

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX (6)-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR QUARTER 30.6.2016	PRECEDING YEAR QUARTER 30.6.2015	CURRENT YEAR 30.6.2016	PRECEDING YEAR 30.6.2015
	RM	RM	RM	RM
Revenue	6,077,785	10,109,066	8,365,158	14,061,354
Cost of Sales	<u>(5,487,841)</u>	<u>(9,456,487)</u>	<u>(6,809,933)</u>	<u>(11,434,953)</u>
Gross profit	589,944	652,579	1,555,225	2,626,401
Other Income	(51,783)	761,859	197,047	959,587
Operating Expenses	(3,490,328)	(4,510,159)	(7,934,806)	(9,115,056)
Finance Costs	<u>(26,233)</u>	<u>(37,073)</u>	<u>(60,867)</u>	<u>(77,206)</u>
Loss before Tax	(2,978,399)	(3,132,794)	(6,243,401)	(5,606,274)
Income Tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the year	<u>(2,978,399)</u>	<u>(3,132,794)</u>	<u>(6,243,401)</u>	<u>(5,606,274)</u>
Other comprehensive income/(loss), net of tax:				
Foreign currency translation differences for foreign operations	490,476	293,608	(859,532)	1,058,288
Reversal of income tax relating to components of other comprehensive income	-	-	204,099	-
	<u>490,476</u>	<u>293,608</u>	<u>(655,433)</u>	<u>1,058,288</u>
Total comprehensive (loss)/income for the year	<u>(2,487,924)</u>	<u>(2,839,186)</u>	<u>(6,898,834)</u>	<u>(4,547,987)</u>
Profit/(loss) Attributable to :				
Owners of the Company	(2,818,105)	(3,003,475)	(5,988,461)	(5,395,109)
Non-Controlling Interest	<u>(160,294)</u>	<u>(129,319)</u>	<u>(254,940)</u>	<u>(211,165)</u>
Loss for the year	<u>(2,978,399)</u>	<u>(3,132,794)</u>	<u>(6,243,401)</u>	<u>(5,606,274)</u>
Total Comprehensive (loss)/income Attributable to :				
Owners of the Company	(2,345,916)	(2,737,954)	(6,891,453)	(4,443,145)
Non-Controlling Interest	<u>(142,007)</u>	<u>(101,232)</u>	<u>(7,381)</u>	<u>(104,841)</u>
	<u>(2,487,924)</u>	<u>(2,839,186)</u>	<u>(6,898,834)</u>	<u>(4,547,987)</u>
Earnings/(loss) per share of RM0.50 each				
- Basic (sen)	(2.74)	(2.92)	(5.83)	(5.25)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 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 2016

	AS AT THE END OF THE CURRENT FINANCIAL PERIOD 30.6.2016 RM (Unaudited)	AS AT THE PRECEDING FINANCIAL YEAR END 31.12.2015 RM (Audited)
ASSETS		
Non-current assets		
Property, Plant and Equipment	11,147,721	13,900,651
Investment Properties	402,081	421,964
Intangible Assets	4,239,515	4,084,368
Other Investments	143,432	143,432
Total Non-current assets	15,932,749	18,550,415
Current Assets		
Inventories	6,938,768	6,834,881
Due from Customers on Contract	635,888	1,123,937
Trade & Other Receivables	14,464,919	17,191,085
Cash and Bank Balances	3,835,984	5,401,453
Total Current Assets	25,875,559	30,551,356
TOTAL ASSETS	41,808,308	49,101,771
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share Capital	51,381,400	51,381,400
Reserves	(24,536,677)	(17,645,224)
Shareholders' funds	26,844,723	33,736,176
Non-Controlling Interest	3,630,864	3,638,245
Total equity	30,475,587	37,374,421
Non-current liabilities		
Borrowings	63,900	125,320
Deferred Tax Liabilities	948,884	1,152,984
Total Non-current liabilities	1,012,784	1,278,304
Current Liabilities		
Provisions	102,094	102,094
Trade & Other Payables	9,239,467	8,736,085
Borrowings	844,881	1,610,662
Current Tax Payables	133,290	-
Due to Customers on Contract	204	205
Total Current Liabilities	10,319,937	10,449,046
TOTAL EQUITY AND LIABILITIES	41,808,308	49,101,771

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

0.26

0.33

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 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 2016**

