

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX (6)-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2013**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR QUARTER 30.6.2013 (unaudited) RM	PRECEDING YEAR QUARTER 30.6.2012 (unaudited) RM	CURRENT YEAR 30.6.2013 (unaudited) RM	PRECEDING YEAR 30.6.2012 (unaudited) RM
Revenue	13,928,631	9,516,521	26,802,632	20,422,290
Cost of Sales	<u>(10,535,563)</u>	<u>(6,265,072)</u>	<u>(19,289,523)</u>	<u>(12,997,964)</u>
Gross Profit	3,393,068	3,251,449	7,513,109	7,424,326
Other Income	1,677,190	330,390	2,035,650	510,120
Operating Expenses	(6,139,306)	(4,872,027)	(10,847,832)	(9,610,031)
Finance Costs	(44,113)	(33,486)	(86,581)	(78,363)
Loss before Tax	(1,113,161)	(1,323,674)	(1,385,654)	(1,753,948)
Income Tax	<u>60,094</u>	<u>(83,081)</u>	<u>(23,349)</u>	<u>(142,803)</u>
Loss for the Period	<u>(1,053,067)</u>	<u>(1,406,755)</u>	<u>(1,409,003)</u>	<u>(1,896,751)</u>
Other comprehensive (loss)/income, net of tax:				
Foreign currency translation differences for foreign operations	(3,981)	57,909	(17,156)	58,749
	<u>(3,981)</u>	<u>57,909</u>	<u>(17,156)</u>	<u>58,749</u>
Total comprehensive loss for the period	<u>(1,057,048)</u>	<u>(1,348,846)</u>	<u>(1,426,159)</u>	<u>(1,838,001)</u>
Profit/(loss) Attributable to :				
Owners of the Company	(1,209,706)	(1,603,759)	(1,716,397)	(2,106,869)
Non-Controlling Interest	<u>156,639</u>	<u>197,004</u>	<u>307,394</u>	<u>210,118</u>
Loss for the Period	<u>(1,053,067)</u>	<u>(1,406,755)</u>	<u>(1,409,003)</u>	<u>(1,896,751)</u>
Total Comprehensive Income/(loss) Attributable to :				
Owners of the Company	(1,221,110)	(1,564,879)	(1,761,166)	(2,067,154)
Non-Controlling Interest	<u>164,062</u>	<u>216,033</u>	<u>335,007</u>	<u>229,153</u>
	<u>(1,057,048)</u>	<u>(1,348,846)</u>	<u>(1,426,159)</u>	<u>(1,838,001)</u>
Earnings/(loss) per share of RM0.50 each - Basic (sen)	(1.29)	(1.70)	(1.82)	(2.24)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

INDUSTRONICS BERHAD (23699-X)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	AS AT THE END OF THE CURRENT FINANCIAL PERIOD 30.6.2013 RM (Unaudited)	AS AT THE PRECEDING FINANCIAL YEAR END 31.12.2012 RM (Audited)
ASSETS		
Non-current assets		
Property, Plant and Equipment	15,416,501	15,356,176
Investment Properties	771,234	791,116
Other Investments	10,606,326	117,001
Total Non-current assets	<u>26,794,061</u>	<u>16,264,293</u>
Current Assets		
Inventories	6,573,194	7,216,035
Due from Customers on Contract	15,897,559	10,481,445
Trade & Other Receivables	16,711,623	16,173,318
Cash and Bank Balances	7,289,146	29,753,564
Total Current Assets	46,471,522	63,624,362
Assets of disposal group classified as held for sale	1,636,646	-
TOTAL ASSETS	<u>74,902,229</u>	<u>79,888,655</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share Capital	47,631,500	47,631,500
Treasury Shares, at cost	(545,154)	(545,154)
Reserves	747,214	2,508,380
Shareholders' funds	47,833,560	49,594,726
Non-Controlling Interest	5,100,181	4,765,174
Total equity	<u>52,933,741</u>	<u>54,359,900</u>
Non-current liabilities		
Borrowings	64,142	114,641
Deferred Tax Liabilities	858,104	943,754
Total Non-current liabilities	<u>922,246</u>	<u>1,058,395</u>
Current Liabilities		
Provisions	139,928	139,928
Trade & Other Payables	16,721,979	20,594,027
Borrowings	3,859,861	3,487,953
Current Tax Payables	109,217	60,745
Due to Customers on Contract	215,257	187,707
Total Current Liabilities	<u>21,046,242</u>	<u>24,470,360</u>
TOTAL EQUITY AND LIABILITIES	<u>74,902,229</u>	<u>79,888,655</u>

