

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX (6)-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR QUARTER 30.6.2014	PRECEDING YEAR QUARTER 30.6.2013	CURRENT YEAR 30.6.2014	PRECEDING YEAR 30.6.2013
	RM	RM	RM	RM
Revenue	6,220,445	13,928,631	9,938,418	26,802,632
Cost of Sales	<u>(4,346,094)</u>	<u>(10,535,563)</u>	<u>(7,068,381)</u>	<u>(19,289,523)</u>
Gross profit	1,874,351	3,393,068	2,870,038	7,513,109
Other Income	249,839	1,677,190	494,060	2,035,650
Operating Expenses	(5,531,928)	(6,139,306)	(9,777,302)	(10,847,832)
Finance Costs	(52,076)	(44,113)	(91,556)	(86,581)
Loss before Tax	<u>(3,459,814)</u>	<u>(1,113,161)</u>	<u>(6,504,760)</u>	<u>(1,385,654)</u>
Income Tax	-	60,094	-	(23,349)
Loss for the year	<u>(3,459,814)</u>	<u>(1,053,067)</u>	<u>(6,504,760)</u>	<u>(1,409,003)</u>
Other comprehensive income/(loss), net of tax:				
Foreign currency translation differences for foreign operations	71,256	(3,981)	92,972	(17,156)
Available-for-sale financial assets - reclassification of fair value adjustment to profit or loss upon disposal	(2,278,584)	-	(2,278,584)	-
	<u>(2,207,328)</u>	<u>(3,981)</u>	<u>(2,185,612)</u>	<u>(17,156)</u>
Total comprehensive loss for the year	<u>(5,667,142)</u>	<u>(1,057,048)</u>	<u>(8,690,372)</u>	<u>(1,426,159)</u>
<b>Profit/(loss) Attributable to :</b>				
Owners of the Company	(3,397,597)	(1,209,706)	(6,275,370)	(1,716,397)
Non-Controlling Interest	<u>(62,217)</u>	<u>156,639</u>	<u>(229,390)</u>	<u>307,394</u>
Loss for the year	<u>(3,459,814)</u>	<u>(1,053,067)</u>	<u>(6,504,760)</u>	<u>(1,409,003)</u>
<b>Total Comprehensive Income/(loss) Attributable to :</b>				
Owners of the Company	(5,598,871)	(1,221,110)	(8,505,332)	(1,761,166)
Non-Controlling Interest	<u>(68,271)</u>	<u>164,062</u>	<u>(185,040)</u>	<u>335,007</u>
	<u>(5,667,142)</u>	<u>(1,057,048)</u>	<u>(8,690,372)</u>	<u>(1,426,159)</u>
Earnings/(loss) per share of RM0.50 each				
- Basic (sen)	(3.33)	(1.29)	(6.14)	(1.82)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 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 2014**

	AS AT THE END OF THE CURRENT FINANCIAL PERIOD 30.6.2014 RM (Unaudited)	AS AT THE PRECEDING FINANCIAL YEAR END 31.12.2013 RM (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	24,790,944	25,352,792
Investment Properties	481,608	501,490
Intangible Assets	1,297,827	1,495,307
Other Investments	1,647,374	6,931,246
Deferred Tax Assets	830,080	848,117
<b>Total Non-current assets</b>	<u>29,047,833</u>	<u>35,128,952</u>
<b>Current Assets</b>		
Inventories	4,035,675	3,403,237
Due from Customers on Contract	7,842,446	8,230,053
Trade & Other Receivables	11,726,349	11,533,099
Cash and Bank Balances	24,248,998	27,544,478
<b>Total Current Assets</b>	<u>47,853,468</u>	<u>50,710,867</u>
<b>TOTAL ASSETS</b>	<u><u>76,901,301</u></u>	<u><u>85,839,819</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share Capital	51,381,400	50,336,450
Reserves	3,249,184	11,618,672
<b>Shareholders' funds</b>	<u>54,630,584</u>	<u>61,955,122</u>
Non-Controlling Interest	5,314,943	5,499,983
<b>Total equity</b>	<u>59,945,527</u>	<u>67,455,105</u>
<b>Non-current liabilities</b>		
Borrowings	99,034	303,726
Deferred Tax Liabilities	1,914,289	1,914,289
<b>Total Non-current liabilities</b>	<u>2,013,324</u>	<u>2,218,015</u>
<b>Current Liabilities</b>		
Provisions	114,175	114,175
Trade & Other Payables	12,684,787	12,809,487
Borrowings	1,816,100	2,313,046
Current Tax Payables	24,242	34,160
Due to Customers on Contract	303,146	895,831
<b>Total Current Liabilities</b>	<u>14,942,451</u>	<u>16,166,699</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>76,901,301</u></u>	<u><u>85,839,819</u></u>