	<----- Attributable to Owners of the Parent ----->									
	<----- Non Distributable ----->					Fair value adjustment reserve	Distributable Retained earnings/ (accumulated losses)	Share- holders Fund	Non-Controlling Interest	Total Equity
	Share capital	Share premium	Foreign currency reserve	Share issuance scheme reserve	Revaluation reserves					
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 31 December 2015	51,381,400	1,253,054	3,442,239	458,620	4,398,276	4,308	(27,201,721)	33,736,176	3,638,245	37,374,421
Loss for the year	-	-	-	-	-	-	(5,988,461)	(5,988,461)	(254,940)	(6,243,401)
Crystallisation of deferred tax upon disposal of property	-	-	-	-	-	-	104,090	104,090	100,009	204,099
Foreign exchange translation	-	-	(1,007,082)	-	-	-	-	(1,007,082)	147,550	(859,532)
Total comprehensive loss for the year	-	-	(1,007,082)	-	-	-	(5,884,371)	(6,891,453)	(7,381)	(6,898,834)
Arising from disposal of property	-	-	-	-	(814,402)	-	814,402	-	-	-
At 30 June 2016	51,381,400	1,253,054	2,435,157	458,620	3,583,874	4,308	(32,271,690)	26,844,723	3,630,864	30,475,587
At 31 December 2014	51,381,400	1,253,054	952,281	458,620	4,398,276	74,806	(14,897,445)	43,620,992	4,111,650	47,732,642
Total comprehensive loss for the year	-	-	951,964	-	-	-	(5,395,109)	(4,443,145)	(104,841)	(4,547,987)
At 30 June 2015	51,381,400	1,253,054	1,904,245	458,620	4,398,276	74,806	(20,292,554)	39,177,847	4,006,809	43,184,655

(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 2015 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 2016**

	Current Period 6 Months Ended 30.6.2016 (Unaudited)	Preceding Period 6 Months Ended 30.6.2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(6,243,401)	(5,606,274)
Adjustments for non-cash flow:-		
Non-cash items	49,787	363,012
Non-operating items	8,727	(424,917)
Operating loss before changes in working capital	(6,184,887)	(5,668,179)
Net change in current assets	3,117,857	3,309,335
Net change in current liabilities	581,784	4,597,853
Cash (used in)/generated from operations	(2,485,245)	2,239,009
Interest paid	(60,867)	(77,206)
Taxes refunded	7,500	33,131
Taxes paid	(11,598)	(69,299)
Net cash (used in)/generated from operating activities	(2,550,211)	2,125,635
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(418,605)	(8,256,284)
Proceeds from disposal of property, plant and equipment	2,433,520	8,316,867
Proceeds from disposal of quoted investments	-	1,392,343
Interest received	389	579
Net cash generated from investing activities	2,015,303	1,453,505
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of hire purchase	(99,817)	(79,768)
Net cash (used in)/generated from financing activities	(99,817)	(79,768)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(634,725)	3,499,372
Effect of exchange rate changes	(203,360)	1,058,288
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,016,605	5,373,369
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,178,520	9,931,029
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	3,835,984	11,042,775
Bank overdraft	(657,464)	(1,111,746)
	3,178,520	9,931,029

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 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 2016 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 2015. 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 2015.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 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 2016:-

Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 127	Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to MFRS 116	Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116	Property, Plant and Equipment - Agriculture: Bearer Plants
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 138	Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141	Agriculture - Agriculture: Bearer Plants
Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operation (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception
* Amendments to MFRS 10	Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 12	Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 119	Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception
* Amendments to MFRS 128	Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Annual improvements to MFRSs 2012 - 2014 Cycle

* The effective date of these standards have been deferred, and yet to be announced by MASB.

The adoption of the above standards 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 2015 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.

NOTES TO THE INTERIM FINANCIAL REPORT

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 2016.

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 financial period.

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayments of debt and equity securities for the current financial period.

a. Issuance of equity

There was no new ordinary shares issued during the financial period ended 30 June 2016.

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

There was no share buy-backs, share cancellation and sale of treasury shares during the financial period ended 30 June 2016.

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 four 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.

Sheet metal fabrication - Involving in precision sheet metal fabrications works and manufacturing of precision fabrication.

Other operations - Involving in provision of mobile entertainment services, trading of watches, integrated internet marketing services, development of IT applications, general trading and provision of hospitality services.