Net Assets per share of RM0.50 each (RM)

0.51

0.53

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

INDUSTRONICS BERHAD (23699-X)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX (6)-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2013**

	<----- Reserves ----->									
	<-----Non Distributable----->					Distributable		Share- holders Fund	Non-Controlling Interest	Total Equity
	Share capital	Share premium	Treasury shares	Foreign currency reserve	Revaluation reserves	Retained earnings/ (accumulated losses)				
RM	RM	RM	RM	RM	RM	RM				
At 31 December 2012	47,631,500	732	(545,154)	40,925	2,889,122	(422,399)	49,594,726	4,765,174	54,359,900	
Total comprehensive loss for the year	-	-	-	(44,769)		(1,716,397)	(1,761,166)	335,007	(1,426,159)	
Arising from disposal of properties	-	-	-	-	(612,245)	612,245	-	-	-	
At 30 June 2013	47,631,500	732	(545,154)	(3,844)	2,276,877	(1,526,551)	47,833,560	5,100,181	52,933,741	
At 31 December 2011	47,631,500	732	(545,154)	(9,666)	2,889,122	1,820,264	51,786,798	3,874,711	55,661,509	
Total comprehensive income/(loss) for the	-	-	-	39,715	-	(2,106,869)	(2,067,154)	229,153	(1,838,001)	
At 30 June 2012	47,631,500	732	(545,154)	30,049	2,889,122	(286,605)	49,719,644	4,103,864	53,823,508	

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

INDUSTRONICS BERHAD (23699-X)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX (6)-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2013**

	Current Year 6 Months Ended 30.6.2013 (Unaudited)	Preceding Year 6 Months Ended 30.6.2012 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,385,654)	(1,753,948)
Adjustments for non-cash flow:-		
Non-cash items	(1,272,808)	283,477
Non-operating items	<u>(15,452)</u>	<u>(103,588)</u>
Operating loss before changes in working capital	(2,673,914)	(1,574,059)
Net change in current assets	(2,813,189)	(276,164)
Net change in current liabilities	<u>(4,297,303)</u>	<u>(36,776)</u>
Cash used in operations	(9,784,406)	(1,886,999)
Interest paid	(86,581)	(78,361)
Taxes refunded	-	60,000
Taxes paid	<u>(87,375)</u>	<u>(497,130)</u>
Net cash used in operating activities	<u>(9,958,362)</u>	<u>(2,402,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,822,070)	(29,198)
Purchase of quoted investments	(10,489,325)	-
Initial deposit from disposal of property, plant and equipment	640,000	-
Net cash inflow from disposal of a subsidiary	2,275	214,269
Interest received	100,393	207,717
Net cash (used in)/generated from investing activities	<u>(12,568,727)</u>	<u>392,788</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of bank borrowings	218,117	(362,623)
Net drawdown/(repayment) of hire purchase	(109,278)	-
Net cash generated from/(used in) financing activities	<u>108,839</u>	<u>(362,623)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,418,250)	(2,372,325)
Effect of exchange rate changes	(17,156)	58,749
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	28,734,380	30,413,727
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>6,298,974</u>	<u>28,100,151</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	7,289,146	28,697,289
Bank overdraft	<u>(990,172)</u>	<u>(597,138)</u>
	<u>6,298,974</u>	<u>28,100,151</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

