SW410 Rags, plastics, papers or filters contaminated with scheduled wastes – 55.8kg

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

ENVIRONMENTAL (cont'd)

2. Solar Photovoltaic System

Solar energy is renewable and clean energy; it is free from greenhouse gas emission during operation, and able to generate clean energy (electricity) to support operations. A 458kW industrial scale Solar Photovoltaic (PV) System has been installed at ViTrox Campus 2.0 since August 2018 as part of the environmental preservation program. The installation, which cover the roof of the building featured a total of 1,410 panels and is estimated to generate up to 686,900 kWh of electricity annually. In this circumstance, the energy generated from the PV system is equivalent to 13,289 trees cleansing the air for one year and it contributes offsets amounting to 445 tons of carbon emission annually.

3. Eco-pond

Two eco-ponds are constructed as part of water conservation efforts. The first eco-pond is with rainwater collection tank of ~2200 cubic feet while the second eco-pond is of ~2100 cubic feet. The eco-ponds are designed to provide water for irrigation of landscape, outdoor water usage, and V-Farm's irrigation.

4. V-Carpooling Program

In an effort to reduce CO_2 emissions and increase the engagement between employees, we have established the V-Carpooling Program with the participation of more than 260 employees. Carpooling cuts down on air pollution and traffic congestions. Fewer cars mean less carbon and green gases and pollution getting into the air. Striving to further promote carpooling-friendlier, designated parking areas for carpoolers are available.

5. V-Meal Program

Employee welfare and healthy well-being have been a goal we keep striving to promote and cultivate. The program emphasises the need to put workplace nutrition in the spotlight. Since 2018, we have implemented V-Meal Program to provide free, varied, nutritious and healthy vegetarian lunch to all the employees from every Monday to Thursday. Collectively, we have prepared more than 25,000 vegetarian meals to all our employees in 2018. 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.

6. V-Farm Program

V-Farm Program is to produce pesticide-free sustainably grown vegetables, herbs, and fruits which are then harvested, post-processed and contributed to V-Meal Program. 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. Besides, the excess is also donated to Malaysia Yu Hua Zhai Association, an organization that provides free vegetarian lunch to the public.

WORKPLACE

In quarter three of 2018, we have moved to newly built campus, ViTrox Campus 2.0 located at BKIP, Penang. The land area and built up area are approximately 7 times and 3 times of previous campus. ViTrox Campus 2.0 is a project that envisioned a revolutionary of 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 drive engagement, inspire passion and excitement and nurture great attitude, all of which positively impacts performance across all levels. Motivated and engaged employees are key to the success of a business. Our people are on the front lines in delivering and transforming our innovations, products and services of excellent quality standards to our customers. Hence, we promote Learning and Teaching Culture where our people are empowered to learn and develop skills in a working environment which supports lifelong and ongoing 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:

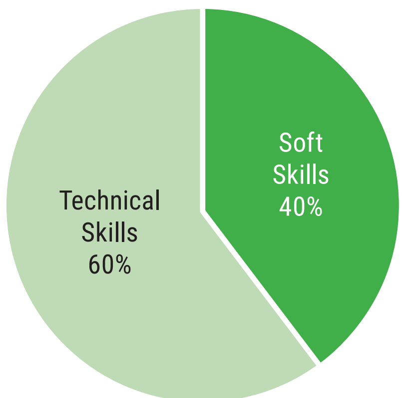
1. Attain the highest standard of employment practice in compliance with the enacted laws
2. Uphold the culture and principles of equal opportunities in employment
3. Create a working environment where every team member is treated fairly and without fear of reprisal, intimidation or harassment.

Employee Development and Talent Management

At ViTrox, we make training available to all our employees. It presents a prime opportunity to expand the knowledge base to all employees and at the same time, enable our employees to perform their job efficiently. Continuous training and development also keeps our people in the forefront position of industry developments.

In 2018, we had organized a total of 278 sharing sessions, 147 technical skills training (FYE2017 : 107) and 96 soft skills training (FYE2017 : 70) session for our employee's professional development. The training programmes that were provided to our employees are as follows:

Type of Training in 2018



WORKPLACE (cont'd)

Employee Development and Talent Management (cont'd)

Our employees' development programs are categorised into internal and external. Both have their own distinctive merits. It is presented in terminology that participants understand and can relate to. We organised a total of 79 in house training programs in FYE2018. The type of internal training programs that were provided to the employees are as follows:

Internal Training Frequency By Type

	FYE2018 No. of Training	FYE2017 No. of Training
Technical and Engineering	28	17
Productivity	22	10
Quality	16	9
Management	5	7
Safety and Health	3	5
Sales & Marketing	3	2
Manufacturing	1	3
Supply Chain	1	0
Total	79	53

We also offered external training programs to employees of all job levels to allow them to hone skills necessary for their career advancement in FYE2018.

In summary, we had invested a total of 164 external training in FYE2018. The type of training that our employees participated were as follows:

External Training Frequency By Type

	FYE2018 No. of Training	FYE2017 No. of Training
Management	61	45
Technical and Engineering	49	42
Safety and Health	18	14
Manufacturing	15	12
Productivity	7	1
Sales & Marketing	7	1
Quality	6	4
Information Technology	1	3
Supply Chain	0	2
Total	164	124

Healthier Work-Life Practices

A key facet of any successful company lies in the working environment. Hence, we recognize its importance and aim to foster a positive workplace that encourages employees to stay healthy. Interesting and engaging activities are organized to help our employees to deal with challenges positively. In FYE2018, we collaborated with a healthcare centre to provide health screening at ViTrox Bayan Lepas 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.

SUSTAINABILITY STATEMENT

WORKPLACE (cont'd)

Healthier Work-Life Practices (cont'd)

As an initiative to celebrate successes and inculcate team morale, we organised a company trip to New Zealand in 2018 organised in 9 batches benefited a total of 342 employees. This was mainly a form of recognition and appreciation towards our people and their contributions in driving the growth of the company.

WORKPLACE (cont'd)

Healthier Work-Life Practices (cont'd)

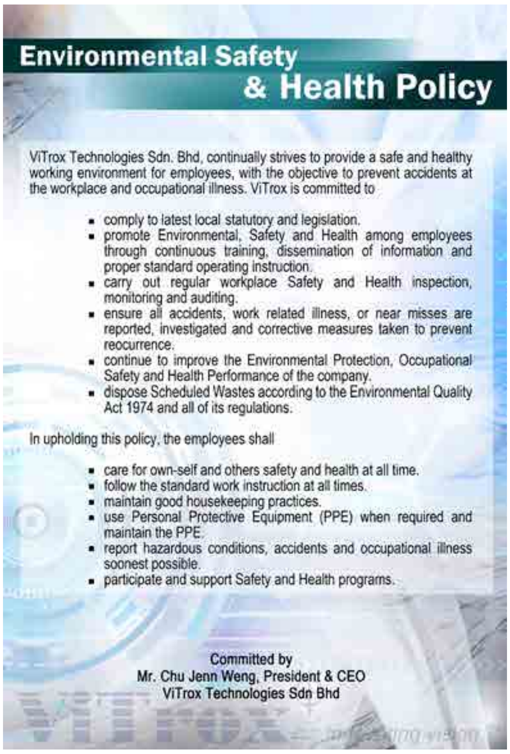
In order to enhance and promote a healthier work-life balance in ViTrox, we have rolled out various activities in the past until FYE2018 for our employees to participate, release stress and foster interests and positive relationships amongst colleagues. Amongst them are:-

1 Music & Singing Club
2. Performing Art Club
3 Charity Club
4. Flora & Art 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 programs as highlighted in the earlier sections of this report. At ViTrox, we have an Occupational Safety and Health Management ("OSH") unit to safeguard, manage, discuss and report areas related to our 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 2018, we are also required to maintain a record of all workplace accidents and illnesses. As a sum, we have 13 recorded occupational incidents. Out of these 13 incidents, 3 were dangerous occurrences, 5 were accidents that contributed to 0 lost days, and 5 were accidents that contributed to 13 lost days. We had prepared an employee incident report to create awareness among employees and to review the effectiveness of our safety and health programs. Besides, we had included Hazard Identification, Risk Assessment and Risk Control ("HIRARC") as part of our Environment, Safety and Health ("ESH") Management System to further understand the hazards at the workplace, and implement a more effective control measure to improve and drive for zero accidents with lost days.


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 reocurrence.
- 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

Description	2018	2017
Headcount	709	617
Impermanent Disability Injuries	13	5
Loss Days	13	12

Emergency Response

The task force of our Emergency Response Team ("ERT") has been increased from 30 people (FYE2017) to approximately 34 people in FYE2018, who are ready to respond in emergency situations. They are trained to administer first aid, fire fighting, help evacuate buildings, and provide other assistance. We conduct annual Incident Management Drills to be prepared for a real emergency.

SUSTAINABILITY STATEMENT

COMMUNITY

In October 2018, a terrible 7.4 magnitude quake-tsunami struck Palu, Indonesia caused a death toll of nearly 2,000 people. In a collaborative effort with Buddhist Tzu Chi Society Malaysia to help the victims, we organised a 1013 Charity Event and raised a fund of RM21,927 from employees and the Company with a 1:1 ratio.

In a continuous effort to nurture the relationship with the community, we had also contributed approximately RM267,000 in FYE2018 for the following events:

No.	Events
1	Charis Hospice Charity Hunt - "Penang - Spice of the Orient"
2	2018 South East Asia EtherCAT Seminar
3	Donation for The Opening Ceremony of 2018 Annual School Concerts
4	Female Conference Event 2018
5	Junior Innovate 2018 Program
6	48H2 Hackathon 2018
7	Supporting of Han Chiang University College of Communication (HCUC)
8	IEEE Fundraising for Free Workshop 2018
9	Donation for School Building Extension
10	Donation for Spread Love & Blessing Hari Raya
11	Donation for CSI Charity Golf 2018
12	Han Chiang University College Sponsorship For Final Year Premiere 2018
13	Tzu Chi Jing Si Hall Building
14	Donation for Charity Food Fair 2018
15	Sponsorship for LKC Fees IID Final Year Project Poster Competition 2018
16	Sponsorship to Tabung Kebajikan MAKSWIP
17	Sponsorship for Jabil Charity Golf Tournament 2018
18	Nobel Laureate Talk & Dinner 2018
19	Kong Min School Old Pupils' Association 2018
20	Sponsorship for Big Data Summit 2: HPC & AI Empowering Data Analytics
21	Contribution MCT Night 2018
22	Sponsorship for deTECH Conference 2018
23	Sponsorship for Spark Academy 2018
24	Donation to Tzu Chi for 1013 Charity Event 2018
25	Sponsorship for 30th Anniversary Fund-Raising Event 2018
26	Sponsorship for UTM Robocon Team to ABU ROBOCON 2018
27	Sponsorship for 1st International Conference in recent advances in Industrial Engineering and Manufacturing (ICRAIEM 2018)

This statement was made in accordance with a resolution of the Board dated 12 April 2019.