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

0.53

0.62

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 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 2014**

	Attributable to Owners of the Parent										
	Non Distributable						Distributable				
	Share capital	Share premium	Treasury shares	Foreign currency reserve	Share issuance scheme reserve	Revaluation reserves	Fair value adjustment reserve	Retained earnings/ (accumulated losses)	Shareholders Fund	Non-Controlling Interest	Total Equity
RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 31 December 2013	50,336,450	946,674	-	(64,313)	629,156	11,220,044	2,938,533	(4,051,422)	61,955,122	5,499,983	67,455,105
Total comprehensive loss for the year	-	-	-	48,622	-	-	(2,278,584)	(6,275,370)	(8,505,332)	(185,040)	(8,690,372)
Exercise of SIS options	1,044,950	306,380	-	-	(170,536)	-	-	-	1,180,794	-	1,180,794
At 30 June 2014	51,381,400	1,253,054	-	(15,691)	458,620	11,220,044	659,949	(10,326,792)	54,630,584	5,314,943	59,945,527
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 a subsidiary	-	-	-	-	-	(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

(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 2013 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 2014**

	Current Year 6 Months Ended 30.6.2014 (Unaudited)	Preceding Year 6 Months Ended 30.6.2013 (Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(6,504,760)	(1,385,654)
Adjustments for non-cash flow:-		
Non-cash items	550,611	(1,272,808)
Non-operating items	957,770	(15,452)
Operating loss before changes in working capital	(4,996,379)	(2,673,914)
Net change in current assets	(457,525)	(2,813,189)
Net change in current liabilities	(566,386)	(4,297,303)
Cash used in operations	(6,020,289)	(9,784,406)
Interest paid	(91,556)	(86,581)
Taxes paid	(21,071)	(87,375)
Net cash used in operating activities	(6,132,916)	(9,958,362)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(33,351)	(2,822,070)
Purchase of quoted investments	-	(10,489,325)
Proceeds from disposal of property, plant and equipment	199,585	-
Net cash inflow from disposal of a subsidiary	-	2,275
Initial deposit from disposal of property, plant and equipment	-	640,000
Proceeds from disposal of quoted investments	2,041,843	-
Interest received	97,231	100,393
Net cash generated from/(used in) investing activities	2,305,308	(12,568,727)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares pursuant to ESOS	1,180,794	-
Net (repayment)/drawdown of bank borrowings	(992,367)	218,117
Net repayment of hire purchase	(85,189)	(109,278)
Net cash (used in)/generated from financing activities	103,237	108,839
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,724,371)	(22,418,250)
Effect of exchange rate changes	92,972	(17,156)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	26,383,579	28,734,380
CASH AND CASH EQUIVALENTS AT END OF PERIOD	22,752,180	6,298,974
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	24,248,998	7,289,146
Bank overdraft	(1,496,818)	(990,172)
	22,752,180	6,298,974

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 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 2014 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 2013. 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 2013.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 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 2014:-

Amendments to MFRS 10: Investment Entity	1 January 2014
Amendments to MFRS 12: Investment Entities	1 January 2014
Amendments to MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedging	1 January 2014
IC Interpretation 21: Levies	1 January 2014

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 2013 is not qualified.