These condensed consolidated interim financial statement, for the financial period ended 30 June 2013 have not been audited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Listing Requirements").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012 except for the adoption of the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2013:-

Amendments to MFRS 101: <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to MFRS 101: <i>Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)</i>	1 January 2013
MFRS 3: <i>Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)</i>	1 January 2013
MFRS 10: <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11: <i>Joint Arrangements</i>	1 January 2013
MFRS 12: <i>Disclosure of interests in Other Entities</i>	1 January 2013
MFRS 13: <i>Fair Value Measurement</i>	1 January 2013
MFRS 119: <i>Employee Benefits</i>	1 January 2013
MFRS 128: <i>Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)</i>	1 January 2013
MFRS 127: <i>Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)</i>	1 January 2013
Amendment to IC Interpretation 2: <i>Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)</i>	1 January 2013
IC Interpretation 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to MFRS 7: <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 1: <i>First-time Adoption of Malaysian Financial Reporting Standards – Government Loans</i>	1 January 2013
Amendments to MFRS 1: <i>First-time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009-2011 Cycle)</i>	1 January 2013
Amendments to MFRS 116: <i>Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)</i>	1 January 2013
Amendments to MFRS 132: <i>Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)</i>	1 January 2013
Amendments to MFRS 134: <i>Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)</i>	1 January 2013
Amendments to MFRS 10: <i>Consolidated Financial Statements: Transition Guidance</i>	1 January 2013
Amendments to MFRS 11: <i>Joint Arrangements: Transition Guidance</i>	1 January 2013
Amendments to MFRS 12: <i>Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013

The adoption of the above standards and interpretations will have no material impact on the financial statements of the Group.

A2. Auditors' report on the preceding year's audited financial statements

The Group's financial statements for the financial year ended 31 December 2012 is not qualified.

NOTES TO THE INTERIM FINANCIAL REPORT

A3. Seasonal or Cyclical Factors

The business operations of the Group is generally non-seasonal and not subject to any seasonal or cyclical factors. The nature of the group's business is primarily project based and hence impact on the Group is subjected to systemic market risk.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 30 June 2013.

A5. Changes in estimates

There is no significant change in estimates of amounts reported in prior financial year that have a material effect in the current period.

A6. Debt and Equity Securities

Save as disclosed below, there were no other issuance, cancellation, repurchase, resale and repayments of debt and equity securities for the current financial period.

a. Issuance of equity

There are no new shares issued in the current quarter under review.

b. Share buy-backs, share cancellations and sale of treasury shares

No shares were bought back during the current quarter under review. The total number of shares held as treasury shares as at 30 June 2013 is 1,131,000 at an average price per share of RM0.482. None of the treasury shares were sold or cancelled during the current quarter under review.

A7. Dividend paid

There were no dividends paid during the current financial period.

A8. Segmental Reporting

For management purposes, the Group is organised into the following business units based on their products and services, and has five reportable operating segments as follows:

Electronics & system integration	- Design, manufacturing and installation of electronics and microprocessor controlled products. Trading, maintenance and supply of industrial electronic equipment. Intelligent transportation system and major system integration projects involving Information Communication Technology, supply and service of telecommunication equipment, audio visual multimedia systems.
Security systems, mechanical and electrical engineering ("M&E")	- Supply and installation of security systems. Specialist in fire protection system design and installation works and mechanical engineering services. Industrial maintenance and service works. Trading of transport equipment and provision of related services. Manufacturing of filter inclusive of import and marketing.
Environmental & scada system	- Design and Scada integration in environmental monitoring services.
Sheet metal fabrication	- Involving in precision sheet metal fabrications works and manufacturing of precision fabrication.
Other operations	- Assemble and maintain electronic display system of public security and fire systems.