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 2018 ("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 the financial year 2018 ("FYE2018").

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.

Board of Directors

Audit Committee
Nominating Committee
Remuneration Committee
Risk Management Committee
ESOS Committee

CEO

Executive Committee
Top Management
Master Mind Team
V-care Management

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 26 February 2019, the NC conducted an assessment of the effectiveness of the Board, respective Board Committee and Independence ("the Assessment") in respect of FYE2018. 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").

During the year, the NC had discussed on recruitment exercise to achieve the right size with the right diversity. Therefore, the women representation on the Board of ViTrox increased from 14% to 25%.

Based on the review of the Board composition in FYE2018, the Board agreed to maintain the right Board size at 8 as this size would enable effective oversight and delegation of responsibilities by the Board.

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

**Individual directors may fall into one or more categories*

Age	Composition
40-49	4
50-59	2
>60	2

Gender	Composition
Male	6
Female	2

Race / Ethnicity	Composition
Bumiputra	1
Chinese	7
Foreign	0

Tenure	Composition
< 1 year	1
7-9 years	1
9-11 years	0
>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 14th AGM of the Company held on 24 May 2018.

In February 2019, 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 15th 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 FYE2018.

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.

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 FYE2018, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (cont'd)

2. Conduct of General Meetings

ViTrox's AGM is an important means of communicating with its shareholders. At the 14th AGM of the Company held on 24 May 2018, 7 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 14th 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 14th AGM was conducted by way of manual 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 12 April 2019.

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 FYE2018.

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 FYE2018 is as follows:-

Member	No. of Meetings Held	No. of Meetings Attended
Chuah Poay Ngee	5	4
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 FYE2018 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 FYE2018 and the annual audited financial statements of FYE2018 at its meeting on 26 February 2019 and 28 March 2019 respectively.

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 FYE2018, 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 26 April 2018, 26 July 2018 and 25 October 2018 respectively. On 26 February 2019, the Committee reviewed the quarterly financial statements for the fourth quarter of FYE2018. 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 26 April 2018, 26 July 2018, 25 October 2018 and 26 February 2019, 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 FYE2018.

2. External Audit

The Committee has on 22 February 2018, 29 March 2018, 25 October 2018, 26 February 2019 and 28 March 2019 respectively met with the External Auditors without the presence of the Executive Members.

On 22 February 2018, the External Auditors tabled the Audit Review Memorandum FYE2017 for the Committee's information and discussion, inter alia, updating the status of audit progress for FYE2017 and also, some pending information/documents in relation thereto. The Committee also noted the Key audit matters identified by the External Auditors, to be presented in its Independent Auditors' Report. There were no critical areas of concern raised by the External Auditors.

During the Meeting on 29 March 2018, the External Auditors tabled the draft audited Financial Statement FYE2017 for discussion. Besides, the Committee took note on the impact of the MFRS 9 Financial Instruments in the preparation and presentation of the financial statements effective from 1 January 2018. The Committee also noted the classification between property, plant & equipment and investment properties in financial statements. During the Meeting, External Auditors were requested by the Committee to furnish profile of the audit team, fraud risk and other audit matters communicated to Management but not the Board.

On 25 October 2018, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for financial year ending 2018, more particularly outlined the nature and scope of audit, audit timetable, list of management communication term and audit engagement team to the Audit Committee. The Committee noted the new accounting standards as highlighted by the External Auditors which would bring fundamental change in the preparation and presentation of financial statements to the Group especially MFRS 9 Financial Instruments and MFRS 15 Revenue From Contracts with Customers.

AUDIT COMMITTEE REPORT

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

2. External Audit (cont'd)

At the Meeting held on 26 February 2019, the External Auditors tabled and the Committee reviewed the Audit Review Memorandum of the Group for FYE2018. 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 FYE2018 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 FYE2018 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 FYE2018;
- highly satisfied that the quality processes/performance of External Auditors;
- able to give adequate technical support when audit issue arises;
- 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 26 July 2018 and 25 October 2018 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 FYE2018, Internal Auditors have conducted review on internal control for the following areas:-

Audit Areas		Reporting Date
1.	General Safety and Security	26 July 2018
2.	Management of Information Systems	26 July 2018
3.	Procure to Pay	25 October 2018
4.	Sales to Receipt	25 October 2018

The Audit Committee reviewed the Statement on Risk Management and Internal Control in respect of FYE2018 on 28 March 2019 for publication in the Annual Report 2018. Information pertaining to the Company's internal controls is shown in the Statement on Internal Control and Risk Management set out on page 67 to 71 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 2018, 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 notation.

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 FYE2018, the covered audit area are General Safety and Security, Management of Information Systems, Procure to Pay and Sales to Receipt.

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 FYE2018 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 FYE2018, the RMC has continuously monitored the top 5 operational risks and top 5 non-operational risks respectively, which were identified in FYE2017. 2 of the operational risks were continuously audited by IA and recommendations by IA were executed by the Company. 1 of the operational risk was mitigated by internal operation enhancement. The remaining 2 operational risks will be covered by the IA in 2019. For non-operational risks, 3 of the non-operational risks were continuously mitigated by internal process enhancement. 1 of the non-operational risk was audited by IA and recommendations by IA were executed by the Company. The remaining 1 non-operational risk will be discussed further in the coming meeting among RMC and AC.

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)

Being successfully certified as an ISO 9001:2015 organization on 1 May 2018, 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.

Towards the end of FYE2018, 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 2019.

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 FYE2018, 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.

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)

9. Conduct of Employees (cont'd)

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

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 2018 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 issued by Bursa Securities Malaysia Berhad 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 12 April 2019.

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 FYE2018 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	9,500
Subsidiaries	77,500	18,000
Total	117,500	27,500

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

Recurrent Related Party Transactions of a Revenue or Trading Nature

The Company does not have any recurrent related party transactions of revenue or trading nature during the financial year.

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 FYE2018, the total number of ESOS exercised, lapsed and outstanding are set out below:-

Category	Number of ESOS options as at 31 December 2018			
	Balance 1 January 2018	Exercised	Lapsed	Balance 31 December 2018
Directors	600,000	-	-	600,000
Employees	1,786,700	(393,100)	(115,000)	1,278,600
Total	2,386,700	(393,100)	(115,000)	1,878,600

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 FYE2018:-

	Number of ESOS Options			
	Balance 1 January 2018	**Granted**	**Exercised**	**Balance 31 December 2018**
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 2018 or entered into since the end of the previous financial year.

FINANCIAL REPORT
CONTENTS

76
Directors' Report

81
Statement by Directors

81
Statutory Declaration

82
Independent Auditors' Report

86
Consolidated Statement of Financial Position

87
Consolidated Statement of Comprehensive Income

88
Consolidated Statement of Changes in Equity

90
Consolidated Statement of Cash Flows

92
Statement of Financial Position

93
Statement of Comprehensive Income

94
Statement of Changes in Equity

95
Statement of Cash Flows

96
Notes to the Financial Statements

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 2018. 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 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	105,484	23,165

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 2017:-	
- Interim tax exempt dividend of 1.5 sen per share, paid in January 2018	7,052
- Final tax exempt dividend of 3 sen per share, paid in July 2018	14,105
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
	29,392

The directors have proposed a final tax exempt dividend of 4 sen per share in respect of the financial year ended 31 December 2018, 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 393,100 new ordinary shares pursuant to the Employees' Share Option Scheme ("ESOS") as follows:-

Number of shares	Exercise price RM	Cash consideration RM'000
14,800	0.81	12
52,300	1.01	53
326,000	2.79	909
393,100		974

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:-

		Exercise	Number of options over ordinary shares				
		price	Balance at				Balance at
Date of offer	Date of expiration	RM	1.1.2018	Granted	Exercised	Forfeited	31.12.2018
15 May 2014	1 March 2024	0.81	386,800	0	(14,800)	0	372,000
20 October 2014	1 March 2024	1.01	439,900	0	(52,300)	0	387,600
16 May 2017	1 March 2024	2.79	1,560,000	0	(326,000)	(115,000)	1,119,000
			2,386,700	0	(393,100)	(115,000)	1,878,600

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 (appointed on 1.4.2018)

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:-

	Number of Ordinary Shares			
Name of Director	**Balance at 1.1.2018/#**	**Bought**	**(Sold)**	**Balance at 31.12.2018**
Dato' Seri Dr. Kiew Kwong Sen				
- Direct	8,183,800	0	0	8,183,800
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani				
- Direct	1,922,000	0	(45,000)	1,877,000
Chu Jenn Weng				
- Direct	127,218,434	0	(240,100)	126,978,334
- Indirect*	1,228,198	0	0	1,228,198
Siaw Kok Tong				
- Direct	91,157,228	0	(1,034,200)	90,123,028
Yeoh Shih Hoong				
- Direct	48,818,464	0	(432,000)	48,386,464
- Indirect*	362,096	0	0	362,096
Chuah Poay Ngee				
- Direct	430,000	12,000	0	442,000
Chang Mun Kee				
- Direct	300	0	0	300
- Indirect**	12,734,298	0	0	12,734,298
Mary Yeo Chew Yen				
- Direct	#6,600	0	0	6,600
- Indirect*	#0	19,000	0	19,000

	Number of Options Over Ordinary Shares			
Name of Director	**Balance at 1.1.2018/#**	**Granted**	**Exercised**	**Balance at 31.12.2018**
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*

\# *Date of appointment*

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 20 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 (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 22 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 28 MARCH 2019

Chu Jenn Weng

Siaw Kok Tong

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 86 to 130 give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 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 28 MARCH 2019

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 86 to 130 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 above-named Chu Jenn Weng at George Town in the State of Penang on this 28 March 2019

Chu Jenn Weng

Before me

Mok Cheng Yoon , PJK
No. P140
Commissioner for 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 2018 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 86 to 130.