**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 2014.

**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.

**NOTES TO THE INTERIM FINANCIAL REPORT**

**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

During the financial period ended 30 June 2014, the Company issued 2,089,900 ordinary shares of RM0.50 per share for cash pursuant to the Company's Share Issuance Scheme at an exercise price of RM0.565 per ordinary share.

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

No shares were bought back during the current financial period.

**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.

**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	
	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13
	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
<b>Revenue</b>														
External customers	4,612	8,826	1,597	4,370	-	-	-	657	12	75	-	-	6,220	13,928
Inter-segment	2,028	931	69	-	-	-	-	34	-	35	(2,097)	(1,001)	-	-
<b>Total revenue</b>	<b>6,640</b>	<b>9,757</b>	<b>1,666</b>	<b>4,370</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>691</b>	<b>12</b>	<b>110</b>	<b>(2,097)</b>	<b>(1,001)</b>	<b>6,220</b>	<b>13,928</b>
<b>Results</b>														
Interest income	9	13	0	-	-	-	-	-	-	-	-	-	9	13
Finance costs	19	20	23	8	-	-	16	16	1	1	(7)	-	52	45
Depreciation	102	105	42	39	-	(4)	27	26	155	89	(151)	-	174	255
Segment profit/(loss)	(2,107)	(544)	(62)	1,695	-	-	(126)	(257)	(1,164)	(1,988)	-	(19)	(3,460)	(1,113)
<b>Segment assets</b>	<b>67,371</b>	<b>57,749</b>	<b>18,352</b>	<b>21,467</b>	<b>-</b>	<b>-</b>	<b>2,819</b>	<b>2,762</b>	<b>14,898</b>	<b>4,010</b>	<b>(26,540)</b>	<b>(11,085)</b>	<b>76,901</b>	<b>74,903</b>
<b>Segment liabilities</b>	<b>(9,434)</b>	<b>(11,095)</b>	<b>(6,594)</b>	<b>(10,594)</b>	<b>-</b>	<b>-</b>	<b>(1,568)</b>	<b>(1,421)</b>	<b>(25,017)</b>	<b>(13,345)</b>	<b>25,657</b>	<b>14,487</b>	<b>(16,956)</b>	<b>(21,968)</b>
<b>Capital expenditure</b>	<b>-</b>	<b>354</b>	<b>-</b>	<b>286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,975</b>
<b>Geographical segments:</b>														
Revenue	Malaysia		Hong Kong		Singapore		Vietnam		Adjustments and eliminations		Per consolidated financial statements			
	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13		
	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 from external customers			5,616	13,312	12	-	593	616	-	-	-	-	6,220	13,928
<b>Segment assets</b>			<b>85,385</b>	<b>78,466</b>	<b>14,760</b>	<b>3,751</b>	<b>3,191</b>	<b>3,697</b>	<b>105</b>	<b>73</b>	<b>(26,540)</b>	<b>(11,085)</b>	<b>76,901</b>	<b>74,903</b>
<b>Capital expenditure</b>			<b>-</b>	<b>640</b>	<b>-</b>	<b>2,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,975</b>