Geographical Segments

Malaysia	- All main businesses disclosed in primary reporting format-business segments
Hong Kong	- The development of IT applications.
Singapore	- Trading, maintenance and supply of industrial electrical equipment.
Vietnam	- Supply, construction and maintenance of specialised mechanical and electrical equipment and electronic display, engineering service provider for these equipment together with fire protection and air-conditioning ventilation equipment.

The comparatives of these reportable operating segments have been restated accordingly.

INDUSTRONICS BERHAD (23699-X)
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NOTES TO THE INTERIM FINANCIAL REPORT

A8. Segmental Reporting (Continued)

a. Individual quarter

Business segments:														
Individual quarter ended	Electronics & System Integration		Security Systems & M&E		Environmental & Scada System		Sheet Metal Fabrication		Other Operations		Adjustments and Eliminations		Per consolidated Financial Statements	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue														
External customers	8,826	2,648	4,370	4,409	-	839	657	1,526	75	94			13,929	9,516
Inter-segment	931	593	0	16	-	-	34	33	35	47	(1,001)	(689)	-	-
Total revenue	9,757	3,241	4,370	4,425	0	839	692	1,559	110	141	(1,001)	(689)	13,929	9,516
Results														
Interest income	13	115	-	-	-	-	-	-	-	-	-	(6)	13	109
Finance costs	20	20	8	7	(0)	-	16	11	1	1	-	(6)	44	33
Depreciation	105	103	39	33	(4)	4	26	39	89	16	-	-	256	195
Segment profit/(loss)	(544)	(1,414)	1,695	135	-	(73)	(257)	249	(1,988)	(222)	(19)	2	(1,113)	(1,324)
Segment assets	57,749	61,676	21,467	16,080	-	1,396	2,762	3,734	4,010	478	(11,085)	(8,037)	74,902	75,327
Segment liabilities	(11,095)	(12,527)	(10,594)	(8,352)	-	(2,915)	(1,421)	(2,324)	(13,345)	(7,585)	14,487	12,200	(21,968)	(21,503)
Capital expenditure	354	18	286	-	-	-	-	-	2,335	1	-	-	2,975	19
Geographical segments:														
Individual quarter ended			Malaysia		Hong Kong		Singapore		Vietnam		Adjustments and eliminations		Per consolidated financial statements	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue														
Revenue from external customers			13,312	7,777	-	-	616	1,507	-	232	-	-	13,929	9,516
Segment assets			78,466	80,333	3,751	-	3,697	2,793	73	238	(11,085)	(8,037)	74,902	75,327
Capital expenditure			640	19	2,335	-	-	-	-	-	-	-	2,975	19

b. Cumulative quarter

Business segments:														
Cumulative quarters ended	Electronics & System Integration		Security Systems & M&E		Environmental & Scada System		Sheet Metal Fabrication		Other Operations		Adjustments and Eliminations		Per consolidated Financial Statements	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue														
External customers	16,308	10,058	8,411	6,005	250	1,055	1,722	2,860	112	444			26,803	20,422
Inter-segment	1,749	1,932	2	17	79	-	97	62	82	68	(2,008)	(2,079)	-	-
Total revenue	18,056	11,990	8,412	6,022	329	1,055	1,820	2,922	193	512	(2,008)	(2,079)	26,803	20,422
Results														
Interest income	100	220	-	1	-	-	-	-	-	-	-	(13)	100	208
Finance costs	50	52	15	10	-	1	20	26	1	2	-	(13)	86	78
Depreciation	196	205	71	67	-	8	60	80	104	33	-	-	430	392
Segment profit/(loss)	(555)	(1,123)	1,639	(223)	(229)	(304)	(156)	231	(2,083)	(337)	(1)	2	(1,386)	(1,754)
Segment assets	57,749	61,676	21,467	16,080	-	1,396	2,762	3,734	4,010	478	(11,085)	(8,037)	74,902	75,327
Segment liabilities	(11,095)	(12,527)	(10,594)	(8,352)	-	(2,915)	(1,421)	(2,324)	(13,345)	(7,585)	14,487	12,200	(21,968)	(21,503)
Capital expenditure	493	23	314	1	-	1	-	3	2,335	1	-	-	3,142	29
Geographical segments:														
Cumulative quarters ended			Malaysia		Hong Kong		Singapore		Vietnam		Adjustments and eliminations		Per consolidated financial statements	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue														
Revenue from external customers			24,680	18,161	-	-	2,123	2,002	-	259	-	-	26,803	20,422
Segment assets			78,466	80,363	3,751	-	3,697	2,886	73	115	(11,085)	(8,037)	74,902	75,327
Capital expenditure			807	26	2,335	-	-	3	-	-	-	-	3,142	29