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 2018, 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.

Key audit matter	*How our audit addressed the key audit matter*

<u>Valuation of inventories (Refer to Notes 3 and 10 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.
	Our audit procedures included, among others:-
	• Obtaining an understanding of:-
	    • 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)

Key audit matter	*How our audit addressed the key audit matter*

Impairment of receivables (Refer to Notes 3 and 11 to the financial statements)
 	
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.
	Our audit procedures included, among others:-
	• Obtaining an understanding of:-
	  • 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 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 directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF VITROX CORPORATION BERHAD

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.

- 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF VITROX CORPORATION BERHAD

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

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 we have not acted as auditors of a subsidiary, ViTrox Technologies (Suzhou) Co., Ltd.

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
LLP0018817-LCA & AF 1018
Chartered Accountants

Eddy Chan Wai Hun
02182/10/2019 J
Chartered Accountant

Date: 28 March 2019

Penang

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Non-current assets			
Property, plant and equipment	4	**155,144**	132,929
Investment properties	5	**600**	600
Development expenditure	6	**658**	1,376
Investment in associate	8	**3,047**	1,012
Investments in club memberships, at cost		**91**	91
Deferred tax assets	9	**487**	164
		160,027	136,172
Current assets			
Inventories	10	**103,696**	71,784
Receivables	11	**156,687**	124,028
Derivatives	12	**117**	1,046
Prepayments		**5,360**	3,192
Current tax assets		**1,485**	1,542
Cash and cash equivalents	13	**148,733**	150,572
		416,078	352,164
Current liabilities			
Payables	14	**83,894**	83,377
Dividend payable		**8,235**	7,052
Term loans - secured	15	**3,145**	3,483
Contract liabilities	16	**8,352**	3,269
Current tax liabilities		**1,268**	458
		104,894	97,639
Net current assets		**311,184**	254,525
Non-current liabilities	9	**1,579**	750
Deferred tax liabilities	15	**53,089**	55,021
Term loans - secured	17	**3,038**	4,686
Deferred income on government grants		**57,706**	60,457
Net assets		**413,505**	330,240
Equity			
Share capital	18	**50,637**	49,275
Capital reserve		**489**	277
Share option reserve		**929**	745
Currency translation reserve		**(222)**	(8)
Retained profits		**361,672**	279,951
Total equity		**413,505**	330,240

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	**2018 RM'000**	2017 RM'000
Revenue	19	**394,684**	327,488
Interest income		**4,009**	2,590
Other income		**3,271**	7,607
Amortisation of development expenditure		**(718)**	(769)
Changes in work-in-progress and finished goods		**22,693**	6,251
Depreciation of property, plant and equipment		**(6,811)**	(5,930)
Employee benefits expense	20	**(68,495)**	(59,508)
Impairment losses on financial assets	21	**(255)**	0
Raw materials consumed		**(155,181)**	(111,684)
Finance costs		**(1,054)**	(42)
Other expenses		**(78,978)**	(79,463)
Share of associate's loss		**(65)**	(38)
Profit before tax	22	**113,100**	86,502
Tax expense		**(7,616)**	(3,483)
Profit for the financial year		**105,484**	83,019
Other comprehensive income:-			
Item that may be reclassified subsequently to profit or loss:-			
Currency translation differences for foreign operation		**(214)**	(65)
Other comprehensive income for the financial year		**(214)**	(65)
Comprehensive income for the financial year		**105,270**	82,954
Earnings per share:-	24		
- Basic (sen)		**22.43**	17.67
- Diluted (sen)		**22.36**	17.63

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Non-distributable					Distributable	
	Share capital RM'000	Share premium RM'000	Capital reserve* RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000	Total equity RM'000
Balance at 1 January 2017	23,435	11,062	0	1,207	57	226,101	261,862
Profit for the financial year	0	0	0	0	0	83,019	83,019
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	0	(65)	0	(65)
Comprehensive income for the financial year	0	0	0	0	(65)	83,019	82,954
Share-based payments	0	0	0	527	0	0	527
Issue of shares pursuant to Employees' Share Option Scheme	1,071	1,360	0	(989)	0	0	1,442
Bonus issue	23,505	(11,062)	0	0	0	(12,443)	0
Share issue transaction costs	(96)	0	0	0	0	0	(96)
Dividends (Note 25)	0	0	0	0	0	(16,449)	(16,449)
Total transactions with owners	24,480	(9,702)	0	(462)	0	(28,892)	(14,576)
Transfer of share premium	1,360	(1,360)	0	0	0	0	0
Transfer to capital reserve	0	0	277	0	0	(277)	0
Balance at 31 December 2017	49,275	0	277	745	(8)	279,951	330,240

* *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 2018

		Non-distributable				Distributable	
	Share capital RM'000	Share premium RM'000	Capital reserve* RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000	Total equity RM'000
Balance at 1 January 2018							
- Brought forward from preceding year	49,275	0	277	745	(8)	279,951	330,240
- Changes in accounting policies (Note 2.2)	0	0	0	0	0	(1,211)	(1,211)
- Adjusted	49,275	0	277	745	(8)	278,740	329,029
Profit for the financial year	0	0	0	0	0	105,484	105,484
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	0	(214)	0	(214)
Comprehensive income for the financial year	0	0	0	0	(214)	105,484	105,270
Share-based payments	0	0	0	572	0	0	572
Issue of shares pursuant to Employees' Share Option Scheme	1,362	0	0	(388)	0	0	974
Dividends (Note 25)	0	0	0	0	0	(22,340)	(22,340)
Total transactions with owners	1,362	0	0	184	0	(22,340)	(20,794)
Transfer to capital reserve	0	0	212	0	0	(212)	0
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 CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Cash flows from operating activities			
Profit before tax		**113,100**	86,502
Adjustments for:-			
Amortisation and depreciation		**7,529**	6,699
Amortisation of deferred income		**(1,648)**	(2,255)
Fair value gains on financial instruments		**(117)**	(1,046)
Gain on disposal of property, plant and equipment		**(306)**	0
Impairment losses on financial assets		**255**	0
Interest expense		**1,054**	42
Interest income		**(4,009)**	(2,590)
Inventories written down		**5,018**	3,430
Property, plant and equipment written off		**1**	0
Reversal of inventories written down		**(3,430)**	(2,975)
Share of associate's loss		**65**	38
Share-based payments		**572**	527
Unrealised loss/(gain) on foreign exchange		**600**	(1,577)
Operating profit before working capital changes		**118,684**	86,795
Changes in:-			
Inventories		**(33,500)**	(7,093)
Receivables		**(36,272)**	(25,770)
Derivatives		**1,046**	(3,021)
Prepayments		**(2,168)**	(1,588)
Payables		**671**	18,103
Contract liabilities		**5,094**	955
Cash generated from operations		**53,555**	68,381
Tax paid		**(6,299)**	(3,956)
Tax refunded		**56**	2,339
Net cash from operating activities		**47,312**	66,764
Cash flows from investing activities			
Acquisition of associate		**0**	(1,050)
Grants received		**2,521**	2,830
Interest received		**3,992**	2,505
Proceeds from disposal of property, plant and equipment		**306**	0
Purchase of property, plant and equipment		**(28,124)**	(46,534)
Subscription for shares in associate		**(2,100)**	0
Net cash used in investing activities		**(23,405)**	(42,249)

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

CONSOLIDATED STATEMENT OF OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	**2018 RM'000**	2017 RM'000
Cash flows from financing activities			
Dividends paid		**(21,157)**	(15,256)
Drawdown of term loans	**26**	**0**	35,299
Interest paid		**(1,908)**	(1,056)
Issue of shares		**974**	1,442
Repayment of term loans	**26**	**(3,216)**	(4,103)
Share issue transaction costs paid		**0**	(96)
Withdrawal of term deposits pledged as security		**0**	29
Net cash (used in)/from financing activities		**(25,307)**	16,259
Currency translation differences		**(439)**	(279)
Net (decrease)/increase in cash and cash equivalents		**(1,839)**	40,495
Cash and cash equivalents brought forward		**150,572**	110,077
Cash and cash equivalents carried forward	**13**	**148,733**	150,572

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Non-current assets			
Property, plant and equipment	4	**3**	220
Development expenditure	6	**658**	1,376
Investments in subsidiaries	7	**10,553**	10,201
Investment in associate	8	**3,150**	1,050
		14,364	12,847
Current assets			
Receivables	11	**18,611**	30,982
Prepayments		**83**	39
Current tax assets		**25**	28
Cash and cash equivalents	13	**58,979**	44,054
		77,698	75,103
Current liabilities			
Payables	14	**10,170**	9,248
Dividend payable		**8,235**	7,052
		18,405	16,300
Net current assets		**59,293**	58,803
Non-current liabilities			
Deferred income on government grants	17	**237**	601
Net assets		**73,420**	71,049
Equity			
Share capital	18	**50,637**	49,275
Share option reserve		**929**	745
Retained profits		**21,854**	21,029
Total equity		**73,420**	71,049

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Revenue	19	43,450	39,807
Interest income		1,805	260
Other income		373	488
Amortisation of development expenditure		(718)	(718)
Depreciation of property, plant and equipment		(217)	(417)
Employee benefits expense	20	(19,956)	(18,571)
Other expenses		(1,569)	(1,668)
Profit before tax	22	23,168	19,181
Tax expense	23	(3)	(8)
Profit for the financial year		23,165	19,173
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		23,165	19,173