Geographical Segments

Malaysia - All main businesses disclosed in primary reporting format-business segments

Hong Kong - Provision of mobile entertainment services, trading of watches, integrated internet marketing services, development of IT applications, general trading and provision of hospitality services

Singapore - Trading, maintenance and supply of industrial electrical equipment

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NOTES TO THE INTERIM FINANCIAL REPORT

A8. Segmental Reporting (Continued)

a. Individual quarter

Business segments:													
		Electronics & System Integration		Security Systems & M&E		Sheet Metal Fabrication		Other Operations		Adjustments and Eliminations		Per consolidated Financial Statements	
Individual quarter ended	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	
	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	1,281	1,851	309	628	-	-	4,489	7,629	-	-	6,079	10,109	
Inter-segment	1,475	993	-	1	-	-	-	-	(1,475)	(994)	-	-	
Total revenue	2,756	2,844	309	630	-	-	4,489	7,629	(1,475)	(994)	6,079	10,109	
Results													
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	
Finance costs	9	13	13	19	-	-	4	5	-	-	26	37	
Depreciation	39	48	22	38	23	23	106	163	-	-	190	272	
Segment profit/(loss)	(1,750)	(816)	(206)	(166)	(25)	(143)	(960)	(2,009)	(37)	1	(2,979)	(3,133)	
Segment assets	23,373	38,204	9,128	11,415	743	1,176	19,400	20,241	(10,836)	(12,455)	41,808	58,581	
Segment liabilities	(7,397)	(6,174)	(2,364)	(3,976)	(454)	(504)	(45,685)	(39,943)	44,567	35,201	(11,333)	(15,396)	
Capital expenditure	3	3	-	-	-	-	415	8,190	-	-	418	8,193	
Geographical segments:													
		Malaysia		Hong Kong		Singapore		Adjustments and eliminations		Per consolidated financial statements			
			30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	
			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			1,476	2,032	4,489	7,629	114	448	-	-	6,079	10,109	
Segment assets			31,559	47,241	19,390	20,218	1,695	3,577	(10,836)	(12,455)	41,808	58,581	
Capital expenditure			3	3	415	8,190	-	-	-	-	418	8,193	

b. Cumulative quarters

Business segments:												
	Electronics & System Integration		Security Systems & M&E		Sheet Metal Fabrication		Other Operations		Adjustments and Eliminations		Per consolidated Financial Statements	
Cumulative quarters ended	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	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	2,766	4,835	688	1,389	-	-	4,912	7,837	-	-	8,366	14,061
Inter-segment	5,731	1,614	49	8	-	-	-	-	(5,780)	(1,622)	-	-
Total revenue	8,497	6,449	737	1,397	-	-	4,912	7,837	(5,780)	(1,622)	8,366	14,061
Results												
Interest income	-	-	-	-	-	1	-	-	-	-	-	1
Finance costs	18	29	35	38	-	-	8	10	-	-	61	77
Depreciation	78	95	58	76	45	45	208	218	-	-	389	434
Segment profit/(loss)	(3,680)	(1,226)	(279)	(328)	(50)	(171)	(2,161)	(3,904)	(74)	23	(6,244)	(5,606)
Segment assets	23,373	38,204	9,128	11,415	743	1,176	19,400	20,241	(10,836)	(12,455)	41,808	58,581
Segment liabilities	(7,397)	(6,174)	(2,364)	(3,976)	(454)	(504)	(45,685)	(39,943)	44,567	35,201	(11,333)	(15,396)
Capital expenditure	4	73	-	2	-	-	415	8,190	-	-	419	8,265
Geographical segments:												
			Malaysia		Hong Kong		Singapore		Adjustments and eliminations		Per consolidated financial statements	
			30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015
			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			3,184	5,335	4,912	7,837	270	889	-	-	8,366	14,061
Segment assets			31,559	47,241	19,390	20,218	1,695	3,577	(10,836)	(12,455)	41,808	58,581
Capital expenditure			4	75	415	8,190	-	-	-	-	419	8,265

NOTES TO THE INTERIM FINANCIAL REPORT

A9. Valuation of property, plant and equipment

The valuation of land and buildings have been brought forward from previous valuation done as at 31 December 2013.