NOTES TO THE INTERIM FINANCIAL REPORT

A9. Valuation of property, plant and equipment

The valuations of land and building have been brought forward, without amendments from the previous audited financial statements for the financial year ended 31 December 2012.

A10. Subsequent Events

Other than as disclosed below, there are no material events subsequent to the end of the current financial period that have not been reflected in the financial statements for the said financial period.

On 1 July 2013, the Group entered into a Sale and Purchase of Shares Agreement to dispose of fifty five percent (55%) equity interest held in Dasar Spektrum (M) Sdn Bhd and Asian Advertising (M) Sdn Bhd, both are dormant subsidiaries of the Company, comprising 110,000 and 165,000 ordinary shares of RM1.00 each respectively to Goh Pick Ting for a cash consideration of RM1 respectively. This interim financial report for the financial period ended 30 June 2013 have not been adjusted for this share sale.

A11. Effect of Changes in the Composition of the Group

Other than as disclosed, there were no material changes in the composition of the Group during the current financial period to date including business combination, acquisition of subsidiaries and long term investment, restructuring and discontinuing operations.

- a. On 24 April 2013, the Group has acquired 54,241,900 ordinary shares of RM0.10 each in Solution Engineering Holdings Berhad ("SEHB"), a public listed company on ACE Market of Bursa Malaysia Securities Berhad, representing 32.15% of the total issued and paid up share capital of SEHB for a total cash consideration of approximately RM10.5 million.

Subsequently, SEHB had on 17 June 2013, issued additional 8,400,000 new ordinary shares of RM0.10 each pursuant to the Private Placement for RM0.235 each. With the enlarge issued and paid up share capital of SEHB, the shareholdings of the Company has diluted to 30.63%.

- b. On 15 May 2013, the Group entered into a sale and purchase agreement to dispose of the entire issued and paid-up share capital of Industronics Automation Sdn Bhd (Company No. 378877-V) ("Automation"), a wholly-owned subsidiary of the Company, comprising 1,000,000.00 ordinary shares of RM1.00 each ("Sale Shares"), to Teroka Solaris Sdn. Bhd. (Company No. 1042211-P) ("Teroka") for a cash consideration of RM20,000.

The disposal has the following financial effects on the Group for the financial period ended 30 June 2013:

	RM
Property, plant and equipment	(32,696)
Inventories	(7,642)
Trade and other receivables	(545,564)
Amount due from customers	(3,280)
Cash & bank balances	(17,725)
Trade and other payables	507,629
Amount due to customers	80,918
	<u>(18,360)</u>
Disposal proceeds	<u>20,000</u>
Gain on disposal to the Group	<u>1,640</u>
Disposal proceeds settled by:-	
Cash	20,000
Cash inflow/(outflow) arising from disposals:	
Cash consideration	20,000
Cash and cash equivalents of subsidiary disposed	<u>(17,725)</u>
Net cash inflow from disposal	<u>2,275</u>

- c. The Group had on 24 June 2013 incorporated a new wholly-owned subsidiary, Industronics Technology Limited in Hong Kong with an issued and paid-up capital of Hong Kong Dollar one (HK\$ 1) comprising one (1) ordinary share to undertake the development of IT applications.

NOTES TO THE INTERIM FINANCIAL REPORT

A12. Contingent Assets or Contingent Liabilities

There were no material changes in contingent assets or contingent liabilities since the last audited statement of financial position as at 31 December 2012.