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Non-distributable		Distributable	
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Retained profits RM'000	Total equity RM'000
Balance at 1 January 2017	23,435	11,062	1,207	30,748	66,452
Profit (representing comprehensive income) for the financial year	0	0	0	19,173	19,173
Share-based payments	0	0	527	0	527
Issue of shares pursuant to Employees' Share Option Scheme	1,071	1,360	(989)	0	1,442
Bonus issue	23,505	(11,062)	0	(12,443)	0
Share issue transaction costs	(96)	0	0	0	(96)
Dividends (Note 25)	0	0	0	(16,449)	(16,449)
Total transactions with owners	24,480	(9,702)	(462)	(28,892)	(14,576)
Transfer of share premium	1,360	(1,360)	0	0	0
Balance at 31 December 2017	49,275	0	745	21,029	71,049
Profit (representing comprehensive income) for the financial year	0	0	0	23,165	23,165
Share-based payments	0	0	572	0	572
Issue of shares pursuant to Employees' Share Option Scheme	1,362	0	(388)	0	974
Dividends (Note 25)	0	0	0	(22,340)	(22,340)
Total transactions with owners	1,362	0	184	(22,340)	(20,794)
Balance at 31 December 2018	50,637	0	929	21,854	73,420

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Cash flows from operating activities			
Profit before tax		**23,168**	19,181
Adjustments for:-			
Amortisation and depreciation		**935**	1,135
Amortisation of deferred income		**(364)**	(464)
Dividend income		**(25,000)**	(20,000)
Interest income		**(1,805)**	(260)
Share-based payments		**220**	203
Operating loss before working capital changes		**(2,846)**	(205)
Changes in:-			
Receivables		**12,371**	33,809
Prepayments		**(44)**	45
Payables		**922**	70
Cash generated from operations		**10,403**	33,719
Tax paid		**(17)**	(20)
Tax refunded		**17**	28
Net cash from operating activities		**10,403**	33,727
Cash flows from investing activities			
Acquisition of associate		**0**	(1,050)
Dividends received		**25,000**	20,000
Interest received		**1,805**	260
Purchase of property, plant and equipment		**0**	(4)
Subscription for shares in associate		**(2,100)**	0
Net cash from investing activities		**24,705**	19,206
Cash flows from financing activities			
Dividends paid		**(21,157)**	(15,256)
Issue of shares		**974**	1,442
Share issue transaction costs paid		**0**	(96)
Net cash used in financing activities		**(20,183)**	(13,910)
Net increase in cash and cash equivalents		**14,925**	39,023
Cash and cash equivalents brought forward		**44,054**	5,031
Cash and cash equivalents carried forward	13	**58,979**	44,054

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 7.

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 86 to 91 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 92 to 95 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 by the Board of Directors in accordance with a resolution of the directors dated 28 March 2019.

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 9 *Financial Instruments*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	1 January 2018
Amendments to MFRS 15 *Clarifications to MFRS 15* Revenue from Contracts with Customers	1 January 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

MFRS	**Effective for annual periods beginning on or after**
Amendments to MFRS 128 *Investments in Associates and Joint Ventures* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018

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

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 16 *Leases*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3 *Previously Held Interest in a Joint Operation* (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred
Amendments to MFRS 11 *Previously Held Interest in a Joint Operation* (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
Amendments to MFRS 112 *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123 *Borrowing Costs Eligible for Capitalisation* (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

MFRS 16 *Leases*

MFRS 16, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. 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 will apply the new requirements of MFRS 16 from 1 January 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.

2.2 Changes in accounting policies

The initial application of MFRS 9 *Financial Instruments* has resulted in certain changes in accounting policies for financial instruments. The Group has elected to apply the new requirements of MFRS 9 from 1 January 2018 with the following cumulative effects of initial application recognised at that date without restating the comparative information:-

	Brought forward from preceding year RM'000	**Changes in accounting policies RM'000**	**Adjusted RM'000**
Consolidated statement of financial position as at 1 January 2018 (extract)			
Receivables	124,028	(1,211)	122,817
Retained profits	279,951	(1,211)	278,740
Total equity	330,240	(1,211)	329,029

Prior to 1 January 2018, impairment losses on receivables were recognised when there was objective evidence of impairment in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*. Upon application of MFRS 9, expected credit losses are recognised for receivables using reasonable and supportable historical and forward-looking information even before a loss event occurs. Accordingly, the additional loss allowance as at 1 January 2018 has been adjusted to receivables and retained profits.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of consolidation (cont'd)

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 2.10. 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.

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 2.10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Property, plant and equipment (cont'd)

Capital work-in-progress is not depreciated. Leasehold land is 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, being a property held to earn rentals and/or for capital appreciation, 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.

2.6 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 2.10. 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.

2.7 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 2.10.

2.8 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Investment in associate (cont'd)

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 2.10.

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 2.10.

2.9 Investments in club memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.10.

2.10 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.

2.11 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.

2.12 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 2.13. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 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 2.18). 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Financial assets (cont'd)

Impairment (cont'd)

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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 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.

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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 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.

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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 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.

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

2.19 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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 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.

2.21 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"). The Group's foreign subsidiary 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.

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.

2.22 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.

2.23 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Income taxes (cont'd)

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.

2.24 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.

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 10).

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 11).

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 2017	2,691	28,094	23,876	100	738	54,699	110,198
Additions	0	0	6,874	160	12	39,488	46,534
Borrowing costs capitalised	0	0	0	0	0	1,083	1,083
Write-offs	0	0	(7)	0	0	0	(7)
Currency translation differences	0	0	(7)	0	0	0	(7)
Balance at 31 December 2017	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
Accumulated depreciation							
Balance at 1 January 2017	490	3,455	14,346	99	562	0	18,952
Depreciation	45	564	5,163	40	118	0	5,930
Write-offs	0	0	(7)	0	0	0	(7)
Currency translation differences	0	0	(3)	0	0	0	(3)
Balance at 31 December 2017	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
Carrying amount							
Balance at 1 January 2017	2,201	24,639	9,530	1	176	54,699	91,246
Balance at 31 December 2017	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

	Group	
	2018	2017
	RM'000	RM'000
Leasehold land	**37,224**	2,156
Buildings	**106,961**	24,075
Capital work-in-progress	**0**	94,982
	144,185	121,213

Company

	Furniture, fittings and equipment RM'000	**Renovation RM'000**	**Total RM'000**
Cost			
Balance at 1 January 2017	3,088	86	3,174
Additions	4	0	4
Write-offs	(7)	0	(7)
Balance at 31 December 2017/31 December 2018	3,085	86	3,171
Accumulated depreciation			
Balance at 1 January 2017	2,455	86	2,541
Depreciation	417	0	417
Write-offs	(7)	0	(7)
Balance at 31 December 2017	2,865	86	2,951
Depreciation	217	0	217
Balance at 31 December 2018	3,082	86	3,168
Carrying amount			
Balance at 1 January 2017	633	0	633
Balance at 31 December 2017	220	0	220
Balance at 31 December 2018	3	0	3

5. INVESTMENT PROPERTIES

Group

	Shoplots RM'000
Fair value	
Balance at 1 January 2017/31 December 2017/31 December 2018	600

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 strata titles of the investment properties have yet to be issued by the relevant authorities.

6. DEVELOPMENT EXPENDITURE

	Group RM'000	Company RM'000
Cost		
Balance at 1 January 2017	7,533	2,872
Write-offs	(693)	0
Balance at 31 December 2017	6,840	2,872
Write-offs	(3,968)	0
Balance at 31 December 2018	2,872	2,872
Accumulated amortisation		
Balance at 1 January 2017	5,388	778
Amortisation	769	718
Write-offs	(693)	0
Balance at 31 December 2017	5,464	1,496
Amortisation	718	718
Write-offs	(3,968)	0
Balance at 31 December 2018	2,214	2,214
Carrying amount		
Balance at 1 January 2017	2,145	2,094
Balance at 31 December 2017	1,376	1,376
Balance at 31 December 2018	658	658

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INVESTMENTS IN SUBSIDIARIES

Company

	2018 RM'000	2017 RM'000
Unquoted shares, at cost	**9,042**	9,042
Employees' share options granted to subsidiaries	**2,011**	1,659
Impairment loss	**(500)**	(500)
	10,553	10,201

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest 2018	Effective ownership interest 2017	Principal activity
ViTrox Technologies Sdn. Bhd.	Malaysia	100%	100%	Design, development and production of automated vision inspection system and digital automated vision inspection equipment and modules
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.	China	*100%	*100%	As sales and support office

* *Interest held through ViTrox International Sdn. Bhd.*

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Unquoted shares, at cost	**3,150**	1,050	**3,150**	1,050
Share of post-acquisition changes in net assets	**(103)**	(38)	**0**	0
	3,047	1,012	**3,150**	1,050

8. INVESTMENT IN ASSOCIATE (cont'd)

The details of the associate are as follows:-

Name of associate	Principal place of business/ Country of incorporation	Effective ownership interest 2018	Effective ownership interest 2017	Principal activity
Penang Automation Cluster Sdn. Bhd.	Malaysia	35%	35%	Yet to commence operations

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

	2018 RM'000	2017 RM'000
Non-current assets	**11,097**	0
Current assets	**1,298**	2,891
Current liabilities	**(3,698)**	(8)
Net assets	**8,697**	2,883
Loss (representing comprehensive income)	**(186)**	(111)

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

	Group 2018 RM'000	Group 2017 RM'000
Net assets	**8,697**	2,883
Effective ownership interest	**35%**	35%
Share of net assets	**3,044**	1,009
Goodwill	**3**	3
Carrying amount	**3,047**	1,012

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Group

	2018 RM'000	2017 RM'000
Balance at 1 January	**(586)**	(632)
Deferred tax (expense)/income relating to origination and reversal of temporary differences	**(834)**	49
Deferred tax income relating to change in tax rate	**347**	0
Deferred tax assets over recognised in prior year	**(19)**	(3)
Balance at 31 December	**(1,092)**	(586)
Disclosed as:-		
- Deferred tax assets	**487**	164
- Deferred tax liabilities	**(1,579)**	(750)
	(1,092)	(586)
In respect of (taxable)/deductible temporary differences of:-		
- Property, plant and equipment	**(1,552)**	(726)
- Investment properties	**(17)**	(9)
- Inventories	**34**	37
- Financial instruments	**443**	112
	(1,092)	(586)