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 1 July 2016, the Company and Vashion Group Limited ("Vashion") have agreed to treat the balance of the Conditional Deposit of RM2,032,731 (approximately S\$1,033,188 as per Vashion record) as a loan indebted by Vashion to the Company's 70% owned Singapore subsidiary namely Industrial Electronics (S) Pte. Ltd. ("Lender") by way of an assignment of the remaining refundable Deposit due by Vashion to the Company as at 1 July 2016, to the Lender. The Lender and Vashion has subsequently entered into a Loan Agreement to formalise the following salient terms and conditions governing the Loan:-
 - i. The loan amount shall be the balance of Conditional Deposit of RM2,032,731 (approximately S\$1,033,188 as per Vashion record) as at the date of the assignment by the Company to Lender on 1 July 2016.
 - ii. The outstanding balance together with interest accrued shall be paid within three (3) months from the Date of Assignment; and
 - iii. Interest will be charged at 3% per month on the outstanding balance with effect from the Date of Assignment.

Further details are disclosed in Note A15 Related Party Transactions.

A11. Effect of Changes in the Composition of the Group

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, disposal of subsidiaries, restructuring and discontinuing operations.

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 2015.

A13. Intangible Assets

The intangible assets of RM4,239,515 is related to investment in software development from a subsidiary of the Company, Industronics Technology Limited. The software development consists of openstack cloud computing software platform, file hosting platform and game server platform.

A14. Capital Commitment

Other than as disclosed below, the Group has no other material capital commitments as at 30.6.2016.

- a. The subsidiary of the Company, Industronics Technology Limited has a capital commitments related to software under development of HKD11,823,500, approximately equivalent to RM6,130,485.

NOTES TO THE INTERIM FINANCIAL REPORT

A15. 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	-	-
Deposit refunded from Vashion Group Limited *, in relation to Conditional Deposit Agreement entered into on 9 July 2014	4,398,140	4,398,140

Outstanding balances with related parties as at 30 June 2016 and 31 December 2015 are as follows:

	As at 30.6.2016 Unaudited RM	As at 31.12.2015 Audited RM
Sales to an entity connected with a director of a subsidiary of the group	1,219,912	1,248,532
Deposit paid to Vashion Group Limited *, in relation to Conditional Deposit Agreement entered into on 9 July 2014	2,032,731	6,430,871

* A company in which the existing director of Industronics Berhad, Mr. Jacob Leung Kwok Kuen is appointed as a Non-executive and Non-independent Director and a member of Nominating Committee with effect from 23 November 2015.

* A company in which the existing director of subsidiaries of Industronics Berhad, Mr. Christian Kwok-Leun Yau Heilesen is appointed as Executive Director with effect from 23 November 2015. Mr. Christian Kwok-Leun Yau is also deemed to be a substantial shareholder of Industronics Berhad and Vashion Group Limited.

* A company in which a substantial shareholder, Ms. Zhou Qi Lin is also a substantial shareholder of Industronics Berhad.

- 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.

A16. Profit/(loss) Before Taxation

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

	Q216 RM	Q215 RM	YTD 16 RM	YTD 15 RM
Interest Income	(52)	(230)	(389)	(579)
Other Income	76,460	(91,303)	(74,376)	(145,861)
Interest expense	26,233	27,809	60,867	60,305
Depreciation and amortization	189,115	272,160	388,219	434,436
(Gain)/Loss on disposal of quoted investment	-	(493,899)	-	(493,899)
(Gain)/Loss on disposal of property, plant and equipment	45,022	-	(51,751)	(30,000)
Realised foreign exchange (gain)/loss	(69,647)	13,402	(70,531)	(51,177)
Unrealised foreign exchange (gain)/loss	5,851	(103,262)	163,317	(151,156)

- a. 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 2016 (2Q16) compared with quarter ended 30 June 2015 (2Q15)

The Group's revenue was lower in 2Q16 (RM6.07 million) compared to 2Q15 (RM10.11 million). This is mainly due to lower revenue in Other Operation segment in 2Q16 (RM4.49 million) compared to 2Q15 (RM7.63 million).

The Group recorded loss before tax of approximately RM2.98 million in 2Q16 compared to RM3.13 million in 2Q15. The lower loss was mainly due to lower operating expenses incurred in 2Q16 (RM3.49 million) compared to 2Q15 (RM4.51 million).

b. Current financial period ended 30 June 2015 (6M16) compared with preceding financial period ended 30 June 2015 (6M15)

The Group recorded lower revenue of RM8.37 million for 6M16 compared to RM14.06 million for 6M15, mainly attributable to lower revenue generated in Other Operations segment in 6M16.