A13. Related Party Transactions

- a. There is no significant transactions and balances with related parties of the Group during the current quarter under review.
- b. Save as disclosed below, there were no transactions with the directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

	Individual Current Quarter RM	Cumulative Quarters Current RM
Repayment of advance to a shareholder of a subsidiary by the subsidiary	100,000	100,000

Outstanding balance with related party as at 30 June 2013 and 31 December 2012 are as follows:

	As at 30.6.2013 (unaudited) RM	As at 31.12.2012 (audited) RM
Advance from a non-controlling shareholder of a subsidiary to the subsidiary	-	100,000

A14. Profit/(loss) Before Taxation

The following amounts have been included in arriving at operating profit/(loss):

	Q213 RM	Q212 RM	YTD 13 RM	YTD 12 RM
Interest Income	(12,593)	(108,387)	(100,393)	(207,717)
Other Income	(107,452)	(51,725)	(132,405)	(283,739)
Interest expense	44,113	33,486	86,581	78,363
Depreciation and amortization	255,532	195,428	430,095	392,370
Gain on disposal of subsidiary	(1,640)	-	(1,640)	-
Gain on disposal of properties	(1,666,745)	-	(1,666,745)	-
Realised foreign exchange loss	21,366	(33,107)	27,119	1,467
Unrealised foreign exchange (Gain)/loss	111,239	(137,170)	(134,466)	(18,664)

- a. There were no provision for and write-off of receivables and inventories, gain or loss on disposal of quoted or unquoted investments (save as disclosed in note B6), impairment of assets and any exceptional item, for the current quarter under review.
- b. Gain or loss on derivatives is not applicable as the Company does not have any derivative financial instrument.

ADDITIONAL INFORMATION REQUIRED PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of Performance

- a. Quarter ended 30 June 2013 (2Q13) compared with quarter ended 30 June 2012 (2Q12)

The Group's revenue was higher in 2Q13 of approximately RM13.93 million (2Q12: approximately RM9.52 million), mainly attributable to higher revenue recognition in our Electronics and System Integration segment from RM2.65 million to RM8.83 million resulting from the revenue recognition for its major projects, namely, supply of Flight Information Display Systems ("FIDS") to Kuala Lumpur International Airport 2 ("KLIA 2") and design, procurement, supply, installation, testing, commissioning and maintenance of the CCTV Surveillance System at Local Authorities/Police Districts in Iskandar Malaysia as part of Iskandar Malaysia Integrated Public Safety System - Package 2 ("IRDA").

However, the Group incurred loss before tax of approximately RM1.11 million in 2Q13 compared to the loss before tax of approximately RM1.32 million in 2Q12, mainly due different contract mix contribution and other income from disposal of property.

- b. Current financial period ended 30 June 2013 (6M13) compared with preceding financial period ended 30 June 2012 (6M12)

The Group recorded revenue of approximately RM26.80 million for 6M13, an increase of RM6.38 million compared to approximately RM20.42 million in 6M12. The higher revenue was mainly contributed by Electronics & System Integration segment resulting from the revenue recognition for KLIA 2 and IRDA of RM10.22 million in the current financial period. The revenue from Security System M&E has increased by approximately RM2.4 million. In addition, during the 6M13, the progress for the Bank Kerjasama Rakyat Malaysia project is on full swing and resulted to the higher revenue recognition compared to 6M12.

Despite higher revenue in 6M13, the Group recorded a loss before tax of approximately RM1.39 million in 6M13, which is marginally lower than loss before tax of approximately RM1.75 million in 6M12, mainly due to different contract mix contribution and other income from disposal of property.

B2. Material Changes in the Quarterly Results (2Q13) compared to the Results of the Preceding Quarter (1Q13)

Group revenue recorded RM13.93 million in 2Q13 compared with RM12.9 million in 1Q13. The increase is mainly due to increase in revenue in Electronics & System Integration segment. Loss before tax recorded is RM1.05 million in 2Q13 compared to RM0.36 million in 1Q13 mainly due to different contract mix contribution and other income from disposal of property.