10. INVENTORIES

Group

	2018 RM'000	2017 RM'000
Raw materials	**35,486**	26,267
Work-in-progress	**38,458**	27,610
Finished goods	**29,752**	17,907
	103,696	71,784

11. RECEIVABLES

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables:-				
- Subsidiary	**0**	0	**18,450**	20,996
- Unrelated parties	**152,077**	114,250	**0**	0
	152,077	114,250	**18,450**	20,996
- Loss allowance	**(1,466)**	0	**0**	0
	150,611	114,250	**18,450**	20,996
Grants receivable	**0**	3,505	**0**	0
Other receivables	**6,076**	6,273	**1**	1
Amount due from subsidiary	**0**	0	**160**	9,985
	156,687	124,028	**18,611**	30,982

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2018, the Group did not have any major credit risk concentration relating to any individual customer or counterparty. The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Malaysia	**29,988**	22,649	**18,450**	20,996
China	**62,882**	36,589	**0**	0
United States of America	**14,864**	12,401	**0**	0
Philippines	**14,080**	15,422	**0**	0
Others	**30,263**	27,189	**0**	0
	152,077	114,250	**18,450**	20,996

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	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Not past due	87,659	81,276	18,450	20,996
1 to 30 days past due	23,488	15,372	0	0
31 to 60 days past due	20,921	7,251	0	0
61 to 90 days past due	6,203	4,699	0	0
More than 90 days past due	13,806	5,652	0	0
	152,077	114,250	18,450	20,996

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. RECEIVABLES (cont'd)

Trade receivables (cont'd)

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
As at 1 January 2018						
Gross carrying amount	81,276	15,372	7,251	4,699	5,652	114,250
Average credit loss rate	0.64%	0.66%	1.90%	3.53%	5.01%	1.06%
Loss allowance	522	102	138	166	283	1,211
As at 31 December 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 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.

The changes in the loss allowance are as follows:-

	Group	
	2018 RM'000	2017 RM'000
Balance at 1 January		
- Brought forward from preceding year under MFRS 139	**0**	0
- Effect of applying MFRS 9	**1,211**	0
- Adjusted	**1,211**	0
Impairment losses	**255**	0
Balance at 31 December	**1,466**	0

Amount due from subsidiary

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

12. DERIVATIVES

Group

	2018 RM'000	2017 RM'000
Forward exchange contracts - at fair value	**117**	1,046

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2018, the Group had contracts with financial institutions due within 1 year to buy RM17,669,000 (2017 : RM40,138,000) and sell USD4,241,000 (2017 : USD9,595,000) 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).

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Highly liquid investments	**113,525**	80,346	**58,766**	43,333
Term deposits (fixed rate)	**12,019**	3,687	**0**	0
Cash and bank balances	**23,189**	66,539	**213**	721
	148,733	150,572	**58,979**	44,054

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 2018 ranged from 2.1% to 4.2% (2017 : 3.9%) per annum.

14. PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Trade payables	**30,627**	31,437	**0**	0
Other payables	**53,267**	51,940	**10,170**	9,248
	83,894	83,377	**10,170**	9,248

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. TERM LOANS - SECURED

Group

	2018 RM'000	2017 RM'000
Term loans (floating rate)	**56,234**	58,504
Disclosed as:-		
- Current liabilities	**3,145**	3,483
- Non-current liabilities	**53,089**	55,021
	56,234	58,504

Term loans are secured against the leasehold land and buildings (Note 4). The effective interest rate as at 31 December 2018 was 3.7% (2017 : 2.8% to 3.9%) per annum.

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

	2018 RM'000	2017 RM'000
Gross loan instalments:-		
- Within 1 year	**4,985**	4,945
- Later than 1 year and not later than 2 years	**8,418**	7,912
- Later than 2 years and not later than 5 years	**33,878**	32,675
- Later than 5 years	**16,854**	19,558
Total contractual undiscounted cash flows	**64,135**	65,090
Future finance charges	**(7,901)**	(6,586)
Present value of term loans:-		
- Within 1 year	**3,145**	3,483
- Later than 1 year and not later than 2 years	**6,533**	6,412
- Later than 2 years and not later than 5 years	**30,289**	29,729
- Later than 5 years	**16,267**	18,880
	56,234	58,504

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.

16. CONTRACT LIABILITIES

Group

	2018 RM'000	2017 RM'000
Balance at 1 January	**3,269**	2,314
Revenue recognised from opening contract liabilities	**(3,258)**	(2,314)
Excess of consideration over revenue recognised	**8,352**	3,269
Currency translation differences	**(11)**	0
Balance at 31 December	**8,352**	3,269

As disclosed in Note 2.18, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

17. DEFERRED INCOME ON GOVERNMENT GRANTS

	Group		**Company**	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Balance at 1 January	**4,686**	4,420	**601**	1,065
Grants related to property, plant and equipment	**0**	2,521	**0**	0
Amortisation	**(1,648)**	(2,255)	**(364)**	(464)
Balance at 31 December	**3,038**	4,686	**237**	601

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.

18. SHARE CAPITAL

	No. of ordinary shares '000	**RM'000**
Issued and fully paid		
Balance at 1 January 2017*	234,347	23,435
Issue of shares	767	1,071
Transfer from share premium upon abolition of par value	0	12,422
Bonus issue	235,046	12,443
Share issue transaction costs	0	(96)
Balance at 31 December 2017**	470,160	49,275
Issue of shares	393	1,362
Balance at 31 December 2018**	470,553	50,637

* Ordinary shares of RM0.10 each
** Ordinary shares with no par value

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. SHARE CAPITAL (cont'd)

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on 31 January 2017 shall have no par value. Accordingly, the amount standing to the credit of share premium has been transferred to share capital.

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:-

	Number 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 2017	1,159	1.92			
Granted	795	5.58			
Bonus issue	1,227				
Exercised	(767)	1.88	2.56		
Forfeited	(27)	3.93			
Outstanding at 31 December 2017	2,387	2.14		0.81 - 2.79	6.2 years
Exercisable at 31 December 2017	827	0.92			
Outstanding at 1 January 2018	2,387	2.14			
Exercised	(393)	2.48	6.30		
Forfeited	(115)	2.79			
Outstanding at 31 December 2018	1,879	2.03		0.81 - 2.79	5.2 years
Exercisable at 31 December 2018	878	1.16			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. SHARE CAPITAL (cont'd)

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.

19. REVENUE

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Revenue from contracts with customers:-				
- Sale of goods	**394,684**	327,488	**0**	0
- Rendering of services	**0**	0	**18,450**	19,807
	394,684	327,488	**18,450**	19,807
Other source of revenue:-				
- Dividend income	**0**	0	**25,000**	20,000
	394,684	327,488	**43,450**	39,807

Disaggregation of revenue from contracts with customers

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Geographical areas:-				
- Malaysia	**101,249**	81,729	**18,450**	19,807
- China	**128,636**	84,728	**0**	0
- Mexico	**37,380**	19,710	**0**	0
- United States of America	**36,186**	53,998	**0**	0
- Taiwan	**28,213**	22,344	**0**	0
- Philippines	**15,908**	24,030	**0**	0
- Others	**47,112**	40,949	**0**	0
	394,684	327,488	**18,450**	19,807

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. REVENUE (cont'd)

Information about other disaggregation of revenue has not been disclosed as the Group generates revenue principally from selling vision inspection equipment, whereas the Company derives revenue mainly from rendering technical support services to a subsidiary.

20. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Directors:-				
- Fees	**171**	144	**171**	144
- Other short-term employee benefits	**908**	881	**354**	347
- Defined contribution plans	**245**	240	**106**	103
	1,324	1,265	**631**	594
Other employees:-				
- Short-term employee benefits	**60,311**	52,253	**17,317**	16,170
- Defined contribution plans	**6,288**	5,463	**1,788**	1,604
- Share-based payments	**572**	527	**220**	203
	67,171	58,243	**19,325**	17,977
	68,495	59,508	**19,956**	18,571

21. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Group

	2018	2017
	RM'000	RM'000
Trade receivables from contracts with customers	**255**	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. PROFIT BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	**123**	89	**40**	30
- Prior year	**35**	19	**10**	12
Fee expense for financial instruments not measured at fair value through profit or loss	**148**	133	**1**	1
Interest expense for financial liabilities measured at amortised cost	**1,054**	42	**0**	0
Inventories written down	**5,018**	3,430	**0**	0
Loss on foreign exchange:-				
- Realised	**0**	7,470	**9**	1
- Unrealised	**600**	0	**0**	0
Property, plant and equipment written off	**1**	0	**0**	0
Rental expense	**257**	257	**0**	0
Research and development expenditure	**41,923**	36,662	**18,988**	17,204
and crediting:-				
Amortisation of deferred income	**1,648**	2,255	**364**	464
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	**583**	2,605	**0**	0
Gain on disposal of property, plant and equipment	**306**	0	**0**	0
Gain on foreign exchange:-				
- Realised	**725**	0	**0**	0
- Unrealised	**0**	1,577	**0**	0
Grants related to income:-				
- Current year	**0**	984	**0**	0
- Prior year	**55**	(1,375)	**0**	(8)
Interest income for financial assets measured at amortised cost	**4,009**	2,590	**1,805**	260
Reversal of inventories written down	**3,430**	2,975	**0**	0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. TAX EXPENSE

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Tax based on results for the year:-				
- Current tax	**6,467**	3,529	**4**	8
- Deferred tax	**487**	(49)	**0**	0
	6,954	3,480	**4**	8
Tax under/(over) provided in prior year:-				
- Current tax	**643**	0	**(1)**	0
- Deferred tax	**19**	3	**0**	0
	7,616	3,483	**3**	8

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	
	2018	2017	**2018**	2017
	%	%	**%**	%
Applicable tax rate	**24.00**	24.00	**24.00**	24.00
Non-deductible expenses	**2.28**	2.22	**1.37**	1.81
Non-taxable income	**(1.28)**	(3.03)	**(28.13)**	(25.88)
Pioneer income exempted	**(20.90)**	(22.39)	**0.00**	0.00
Effect of differential tax rates	**2.05**	3.22	**2.78**	0.11
Average effective tax rate	**6.15**	4.02	**0.02**	0.04

24. 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:-

	2018	2017
Profit for the financial year (RM'000)	**105,484**	83,019
Number of shares in issue as at 1 January ('000)	**470,160**	234,347
Effect of shares issued pursuant to ESOS ('000)	**175**	615
Effect of bonus issue ('000)	**0**	234,945
Weighted average number of shares for computing basic earnings per share ('000)	**470,335**	469,907
Number of shares under ESOS deemed to have been issued for no consideration ('000)	**1,436**	894
Weighted average number of shares for computing diluted earnings per share ('000)	**471,771**	470,801

24. EARNINGS PER SHARE (cont'd)

	2018	2017
Basic earnings per share (sen)	**22.43**	17.67
Diluted earnings per share (sen)	**22.36**	17.63

25. DIVIDENDS

Group and Company

	2018 RM'000	2017 RM'000
In respect of financial year ended 31 December 2016:-		
- Final tax exempt dividend of 4 sen per share	**0**	9,397
In respect of financial year ended 31 December 2017:-		
- Interim tax exempt dividend of 1.5 sen per share	**0**	7,052
- Final tax exempt dividend of 3 sen per share	**14,105**	0
In respect of financial year ended 31 December 2018:-		
- Interim tax exempt dividend of 1.75 sen per share	**8,235**	0
	22,340	16,449

The directors have proposed a final tax exempt dividend of 4 sen per share in respect of the financial year ended 31 December 2018, subject to the members' approval at the forthcoming Annual General Meeting.