**b. Cumulative quarters**

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	
	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13
	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
<b>Revenue</b>														
External customers	6,940	16,308	2,695	8,411	-	250	269	1,722	33	112	-	-	9,938	26,803
Inter-segment	2,487	1,749	220	2	-	79	7	97	-	82	(2,713)	(2,008)	-	-
<b>Total revenue</b>	<b>9,427</b>	<b>18,057</b>	<b>2,915</b>	<b>8,413</b>	<b>-</b>	<b>329</b>	<b>276</b>	<b>1,819</b>	<b>33</b>	<b>194</b>	<b>(2,713)</b>	<b>(2,008)</b>	<b>9,938</b>	<b>26,803</b>
<b>Results</b>														
Interest income	87	100	10	-	-	-	-	-	-	-	-	-	97	100
Finance costs	37	50	43	15	-	-	24	20	1	1	(13)	-	92	86
Depreciation	202	196	84	71	-	-	54	60	316	104	(151)	-	504	431
Segment profit/(loss)	(3,325)	(555)	(154)	1,639	-	(229)	(387)	(156)	(2,639)	(2,083)	-	(1)	(6,505)	(1,385)
<b>Segment assets</b>	<b>67,371</b>	<b>57,749</b>	<b>18,352</b>	<b>21,467</b>	<b>-</b>	<b>-</b>	<b>2,819</b>	<b>2,762</b>	<b>14,898</b>	<b>4,010</b>	<b>(26,540)</b>	<b>(11,085)</b>	<b>76,901</b>	<b>74,903</b>
<b>Segment liabilities</b>	<b>(9,434)</b>	<b>(11,095)</b>	<b>(6,594)</b>	<b>(10,594)</b>	<b>-</b>	<b>-</b>	<b>(1,568)</b>	<b>(1,421)</b>	<b>(25,017)</b>	<b>(13,345)</b>	<b>25,657</b>	<b>14,487</b>	<b>(16,956)</b>	<b>(21,968)</b>
<b>Capital expenditure</b>	<b>28</b>	<b>493</b>	<b>5</b>	<b>314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,335</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>3,142</b>
<b>Geographical segments:</b>														
Revenue	Malaysia		Hong Kong		Singapore		Vietnam		Adjustments and eliminations		Per consolidated financial statements			
	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13	30.6.14	30.6.13		
	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 from external customers			8,931	24,680	33	-	974	2,123	-	-	-	-	9,938	26,803
<b>Segment assets</b>			<b>85,385</b>	<b>78,466</b>	<b>14,760</b>	<b>3,751</b>	<b>3,191</b>	<b>3,697</b>	<b>105</b>	<b>73</b>	<b>(26,540)</b>	<b>(11,085)</b>	<b>76,901</b>	<b>74,903</b>
<b>Capital expenditure</b>			<b>33</b>	<b>807</b>	<b>-</b>	<b>2,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>3,142</b>

**NOTES TO THE INTERIM FINANCIAL REPORT**

**A9. Valuation of property, plant and equipment**

The valuation of land and buildings have been brought forward from last year annual financial statements.

**A10. Subsequent Events**

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

- a. On 10 July 2014, the Company entered into an Exclusive Agency Contract with Dragonway Group Holdings Limited ("Dragonway") for the appointment of Industronics as sole agent in Malaysia, Thailand and one of the authorised agent in Hong Kong to distribute and market stylus signature board, stylus calligraphy board, all-in-one PC, electronic shelf label, inductive touch multifunctional podium, inductive touch computer desk, flat-screen computers, tablet computers, student learning computer as well as other products as mutually consent by both parties as manufactured by Dragonway for the period of three (3) years commencing from 10 July 2014 to 9 July 2017 ("the Contract"). The Contract is renewable subject to terms and conditions to be agreed by both parties and the renewal period is not specified in the Contract.
- b. On 9 July 2014, the Company entered into a Conditional Deposit Agreement ("Agreement") in relation to the proposed subscription of shares in Vashion Group Limited ("Vashion") by way of private placement for such number of new ordinary shares in Vashion and at such price and on such terms as shall be agreed and documented in a Placement Agreement to be entered into between Vashion and the Company ("Proposed Subscription").
- c. On 24 August 2014, TA Securities had on behalf of the Company announced that the Company has decided not to proceed with the Proposed Private Placement after taking into consideration of its current cash flow position and funding requirements.

**A11. Effect of Changes in the Composition of the Group**

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

- a. On 27 February 2014, the Company has incorporated a wholly-owned subsidiary in Hong Kong with the name "DSC IB Limited" with paid up capital of HKD500,000. The intended principal activities of DSC IB Limited is general business.

**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 2013.



**NOTES TO THE INTERIM FINANCIAL REPORT**

**A13. Related Party Transactions**

- a. Save as disclosed below, there were no significant transactions and balances with related parties of the Group during the current financial period under review.