B3. Current Year Prospects

The prevailing uncertainties in the global financial economy and the rising costs continue to pose a challenge to the Group's performance.

The Group will continue with its prudent efforts to widen the applications of its products and shall remain focused on improving operational efficiencies to achieve improved profitability and sustainable business growth.

As part of our growth plans, the Group will explore any opportunities or new market to enhance its core businesses. The Group also will consider new ventures and new business activities which are synergistics to the operations of the Group to further enhance shareholders' value.

B4. Profit Forecast

Not applicable as no profit forecast was published.

B5. Taxation

Taxation comprises the following:-

	Individual Current Quarter RM	Cumulative Quarters RM
Current taxation	25,556	108,999
Deferred taxation	(85,650)	(85,650)
	<u>(60,094)</u>	<u>23,349</u>

The effective tax rate of the Group is higher than the statutory tax rate for the current quarter to date principally due to the losses in the Company and certain subsidiaries.

B6. Profit on Sale of Unquoted Investments and/or Properties

Other than as disclosed in note A6, there were no sales or purchases of unquoted investments and properties during the current quarter.

ADDITIONAL INFORMATION REQUIRED PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B7. Purchase/Disposal of Assets Held for Trading Investments

There were no purchases or disposals of assets held for trading investments for the financial period to date.

B8. Status of Corporate Proposals

As at 18 July 2013, being the latest practicable date ("LPD") prior to the issue of this quarterly report, save as disclosed below, there were no corporate proposals announced but not completed by the Company:

a. Proposed establishment of a share issuance scheme

On 5 June 2013, on behalf of the Board of Directors of Industronics Berhad ("IB" or the "Company") ("Board"), TA Securities Holdings Berhad ("TA Securities") had announced that the Company proposes to establish and implement a share issuance scheme of up to fifteen percent (15%) of the Company's issued and paid-up share capital (excluding treasury shares) at any one time during the duration of the scheme ("Proposed SIS"), for the Directors and employees of IB and its subsidiaries ("IB Group") (excluding dormant subsidiaries) who fulfil the eligibility criteria set out in the by-laws governing the Proposed SIS ("By-Laws").

The Proposed SIS will involve the granting of options ("SIS Options") to the Directors and employees of the IB Group (excluding dormant subsidiaries), who meet the criteria of eligibility for participation in the Proposed SIS ("Eligible Persons"), to subscribe for new ordinary shares of RM0.50 each in IB ("IB Shares") in accordance with the By-Laws.

The shareholders of IB had on 26 June 2013 approved the Proposed SIS at an extraordinary general meeting held. However, as at the LPD, the Company has not effectively implemented the Proposed SIS and accordingly no SIS Option has been granted.

b. Disposal of a 3½-Storey Shop by Ademco (Malaysia) Sdn. Bhd., a 95% owned subsidiary of the Company

On 27 June 2013, the Company had announced that Ademco (Malaysia) Sdn. Bhd ("Ademco" or the "Vendor"), a 95%-owned subsidiary of the Company, has on 25 June 2013 entered into a Sale and Purchase Agreement ("the SPA") with Mr. Charanjeet Singh A/L Jaswant Singh ("the Purchaser") to dispose a 3½-storey shop house at No. 60, Jalan Manis 3, Taman Segar, 56100 Kuala Lumpur to the Purchaser for a cash consideration of Ringgit Malaysia Two Million and Seven Hundred Thousand (RM2,700,000.00) only ("Ademco Disposal").