The Group recorded higher loss before tax of RM6.24 million in 6M16 compared to RM5.61 million in 6M15 mainly due to lower revenue generated in 6M16.

B2. Material Changes in the Quarterly Results (2Q16) compared to the Results of the Preceding Quarter (1Q16)

The Group recorded higher revenue of RM6.07 million in 2Q16 compared with RM2.29 million in 1Q16. Loss before tax was RM2.98 million in the current quarter compared to RM3.27 million in 1Q16. The lower loss is mainly due to lower operating expenses in 2Q16.

B3. Current Year Prospects

The prevailing uncertainties in the global economy continue to pose challenges to the Group financial performance.

External factors such as increased competition in the industry, changing business trends, slowdown of economic growth and other macro-economic factors are among those that will continuously affect the prospects of the Group future performance.

The Group will continue to explore new investment opportunities and improve the efficiency of its operations to enhance shareholders' values.

B4. Profit Forecast

Not applicable as no profit forecast was published.

B5. Taxation

Taxation comprises the following:-

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

B6. Sale of Quoted and Unquoted Investments

There were no material sale of quoted and unquoted investments for the financial period ended 30 June 2016.

B7. Sale of Properties

Other than as disclosed below, there were no material sale of properties for the financial period ended 30 June 2016:

- a. On 18 February 2016, subsidiary of the Company, Sukitronics Sdn Bhd has entered into a sale and purchase agreement with Triangle Worldwide Sdn Bhd to dispose its property for a total consideration of RM2,350,000. The carrying amount of the property at date of disposal is approximately RM2,182,727.

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

B8. Status of Corporate Proposals

As at 26 August 2016, 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 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 Industritronics 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 2016:-

	RM
a) Secured and unsecured :	
Total secured borrowings	908,781
Total unsecured borrowings	-
Total borrowings	<u>908,781</u>
b) Short Term and Long Term	
Total short-term borrowings	844,881
Total long term borrowings	63,900
Total borrowings	<u>908,781</u>

All borrowings are denominated in either Ringgit Malaysia or Hong Kong Dollar.

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 30.6.2016 RM (unaudited)	As at 31.12.2015 RM (audited)
Total accumulated losses of Industritronics Berhad and its subsidiaries:		
- Realised	(70,428,883)	(59,490,746)
- Unrealised	(145,179)	545,472
Less: consolidation adjustments	38,302,372	31,743,553
Total group (accumulated losses)/retained profits as per consolidated accounts	<u>(32,271,690)</u>	<u>(27,201,721)</u>

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

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, 8 August 2014, 12th till 14th November 2014, 30th till 31st March 2015, 20th May 2015, 24th till 26th June 2015 and 18th till 20th April 2016.

On 20 April 2016, the Arbitrator gave the following directions:

- The claimant to submit its final submission complete with authorities on or before 20 August 2016.
- The respondent to submit its final submission complete with authorities on or before 28 November 2016.
- The claimant to submit its final reply on or before 28 February 2017.

B13. Dividend

No dividend has been declared in the current quarter.

B14. Basic earnings/(loss) per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year Quarter 30.6.2016	Preceding Year Quarter 30.6.2015	Current Year 30.6.2016	Preceding Year 30.6.2015
Net loss attributable to the owners of the Company for the period	(2,818,105)	(3,003,475)	(5,988,461)	(5,395,109)
Weighted average no. of ordinary shares in issue	102,762,800	102,762,800	102,762,800	102,762,800
Basic loss per share (sen)	(2.74)	(2.92)	(5.83)	(5.25)

b) Diluted earnings/(loss) per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year Quarter 30.6.2016	Preceding Year Quarter 30.6.2015	Current Year 30.6.2016	Preceding Year 30.6.2015
Net loss attributable to the owners of the Company for the period	(2,818,105)	(3,003,475)	(5,988,461)	(5,395,109)
Weighted average no. of ordinary shares in issue	109,382,800	109,382,800	109,382,800	109,382,800
Diluted loss per share (sen)	(2.58)	(2.75)	(5.47)	(4.93)

B15. Authorisation For Issue

The interim financial statements for the six (6)-months financial period ended 30 June 2016 were authorised for issue by the Board of Directors.

BY ORDER OF THE BOARD
INDUSTRONICS BERHAD

26 August 2016