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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE TWELVE (12)-MONTHS FINANCIAL YEAR ENDED 31 DECEMBER 2016**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTERS | |
|---|---|---|---|---|
| | CURRENT YEAR QUARTER 31.12.2016 | PRECEDING YEAR QUARTER 31.12.2015 | CURRENT YEAR 31.12.2016 | PRECEDING YEAR 31.12.2015 |
| | RM | RM | RM | RM |
| Revenue | 15,197,294 | 5,935,635 | 30,868,349 | 23,631,414 |
| Cost of Sales | (14,347,305) | (5,291,346) | (27,799,415) | (19,425,960) |
| Gross profit | 849,989 | 644,289 | 3,068,934 | 4,205,454 |
| Other Income | 246,171 | (71,474) | 748,744 | 1,684,551 |
| Operating Expenses | (6,353,336) | (4,547,512) | (17,457,936) | (18,673,619) |
| Finance Costs | (74,914) | (38,352) | (148,725) | (153,268) |
| Loss before Tax | (5,332,089) | (4,013,049) | (13,788,983) | (12,936,882) |
| Income Tax | - | - | - | - |
| Loss for the year | (5,332,089) | (4,013,049) | (13,788,983) | (12,936,882) |
| Other comprehensive income/(loss), net of tax: | | | | |
| Revaluation of land and buildings | 1,422,624 | - | 1,422,624 | - |
| Foreign currency translation differences for foreign operations | 1,245,810 | (933,116) | 1,814,220 | 2,649,159 |
| Available-for-sale financial assets - reclassification of fair value adjustment to profit or loss upon disposal | - | - | - | (70,498) |
| Reversal of income tax relating to components of other comprehensive income | - | - | 204,099 | - |
| | 2,668,434 | (933,116) | 3,440,943 | 2,578,661 |
| Total comprehensive (loss)/income for the year | (2,663,656) | (4,946,165) | (10,348,041) | (10,358,221) |
| **Profit/(loss) Attributable to :** | | | | |
| Owners of the Company | (4,734,469) | (3,743,275) | (12,807,562) | (12,304,276) |
| Non-Controlling Interest | (597,620) | (269,774) | (981,421) | (632,606) |
| Loss for the year | (5,332,089) | (4,013,049) | (13,788,983) | (12,936,882) |
| **Total Comprehensive (loss)/income Attributable to :** | | | | |
| Owners of the Company | (2,224,292) | (4,652,329) | (9,784,152) | (9,884,816) |
| Non-Controlling Interest | (439,363) | (293,836) | (563,889) | (473,405) |
| | (2,663,656) | (4,946,165) | (10,348,041) | (10,358,221) |
| Earnings/(loss) per share of RM0.50 each - Basic (sen) | (4.61) | (3.64) | (12.46) | (11.97) |

(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 31 DECEMBER 2016**

| | AS AT THE END OF THE CURRENT FINANCIAL PERIOD 31.12.2016 RM (Unaudited) | AS AT THE PRECEDING FINANCIAL YEAR END 31.12.2015 RM (Audited) |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, Plant and Equipment | 11,346,039 | 13,900,651 |
| Investment Properties | 382,199 | 421,964 |
| Intangible Assets | 5,059,850 | 4,084,368 |
| Other Investments | 143,432 | 143,432 |
| **Total Non-current assets** | 16,931,520 | 18,550,415 |
| **Current Assets** | | |
| Inventories | 5,199,704 | 6,834,881 |
| Due from Customers on Contract | 533,194 | 1,123,937 |
| Trade & Other Receivables | 9,441,963 | 17,191,085 |
| Cash and Bank Balances | 6,694,589 | 5,401,453 |
| **Total Current Assets** | 21,869,450 | 30,551,356 |
| **TOTAL ASSETS** | 38,800,970 | 49,101,771 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the Company** | | |
| Share Capital | 51,381,400 | 51,381,400 |
| Reserves | (27,429,376) | (17,645,224) |
| **Shareholders' funds** | 23,952,024 | 33,736,176 |
| Non-Controlling Interest | 2,969,923 | 3,638,245 |
| **Total equity** | 26,921,947 | 37,374,421 |
| **Non-current liabilities** | | |
| Borrowings | 11,309 | 125,320 |
| Deferred Tax Liabilities | 948,884 | 1,152,984 |
| **Total Non-current liabilities** | 960,193 | 1,278,304 |
| **Current Liabilities** | | |
| Provisions | 102,094 | 102,094 |
| Trade & Other Payables | 10,359,426 | 8,736,085 |
| Borrowings | 457,104 | 1,610,662 |
| Due to Customers on Contract | 205 | 205 |
| **Total Current Liabilities** | 10,918,829 | 10,449,046 |
| **TOTAL EQUITY AND LIABILITIES** | 38,800,970 | 49,101,771 |
| Net Assets per share of RM0.50 each (RM) | 0.23 | 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 TWELVE (12)-MONTHS FINANCIAL YEAR ENDED 31 DECEMBER 2016**