Barring unforeseen circumstances, Ademco Disposal is expected to be completed within three (3) months from the date of the SPA.

c. Disposal of Land with Property

On 27 June 2013, the Company had announced that the Company has on 25 June 2013 entered into two (2) Sale and Purchase Agreement ("the SPA") with BSCOM (M) Sdn. Bhd. (Company No. 921589-W) ("the Purchaser") to dispose two (2) pieces of land together with two (2) units of three and a half (3 ½) storey shop-office erected thereon at No. 39 & No. 41, Jalan Sungai Besi Indah 1/19, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan ("the Property") to the Purchaser for a total cash consideration of Ringgit Malaysia Three Million and Seven Hundred Thousand (RM3,700,000.00) only ("the Disposal").

The SPA is conditional upon the Company having obtained the consent to transfer the Property to the Purchaser from the relevant State Authority ("the State Consent"). The SPA shall become unconditional upon the Purchaser's Solicitors receipt of the original State Consent ("the Unconditional Date").

Barring unforeseen circumstances, the Disposal is expected to be completed within three (3) calendar months from the Unconditional Date.

B9. Group Borrowings and Debt Securities

Total Group Borrowings as at 30 June 2013:-

	RM
a) Secured and unsecured :	
Total secured borrowings	557,173
Total unsecured borrowings	3,366,830
Total borrowings	<u>3,924,003</u>
b) Short Term and Long Term	
Total short-term borrowings	3,859,861
Total long term borrowings	64,142
Total borrowings	<u>3,924,003</u>

All borrowings are denominated in Ringgit Malaysia.

INDUSTRONICS BERHAD (23699-X)
(Incorporated in Malaysia)

ADDITIONAL INFORMATION REQUIRED PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B10. Off Balance Sheet Financial Instruments

Not applicable as off balance sheet financial instruments are accounted for in the statement of financial position.

B11. Realised and Unrealised Losses Disclosure

	As at 30.6.2013 RM (unaudited)	As at 31.12.2012 RM (audited)
Total accumulated losses of Industronics Berhad and its subsidiaries:		
- Realised	(14,500,749)	(16,412,578)
- Unrealised	(125,694)	(306,679)
Less: consolidation adjustments	13,099,892	16,296,858
Total group (accumulated losses)/retained profits as per consolidated accounts	(1,526,551)	(422,399)

B12. Material Litigations

As at the LPD prior to the issue of this quarterly report, the Group is not engaged in any material litigations except for:

Sukitronics Sdn Bhd ("SSB"), a subsidiary company has claimed loss & damage of approximately USD1,184,000 or RM3,706,000 against First Kuwaiti Trading and Contracting W.L.L ("FKTC") for the breach of the contract while FKTC has counter claimed SSB for an amount of USD8,626,000 or approximately RM26,999,000. The Arbitration was relating to the appointment of SSB by FKTC to construct, complete, test, commission and maintain the building, mechanical and electrical works relating to the construction of US New Consulate Compound in Surabaya, Indonesia.

The Continued Arbitration Hearing was held on 22nd to 25th April 2013 and the Arbitrator had further fixed the Arbitration for Continued Hearing on 1st & 2nd August 2013, 18th till 22nd November 2013, 2nd till 4th December 2013, 6th December 2013, 20th till 24th January 2014 and 24th till 28th March 2014.

B13. Dividend

No dividend has been declared in the current quarter.

B14. Basic earnings/(loss) per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year Quarter 30.6.2013	Preceding Year Quarter 30.6.2012	Current Year 30.6.2013	Preceding Year 30.6.2012
Net loss attributable to the owners of the Company for the period	(1,209,706)	(1,603,759)	(1,716,397)	(2,106,869)
Weighted average no. of ordinary shares in issue	94,132,000	94,132,000	94,132,000	94,132,000
Basic loss per share (sen)	(1.29)	(1.70)	(1.82)	(2.24)

The Group does not have any potential dilutive ordinary shares in the current quarter under review.

B15. Authorisation For Issue

The interim financial statements for the six (6)-months financial period ended 30 June 2013 were authorised for issue by the Board of Directors.

BY ORDER OF THE BOARD
INDUSTRONICS BERHAD

23 July 2013