26. NOTES TO STATEMENT OF CASH FLOWS

Group

Term loans

	2018 RM'000	2017 RM'000
Balance at 1 January	**58,504**	32,108
Drawdowns	**0**	35,299
Repayments	**(3,216)**	(4,103)
Currency translation differences	**899**	(4,870)
Other changes	**47**	70
Balance at 31 December (Note 15)	**56,234**	58,504

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Key management personnel compensation:-				
- Short-term employee benefits	**1,079**	1,025	**525**	491
- Defined contribution plans	**245**	240	**106**	103
	1,324	1,265	**631**	594
Dividends declared from subsidiaries	**0**	0	**25,000**	20,000
Granting of employees' share options to subsidiaries	**0**	0	**352**	324
Rendering of services to subsidiary	**0**	0	**18,450**	19,807
Subscription for shares in associate	**2,100**	0	**2,100**	0

28. 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	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Malaysia	**101,249**	81,729	**156,239**	134,598
China	**128,636**	84,728	**254**	398
Mexico	**37,380**	19,710	**0**	0
United States of America	**36,186**	53,998	**0**	0
Taiwan	**28,213**	22,344	**0**	0
Philippines	**15,908**	24,030	**0**	0
Others	**47,112**	40,949	**0**	0
	394,684	327,488	**156,493**	134,996

28. SEGMENT REPORTING (cont'd)

Major customers

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

	External revenue	
	2018	2017
	RM'000	RM'000
Group I*	**74,116**	43,340
Group II*	**43,268**	32,291

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

29. CONTRACTUAL COMMITMENTS

Group

	2018	2017
	RM'000	RM'000
Purchase of property, plant and equipment	**10,981**	27,888

30. 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 RM107,833,000 (2017 : RM125,519,000). The total utilisation of these credit facilities as at 31 December 2018 amounted to RM58,909,000 (2017 : RM82,185,000).

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 2.14. 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.

31. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. FINANCIAL RISK MANAGEMENT (cont'd)

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 30.

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 11. 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.

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 carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	Group Denominated in USD	
	2018	2017
	RM'000	RM'000
Receivables	**109,566**	80,075
Cash and cash equivalents	**22,643**	36,059
Payables	**19,693**	16,943
Term loans	**56,234**	58,504

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.

31. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

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 2018 RM'000	Increase/ (Decrease) in profit 2017 RM'000
Appreciation of USD against RM by 10%	**5,502**	3,921
Depreciation of USD against RM by 10%	**(5,502)**	(3,921)

Interest rate risk

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

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 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 2018 RM'000	Increase/ (Decrease) in profit 2017 RM'000
Increase in interest rates by 50 basis points	**(276)**	(2)
Decrease in interest rates by 50 basis points	**276**	2

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. 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 loans and borrowings 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 loans and borrowings divided by total equity as follows:-

	Group	
	2018	2017
	RM'000	RM'000
Total loans and borrowings	**56,234**	58,504
Total equity	**413,505**	330,240
Total capital	**469,739**	388,744
Debt-to-equity ratio	**14%**	18%

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

LIST OF PROPERTIES

No	Name of Registered Owner / Postal Address / 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 2018 RM	Year of Valuation / Acquisition
1.	**ViTrox Technologies Sdn. Bhd.** HSD 21704, Lot No. PT 5286, Mukim 12, Daerah Barat Daya, Pulau Pinang Bearing Postal Address No. 85A, Lintang Bayan Lepas 11, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang	12 years / 60 years lease expiring on December 26, 2066	ViTrox Innovation Centre	12,152 / 13,510	25,623,301	July 27, 2004 (Date of Acquisition)
2.	**ViTrox Technologies Sdn. Bhd.** HSD 47985, Lot No. PT 5920, Mukim 13, Seberang Perai Selatan, Pulau Pinang Bearing Postal Address No. 746, Persiaran Cassia Selatan 3, Taman Perindustrian Batu Kawan, 14110 Bandar Cassia, Penang	1 year / 60 years lease expiring on October 25, 2075	ViTrox Campus 2.0	89,999 / 41,613	118,562,254	December 9, 2014 (Date of Acquisition)
3.	**ViTrox Technologies Sdn. Bhd.** Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang Bearing Postal Address Level No. 04, Unit No. 20, Kristal Point II, Lebuh Bukit Kecil 6, 11900 Bayan Lepas, Penang	14 years / 99 years lease upon Sale & Purchase Agreement signed	Shoplot for investment purposes	- / 96	300,000	December 31, 2018 (Date of Valuation)
4.	**ViTrox Technologies Sdn. Bhd.** Lot 1241, Mukim 12, Daerah Barat Daya, Pulau Pinang Bearing Postal Address Level No. 04, Unit No. 21, Kristal Point II, Lebuh Bukit Kecil 6, 11900 Bayan Lepas, Penang	14 years / 99 years lease upon Sale & Purchase Agreement signed	Shoplot for investment purposes	- / 96	300,000	December 31, 2018 (Date of Valuation)

STATISTICS OF SHAREHOLDINGS
AS AT 29 MARCH 2019

SHARE CAPITAL

Total number of issued shares	: 470,582,200
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	24	801	0.00
100 – 1,000	1,148	608,998	0.13
1,001 – 10,000	1,005	4,121,093	0.88
10,001 – 100,000	434	14,216,601	3.02
100,001 – 23,529,109	209	188,202,015	39.99
23,529,110 and above	3	263,432,692	55.98
Total	**2,823**	**470,582,200**	**100.00**

THIRTY LARGEST SECURITIES HOLDERS

No.	Name	Shareholdings	%
1	Chu Jenn Weng	125,000,000	26.56
2	Siaw Kok Tong	90,046,228	19.14
3	Yeoh Shih Hoong	48,386,464	10.28
4	Affin Hwang Nominees (Asing) Sdn Bhd Qualifier: DBS Vickers Secs (S) Pte Ltd For Voyager Assets Limited	12,734,298	2.71
5	Tan Booi Charn	12,021,700	2.55
6	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: Exempt An For DBS Bank Ltd (SFS-PB)	9,500,000	2.02
7	Kiew Kwong Sen	8,183,800	1.74
8	Kumpulan Wang Persaraan (Diperbadankan)	6,144,600	1.31
9	Citigroup Nominees (Asing) Sdn Bhd Qualifier: Exempt An For Citibank New York (Norges Bank 14)	4,646,151	0.99
10	Tan Hong Soon	4,640,000	0.99
11	Wong Ting Lik	4,349,088	0.92
12	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Cheong Siew Chyuan (470322)	4,000,000	0.85
13	Wee Kah Khim	3,785,600	0.80
14	Amanahraya Trustees Berhad Qualifier: Public Islamic Select Treasures Fund	3,519,900	0.75
15	Chua Siew Kim	3,509,498	0.75
16	Lim Yee @ Lim Wei Yee	2,948,300	0.63
17	HSBC Nominees (Asing) Sdn Bhd Qualifier: TNTC For Barings Asean Frontiers Fund	2,279,400	0.48
18	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	2,274,600	0.48

STATISTICS OF SHAREHOLDINGS
AS AT 29 MARCH 2019

THIRTY LARGEST SECURITIES HOLDERS (cont'd)

No.	Name	Shareholdings	%
19	Su Sow Boay	2,192,977	0.47
20	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Deutsche Trustees Malaysia Berhad For Eastspring Investmentsdana Al-Ilham	2,171,300	0.46
21	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund	2,143,100	0.46
22	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd For Singular Asia Flexible Fund (5758-401)	2,011,500	0.43
23	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB For Chu Jenn Weng (PB)	1,978,334	0.42
24	Ahmad Fadzil Bin Mohamad Hani	1,877,000	0.40
25	Citigroup Nominees (Asing) Sdn Bhd Qualifier: Exempt An For Citibank New York (Norges Bank 1)	1,847,344	0.39
26	Amanahraya Trustees Berhad Qualifier: PMB Shariah Aggressive Fund	1,752,500	0.37
27	Wixtali Sdn. Bhd.	1,701,208	0.36
28	Cheong Siew Chyuan	1,610,000	0.34
29	Amanahraya Trustees Berhad Qualifier: Public Dividend Select Fund	1,604,200	0.34
30	Goh Thong Beng	1,600,000	0.34

SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	126,978,334	26.98	-	-
Siaw Kok Tong	90,123,028	19.15	-	-
Yeoh Shih Hoong	48,386,464	10.28	-	-

DIRECTORS' SHAREHOLDING

Name	Direct Shareholding	%	Indirect Shareholding	%
Chu Jenn Weng	126,978,334	26.98	-	-
Siaw Kok Tong	90,123,028	19.15	-	-
Yeoh Shih Hoong	48,386,464	10.28	-	-
Dato' Seri Dr. Kiew Kwong Sen	8,183,800	1.74	-	-
Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	1,877,000	0.40	-	-
Chuah Poay Ngee	442,000	0.09	-	-
Chang Mun Kee	300	-	12,734,298*	2.71
Mary Yeo Chew Yen	37,000	0.01		

* *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.*

SHARE BUY-BACK STATEMENT

1. Disclaimer Statement

This Share Buy-back Statement ("Statement") is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Statement prior its issuance, and hence, takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the content of the Statement.