	Individual Current Quarter RM	Cumulative Quarters RM
Sales to an entity connected with a director of a subsidiary of the group	779,066	779,066

Outstanding balance with related party as at 30 June 2014 and 31 December 2013 are as follows:

	As at 30.6.2014 Unaudited RM	As at 31.12.2013 Audited RM
Sales to an entity connected with a director of a subsidiary of the group	1,854,245	2,264,880

- b. 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.

**A14. Profit/(loss) Before Taxation**

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

	Q214 RM	Q213 RM	YTD 14 RM	YTD 13 RM
Interest Income	(8,727)	(12,593)	(97,231)	(108,387)
Other Income	(163,842)	(107,452)	(214,688)	(132,405)
Interest expense	52,076	44,113	91,556	86,581
Depreciation and amortization	174,101	255,532	504,348	430,095
Loss on disposal of quoted investment	963,445	-	963,445	-
Gain on disposal of subsidiary	-	(1,640)	-	(1,640)
Gain on disposal of property, plant and equipment	-	(1,666,745)	(48,590)	(1,666,745)
Realised foreign exchange (Gain)/loss	3,216	21,366	(13,151)	27,119
Unrealised foreign exchange (Gain)/loss	(155,250)	111,239	(120,401)	(134,466)

- a. Gain or loss on derivatives is not applicable as the Company does not have any derivative financial instrument.

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

**ADDITIONAL INFORMATION REQUIRED PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT:**

**B1. Review of Performance**

- a. Quarter ended 30 June 2014 (2Q14) compared with quarter ended 30 June 2013 (2Q13)

The Group's revenue was lower in 2Q14 (RM6.22 million) compared to 2Q13 (RM13.93 million), mainly attributable to lower revenue recognition in Electronics & System Integration segment of approximately RM4.61 million in 2Q14 compared to RM8.83 million in 2Q13 and in Security Systems and M&E segment of approximately RM1.6 million in 2Q14 compared to RM4.37 million in 2Q13.

The Group recorded loss before tax of approximately RM3.46 million in 2Q14 compared to RM1.11 million in 2Q13. This is mainly due to lower revenue in 2Q14.

- b. Current financial period ended 30 June 2014 (6M14) compared with preceding financial period ended 30 June 2013 (6M13)

The Group recorded revenue of RM9.94 million for 6M14 compared to RM26.80 million for 6M13, mainly attributable to lower revenue recognition in Electronics & System Integration segment of RM6.94 million in 6M14 compared to RM16.31 million in 6M13 and in Security Systems and M&E segment of RM2.70 million in 6M14 compared to RM8.41 million in 6M13.

The Group recorded higher loss before tax of RM6.50 million in 6M14 compared to RM1.39 million in 6M13 mainly due to lower revenue recorded in 6M14.

**B2. Material Changes in the Quarterly Results (2Q14) compared to the Results of the Preceding Quarter (1Q14)**

The Group recorded revenue of RM6.22 million in 2Q14 compared with RM3.72 million in 1Q14. The increase is mainly due to higher revenue in Electronics & System Integration segment. Loss before tax recorded is RM3.46 million in 2Q14 compared to RM3.04 million in 1Q14.

**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:-

	Current Quarter RM	Cumulative Quarters
Current taxation	-	-
Deferred taxation	-	-
	<u>-</u>	<u>-</u>

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

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**ADDITIONAL INFORMATION REQUIRED PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT:**

**B6. Sale of Quoted and Unquoted Investments and Properties**

Other than disclosed below, there were no other material sale of quoted and unquoted investments and properties for the financial period ended 30 June 2014.

- a. On 28 April 2014, the Company disposed in the open market an aggregate of 5,500,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceeds of RM696,650.
- b. On 29 April 2014, the Company disposed in the open market an aggregate of 8,000,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceeds of RM1,054,610.
- c. On 8 May 2014, the Company disposed in the open market an aggregate of 140,800 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceeds of RM21,824.
- d. On 9 May 2014, the Company disposed in the open market an aggregate of 900,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceeds of RM135,000.
- e. On 16 May 2014, the Company disposed in the open market an aggregate of 1,000,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceeds of RM140,000.