2. Rationale for the Share Buy-Back by ViTrox Corporation Berhad ("ViTrox" or "the Company") of its Own Ordinary Shares ("Shares") of up to 10% of its total number of issued shares at any given point in time ("Proposed Share Buy-Back")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

a. To allow the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of the Shares and hence, enhance investors' confidence;

b. To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity; and

c. The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s).

As at 29 March 2019, the total number of issued shares of ViTrox was 470,582,200 Ordinary Shares and no treasury share was held by the Company.

Assuming the Employees' Share Option Scheme ("ESOS") of up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares), which was approved by the shareholders of ViTrox at the Extraordinary General Meeting held on 27 February 2014, will be exercised in full, the maximum number of ViTrox Shares which may be purchased by the Company will be ten percent (10%) of the enlarged total number of issued shares of the Company, i.e. 51,460,432 ViTrox Shares. Please refer Section 7(a) of this Statement for further details.

3. Retained Profits

Based on the audited financial statements of ViTrox as at 31 December 2018, the retained profits of the Company stood at RM21,854,273. The maximum fund to be allocated by the Company for the purpose of Proposed Share Buy-Back shall not exceed the retained profits of the Company.

4. Funding for the Proposed Share Buy-Back

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back as the Company has net cash and cash equivalent balance of approximately of RM58.98 million based on the audited financial statements of ViTrox as at 31 December 2018. The fund utilised by the Company for the Proposed Share Buy-Back will reduce the resources available to ViTrox for its operations by a corresponding amount for shares bought back.

SHARE BUY-BACK STATEMENT

5. Interests of Directors' and Major Shareholders' and Persons Connected to them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Major Shareholders of ViTrox nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of treasury shares.

Based on the Register of Directors and Register of Substantial Shareholders of ViTrox as at 29 March 2019 and assuming that ViTrox implements the Proposed Shares Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to them of ViTrox are as follows:-

	As at 29 March 2019[(a)]				After full exercise of ESOS and Proposed Share Buy-Back[(b)]			
	Direct	Direct	Indirect	Indirect	Direct[(c)]	Direct	Indirect[(c)]	Indirect
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors and Substantial Shareholders								
Chu Jenn Weng[1]	126,978,334	26.98	-	-	126,978,334	27.42	-	-
Siaw Kok Tong	90,123,028	19.15	-	-	90,123,028	19.46	-	-
Yeoh Shih Hoong[3]	48,386,464	10.28	-	-	48,386,464	10.45	-	-
Directors								
Dato' Seri Dr. Kiew Kwong Sen	8,183,800	1.74	-	-	8,183,800	1.77	-	-
Prof Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	1,877,000	0.40	-	-	1,877,000	0.41	-	-
Chuah Poay Ngee	442,000	0.09	-	-	442,000	0.10	-	-
Chang Mun Kee[2]	300	Negligible	12,734,298	2.71	300	Negligible	12,734,298	2.75
Mary Yeo Chew Yen[4]	37,000	0.01	-	-	37,000	0.01	-	-
Person Connected to Director/ Substantial Shareholder								
Su Pek Fuen[1]	1,228,198	0.26	-	-	1,228,198	0.27	-	-
Affin Hwang Nominees (Asing) Sdn Bhd – DBS Vickers (Secs (S)) Pte Ltd for Voyager Assets Limited [2]	12,734,298	2.71	-	-	12,734,298	2.75	-	-
Kam Su-Ning[3]	362,096	0.08	-	-	362,096	0.08	-	-
Lo Chih Ming[4]	19,000	Negligible	-	-	19,000	Negligible	-	-

Notes:-

(a) *Based on the total number of issued shares of 470,582,200 Ordinary Shares.*

(b) *Based on the total number of issued shares of 463,143,888 Ordinary Shares after the full exercise of ESOS and Proposed Share Buy-Back is carried out in full and all the shares purchased are held as treasury shares.*

(c) *The shareholdings do not include the number of new ViTrox Shares to be allotted to the Directors of the Company and person connected to them pursuant to the ESOS.*

1,3,4 *Being spouse to the Director/Substantial Shareholder.*

2 *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 are members of Mr Chang Mun Kee's family and himself.*

SHARE BUY-BACK STATEMENT

6. Potential Advantages and Disadvantages of the Proposed Share Buy-Back

6.1 Potential Advantages of the Proposed Share Buy-Back

The Potential Advantages of the Proposed Share Buy-Back are set out in Section 2 of this Statement.

6.2 Potential Disadvantages of the Proposed Share Buy-Back

a. The Proposed Share Buy-Back, if implemented, will reduce the financial resources of the Group and may result in the Group foregoing interest income and/or better investment opportunities that may emerge in the future; and

b. As the Proposed Share Buy-Back can only be made out of retained profits of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Proposed Share Buy-Back is not expected to have any potential material disadvantage to the shareholders of the Company as well as the Group as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on the shareholders of the Company.

7. Material Financial Effects of the Proposed Share Buy-Back

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets ("NTA"), working capital, earnings, dividends and the substantial shareholders' shareholdings in ViTrox (assuming that the Company purchases up to a maximum of 51,460,432 ViTrox Shares representing approximately ten percent (10%) of the enlarged total number of issued shares with the full exercised of ESOS) are set out below:-

a. Share Capital

The effect of the Proposed Share Buy-Back on the share capital of the Company as at 29 March 2019 are illustrated as follows:-

	No. of Shares
Issued and fully paid-up share capital as at 29 March 2019	470,582,200
Shares to be issued pursuant to the ESOS (assuming full exercise of the ESOS of up to 10% of the issued and paid-up share capital and net of 3,036,100 shares already issued pursuant to the ESOS as at 29 March 2019)	44,022,120
Enlarged issued and paid-up share capital	514,604,320
Assumed the Shares purchased and cancelled	(51,460,432)
Resultant issued and paid-up capital	463,143,888

Notes:-
No treasury share was held.

If the Shares so purchased are retained as treasury shares, the total number of issued shares of the Company will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

SHARE BUY-BACK STATEMENT

7. Material Financial Effects of the Proposed Share Buy-Back (cont'd)

b. Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group will depend on, inter alia, the purchase prices of the Shares, the number of Shares purchased, the effective funding cost to ViTrox to finance the purchase of Shares or any loss in interest income to the Group and the proposed treatment of the Purchased Shares.

Assuming the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Share Buy-Back will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice versa.

c. NTA

The effect of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase prices of the Shares, the number of Shares purchased and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share of the Group if the purchase price exceeds the consolidated NTA per Share at the time of the purchase, and vice versa.

In the event the treasury shares are resold on Bursa Securities, the consolidated NTA per Share will increase if the Company realizes a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the consolidated NTA per Share will decrease by the cost of the treasury shares.

d. Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital and cash flow of the Group, the quantum of which will depend on the purchase prices of the Shares, the number of Shares purchased and any associated costs incurred in making the purchase.

For the Purchased Shares which are kept as treasury shares, upon their resale, the working capital and the cash flow of the Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

e. Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

f. Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining total number of issued shares of ViTrox (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company’s dividend policy for the financial year ending 31 December 2019 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by ViTrox in the future would depend on, inter-alia, the profitability and cashflow position of the Group.

SHARE BUY-BACK STATEMENT

8. Implications of the Proposed Share Buy-Back relating to the Rules on Take-overs, Merger and Compulsory Acquisitions (the Rules)

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

9. Purchases, Resold, Transfer and Cancellation made by the Company of its own shares in the preceding 12 Months

There was no treasury share held and the Company had not purchased, resold, transfer or cancelled any shares in the preceding 12 months.

10. Public Shareholding Spread

As at 29 March 2019, the Record of Depositors of ViTrox showed that 180,210,682 Shares representing approximately 38.3% of the total number of issued shares were held by the public shareholders. In this regard, the Board undertakes that the Proposed Share Buy-Back will be conducted to the extent that the public shareholding spread of ViTrox shall not fall below 25% of the issued and paid-up share capital of the Company (excluding treasury shares) at all times in accordance with the laws and regulations prevailing at the time of the purchase as stipulated in Paragraphs 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements ("LR").

11. Proposed Intention of the Directors to deal with the Shares so Purchased

The Proposed Share Buy-Back, if exercised, the shares shall be dealt with in the following manner:-

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder.

12. Directors' Statement

The Board of Directors, having taken into consideration the rationale for the Proposed Share Buy-Back, is of the opinion that Proposed Share Buy-Back is in the best interest of the Company.

13. Directors' Recommendation

The Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM to give effect to the Proposed Share Buy-Back.

SHARE BUY-BACK STATEMENT

14. Historical Share Prices

The monthly highest and lowest market prices of ViTrox's Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:-

	High RM	Low RM
2018		
April	5.78	4.85
May	6.20	5.10
June	6.09	5.50
July	6.68	5.40
August	7.81	6.30
September	8.01	7.61
October	8.52	6.95
November	8.01	6.98
December	7.18	5.95
2019		
January	6.88	5.70
February	7.04	6.51
March	7.37	6.90

Last transacted market price as at 12 April 2019 (being the latest practical date prior to the printing of this Statement) was RM7.08.

(Source: Bloomberg)

15. Responsibility Statement

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

16. Documents available for Inspection

Copies of the following documents will be available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:-

(i) Memorandum and Articles of Association of ViTrox; and

(ii) The audited consolidated financial statements of ViTrox for the past two (2) financial years ended 31 December 2017 and 2018 respectively.

17. Further Information

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at the Auditorium of ViTrox Campus 2.0, 746, Persiaran Cassia Selatan 3, Batu Kawan Industrial Park, 14110 Bandar Cassia, Penang on Thursday, 23 May 2019 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2018 together with the reports of the Directors and Auditors thereon. *(Please refer to Note A)*

2. To declare a Final Dividend of 4.0 sen per share exempt from Income Tax for the year ended 31 December 2018. (Resolution 1)

3. To approve an increase of the Directors' Fee from RM180,000 to RM198,000 for the period from 1 June 2019 until the next Annual General Meeting (AGM) of the Company. (Resolution 2) *(Please refer to Note B)*

4. To re-elect the following directors retiring under the respective provision of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:-
   a) Siaw Kok Tong — Article 85 (Resolution 3)
   b) Chuah Poay Ngee — Article 85 (Resolution 4)
   c) Chang Mun Kee — Article 85 (Resolution 5)

5. To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM165,100 from 1 June 2019 until the next AGM of the Company. (Resolution 6)

6. To re-appoint Messrs. Crowe Malaysia PLT (formerly known as Crowe Horwath) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 7)

7. AS SPECIAL BUSINESSES

   To consider and if thought fit, to pass the following resolution:-

   ORDINARY RESOLUTIONS

   a) Continue in Office as an Independent Non-Executive Director(s)

      (i) "That authority be and is hereby given to Dato' Seri Dr. Kiew Kwong Sen to continue to serve as Independent Non-Executive Chairman of the Company." (Resolution 8)

      (ii) "That authority be and is hereby given to Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani to continue to serve as Independent Non-Executive Director of the Company." (Resolution 9)

      (iii) "That subject to the passing of Resolution 4, authority be and is hereby given to Chuah Poay Ngee to continue to serve as Independent Non-Executive Director of the Company." (Resolution 10)

      (iv) "That subject to the passing of Resolution 5, authority be and is hereby given to Chang Mun Kee to continue to serve as Independent Non-Executive Director of the Company upon expiry of his tenure of nine years as Independent Non-Executive Director on 24 June 2019." (Resolution 11)

   b) Authority to Issue Shares

      "That pursuant to Companies Act 2016 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities." (Resolution 12)

NOTICE OF ANNUAL GENERAL MEETING

7. AS SPECIAL BUSINESSES (cont'd)

   ORDINARY RESOLUTIONS (cont'd)

   c) Renewal of Authority to Purchase its own Shares (Resolution 13)

   "That subject to the Companies Act 2016, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

   (i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time;

   (ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 31 December 2018, the audited retained profits of the Company stood at RM21,854,273;

   (iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;

   (iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-

   - to cancel the shares so purchased; or
   - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
   - retain part of the shares so purchased as treasury shares and cancel the remainder.

   The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act 2016, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

   d) SPECIAL RESOLUTION

   Proposed Adoption of new Constitution of the Company (Resolution 14)

   "THAT approval be and is hereby given to alter or amend the whole of the existing M&A by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date : 23 April 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

B. *The existing RM180,000 Directors' Fee was calculated based on 12-month provision (RM3,000/month) with an additional Independent Non-Executive Director (INED) appointed on 1 April 2018. The proposed increase in Director's Fee is from RM3,000/month to RM3,300/month for each INED calculated based on 12-month provision.*

Proxy

1. *For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 13 May 2019. Only a depositor whose name appears on the Record of Depositors as at 13 May 2019 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.*

2. *A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

3. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*

5. *The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia by Tuesday, 21 May 2019 at 10.30 a.m. or at any adjournment thereof.*

Explanatory Note On Special Business:

1. Resolutions 8, 9, 10 and 11 – Continue in Office as Independent Non-Executive Director(s)

   Dato' Seri Dr. Kiew Kwong Sen, Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani and Ms. Chuah Poay Ngee have served the Board as an Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years.

   Mr. Chang Mun Kee has served on the Board since 25 June 2010. His term of office as an Independent Non-Executive Director will be nine (9) years cumulatively on 24 June 2019.

   The Board had assessed the performance and independence of the aforesaid Directors and recommended that the approval of the shareholders be sought for the aforesaid Directors to continue to serve as the Independent Non-Executive Directors of the Company, based on the following justification:-

   (i) had fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Securities (Main LR);
   (ii) had demonstrated throughout the terms of their office to be independent by exercising independent judgment when a matter is put before them for decision. Thus, they would be able to function as check and balance, provide broader view and brings an element of objectivity to the Board;
   (iii) had participated actively and contributed positively during deliberations or discussions at Board Meetings; and
   (iv) had performed their duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note On Special Business: (cont'd)

The proposed Resolutions 8, 9, 10 and 11, if passed, enable Dato' Seri Dr. Kiew Kwong Sen, Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani, Ms. Chuah Poay Ngee and Mr. Chang Mun Kee to continue to act as Independent Non-Executive Director of the Company. Otherwise, they will be re-designated as a Non-Independent Non-Executive Director and relinguish their position as an Independent Non-Executive Director of the Company upon the conclusion of the 15th AGM.

2. Resolution 12 - the Authority to issue Shares

   The proposed Resolution No.12, if passed, will grant a renewed general mandate (Mandate 2019) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

   The Mandate 2019 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

   As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the 14th AGM. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

3. Resolution 13 - Authority to Purchase its own Shares

   The proposed Resolution No.13, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next AGM.

4. Resolution 14 - Adoption of new Constitution

   The proposed amendments to the M&A (Proposed Amendments) are made mainly for the following purposes:-

   (a) To ensure compliance with the amended Main LR which was issued on 29 November 2017; and
   (b) To provide clarity and consistency with the amendments that arise from the Companies Act 2016 effective 31 January 2017.

   The Board proposed that the existing M&A be altered or amended by the Company in its entirety by the replacement thereof with a new Constitution which incorporated all the Proposed Amendments as set out in Appendix A, circulated together with the Notice of 15th AGM. Such Proposed Resolution 14, shall take effect once it has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 15th AGM.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the Final Dividend of 4.0 sen per share exempt from Income Tax for the year ended 31 December 2018, if approved, will be paid on 18 July 2019 to depositors registered in the Records of Depositors on 28 June 2019:-

A Depositor shall qualify for entitlement to the Dividend in respect of:-

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 28 June 2019 in respect of transfers;

(b) shares deposited into the Depositor's Securities Account before 12.30 p.m. in respect of securities exempted from mandatory deposit; and

(c) shares bought on Bursa Malaysia Securities Berhad ("**Bursa Securities**") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board,

HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date : 23 April 2019

PROXY FORM

VITROX CORPORATION BERHAD (649966-K)
(Incorporated in Malaysia)

No. of ordinary shares held		CDS Account No.	
Contact No.		Email Address	

* I/We, ______________________________ (NRIC / Passport No. ______________________)
of ____
______________________________ being a Member of the above Company hereby appoint (Proxy 1)
______________________________ (NRIC No. ______________________)
of ____
and*/or failing him* (Proxy 2), ______________________________ (NRIC No. ______________________)
of ______________________________ and*/or failing him*, the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the **15th ANNUAL GENERAL MEETING** of the Company to be held at Auditorium of ViTrox Campus 2.0, 746, Persiaran Cassia Selatan 3, Batu Kawan Industrial Park, 14110 Bandar Cassia, Penang on Thursday, 23 May 2019 at 10.30 a.m. and at any adjournment thereof as indicated below:-

The proportions of *my/our holdings to be represented by *my/our proxy(ies) are as follows:-

Proxy 1	%	Proxy 2	%

In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on my/our behalf.

*I/We hereby indicate with an "X" in the spaces provided how *I/we wish *my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

** Strike out whichever is inapplicable*

Ordinary Resolutions		**For**	**Against**
1.	To declare a Final Dividend of 4.0 sen per share exempt from Income Tax for the year ended 31 December 2018.		
2.	To approve an increase of the Directors' Fee from RM180,000 to RM198,000 for the period from 1 June 2019 until the next Annual General Meeting (AGM) of the Company.		
	To re-elect the following directors retiring under the respective provision of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:-		
3.	Siaw Kok Tong — Article 85		
4.	Chuah Poay Ngee — Article 85		
5.	Chang Mun Kee — Article 85		
6.	To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM165,100 from 1 June 2019 until the next AGM of the Company.		
7.	To re-appoint Messrs. Crowe Malaysia PLT (formerly known as Crowe Horwath) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
	Special Business		
8.	To authorise Dato' Seri Dr. Kiew Kwong Sen to continue to serve as Independent Non-Executive Chairman of the Company.		
9.	To authorise Prof. Ir. Dr. Ahmad Fadzil Bin Mohamad Hani to continue to serve as Independent Non-Executive Director of the Company.		
10.	To authorise Chuah Poay Ngee to continue to serve as Independent Non-Executive Director of the Company.		
11.	To authorise Chang Mun Kee to continue to serve as Independent Non-Executive Director of the Company.		
12.	To approve the resolution pursuant to Authority to Issue Shares.		
13.	To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares.		
Special Resolution			
14.	To approve the Proposed Adoption of New Constitution of the Company.		

Signed this on ______ day of__________________, 2019.   Signature of Member: ______________________

Proxy

1. *For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 13 May 2019. Only a depositor whose name appears on the Record of Depositors as at 13 May 2019 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.*
2. *A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
5. *The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia by Tuesday, 21 May 2019 at 10.30 a.m. or at any adjournment thereof.*

Fold along this line

STAMP

The Company Secretaries
ViTrox Corporation Berhad
(Company No. 649966-K)
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang.

Fold along this line

This page is intentionally left blank.

This page is intentionally left blank.

ViTrox Corporation Berhad (649966-K)
746, Persiaran Cassia Selatan 3,
Batu Kawan Industrial Park,
14110 Bandar Cassia, Penang, Malaysia.
Tel : 604 545 9988
Fax : 604 545 9987

ViTrox Vision Lab
Ground Floor, Faculty of Computing and Informatics,
Multimedia University,
63100 Cyberjaya, Selangor.
Tel : 603 8312 5451

China Division
ViTrox Technologies (Suzhou) Co., Ltd.
Building C, Number 93,
Wei He Road, Wei Ting Town,
Suzhou Industrial Park,
Suzhou, Jiangsu Province, 215122 China.
Tel : 86 512 6251 9891
Fax : 86 512 6251 9892

ViTrox USA
Tel : 1 970 481 3663

Email : enquiry@vitrox.com

www.vitrox.com

Printed on 100% recycled paper