**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 27 Aug 2014, 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 Dissolution of Wholly Owned Subsidiary In Vietnam

On 22 August 2013, the Company announced the commencement of the proposed dissolution of its wholly owned subsidiary, Industronics Corporation Limited ("ICL") on 21 August 2013 ("the Dissolution").

As at LPD, the Dissolution is still in the process.

- b. Proposed Shareholders Mandate for Disposal of up to 20,041,900 Ordinary Shares of RM0.10 Each in Solution Engineering Holdings Berhad ("SEHB") ("SEHB Shares") ("Proposed Shareholder's Mandate for Disposal of Shares").

On 3 December 2013, on behalf of the Board of Directors of Industronics Berhad ("IB" or the "Company") ("Board"), TA Securities had announced that the Company proposes to obtain a mandate from its shareholders to, if deemed fit in the future, dispose up to 20,041,900 ordinary shares of RM0.10 each in Solution Engineering Holdings Berhad ("SEHB") ("SEHB Shares").

Bursa Malaysia Securities Berhad had via its letter dated 13 December 2013 approve the Proposed Shareholder's Mandate for Disposal of Shares.

The shareholders of IB had on 21 January 2014 approved the Proposed Shareholder's Mandate for Disposal of SEHB Shares at an extraordinary general meeting held.

**B9. Group Borrowings and Debt Securities**

Total Group Borrowings as at 30 June 2014:-

	RM
a) Secured and unsecured :	
Total secured borrowings	418,316
Total unsecured borrowings	1,496,818
Total borrowings	<u>1,915,135</u>
b) Short Term and Long Term	
Total short-term borrowings	1,816,100
Total long term borrowings	99,034
Total borrowings	<u>1,915,135</u>

All borrowings are denominated in Ringgit Malaysia.

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**ADDITIONAL INFORMATION REQUIRED PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT:**

**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 30.6.2014 RM (unaudited)	As at 31.12.2013 RM (audited)
Total accumulated losses of Industronics Berhad and its subsidiaries:		
- Realised	(19,957,202)	(13,398,317)
- Unrealised	(735,921)	(771,397)
Less: consolidation adjustments	10,366,331	10,118,292
Total group (accumulated losses)/retained profits as per consolidated accounts	<u>(10,326,792)</u>	<u>(4,051,422)</u>

**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 till 25th April 2013, 1st till 2nd August 2013, 18th till 22nd November 2013, 20th till 23rd January 2014, 19th till 23rd May 2014 and 8 August 2014. The Arbitrator had further fixed the Arbitration for Continued Hearing on 12th and 14th November 2014.

**B13. Dividend**

No dividend has been declared in the current quarter.

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**ADDITIONAL INFORMATION REQUIRED PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENT:**

**B14. Basic earnings/(loss) per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year Quarter 30.6.2014	Preceding Year Quarter 30.6.2013	Current Year 30.6.2014	Preceding Year 30.6.2013
Net loss attributable to the owners of the Company for the period	(3,397,597)	(1,209,706)	(6,275,370)	(1,716,397)
Weighted average no. of ordinary shares in issue	102,129,725	94,132,000	102,129,725	94,132,000
Basic loss per share (sen)	(3.33)	(1.29)	(6.14)	(1.82)

**b) Diluted earnings/(loss) per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year Quarter 30.6.2014	Preceding Year Quarter 30.6.2013	Current Year 30.6.2014	Preceding Year 30.6.2013
Net loss attributable to the owners of	(3,397,597)	(1,209,706)	(6,275,370)	(1,716,397)
Weighted average no. of ordinary shares in issue	108,749,725	94,132,000	108,749,725	94,132,000
Diluted loss per share (sen)	(3.12)	(1.29)	(5.77)	(1.82)

**B15. Authorisation For Issue**

The interim financial statements for the six (6)-months financial period ended 30 June 2014 were authorised for issue by the Board of Directors.

**BY ORDER OF THE BOARD**  
INDUSTRONICS BERHAD

27 Aug 2014