| | <-------- Attributable to Owners of the Parent --------> | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | <--------Non Distributable--------> | | | | | | Distributable | | | |
| | Share capital | Share premium | Foreign currency reserve | Share issuance scheme reserve | Revaluation reserves | Fair value adjustment reserve | Retained earnings/ (accumulated losses) | Share-holders Fund | Non-Controlling Interest | Total Equity |
| | 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 | - | - | - | - | - | - | (12,807,562) | (12,807,562) | (981,421) | (13,788,983) |
| Revaluation of land and building | - | - | - | - | 1,279,642 | - | - | 1,279,642 | 142,982 | 1,422,624 |
| Crystalisation of deferred tax upon disposal of property | - | - | - | - | - | - | 104,090 | 104,090 | 100,009 | 204,099 |
| Foreign exchange translation | - | - | 1,639,678 | - | - | - | - | 1,639,678 | 174,542 | 1,814,220 |
| Total comprehensive loss for the year | - | - | 1,639,678 | - | - | - | (12,703,472) | (9,784,152) | (563,889) | (10,348,041) |
| Arising from disposal of property | - | - | - | - | (814,402) | - | 814,402 | - | - | - |
| Arising from disposal of subsidiary | - | - | - | - | - | - | - | - | (104,433) | (104,433) |
| At 31 December 2016 | 51,381,400 | 1,253,054 | 5,081,917 | 458,620 | 3,583,874 | 4,308 | (39,090,791) | 23,952,024 | 2,969,923 | 26,921,947 |
| 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 | - | - | 2,489,958 | - | - | - | (12,304,276) | (9,814,318) | (473,405) | (10,287,723) |
| Available-for-sales financial assets reclassification of fair value adjustment to profit or loss upon disposal | - | - | - | - | - | (70,498) | - | (70,498) | - | (70,498) |
| 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 |

(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 TWELVE (12)-MONTHS FINANCIAL YEAR ENDED 31 DECEMBER 2016**

| | Current Year 12 Months Ended 31.12.2016 (Unaudited) | Preceding Year 12 Months Ended 31.12.2015 (Audited) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | (13,788,983) | (12,936,882) |
| Adjustments for non-cash flow:- | | |
| Non-cash items | 4,812,904 | 1,046,599 |
| Non-operating items | (537,403) | (449,624) |
| Operating loss before changes in working capital | (9,513,483) | (12,339,907) |
| Net change in current assets | 7,657,559 | 10,571,514 |
| Net change in current liabilities | 2,515,558 | 2,284,192 |
| Cash (used in)/generated from operations | 659,635 | 515,799 |
| Interest paid | (86,633) | (118,749) |
| Taxes refunded | 35,028 | 16,804 |
| Taxes paid | (11,136) | (61,445) |
| Net cash (used in)/generated from operating activities | 596,894 | 352,409 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (3,952) | (1,351,757) |
| Purchase of intangible assets | (975,482) | (4,084,368) |
| Proceeds from disposal of property, plant and equipment | 2,555,210 | 30,000 |
| Net cash (outflow)/inflow from disposal of subsidiaries | (22,920) | - |
| Proceeds from disposal of quoted investments | - | 1,384,698 |
| Interest received | 540,541 | 1,384 |
| Dividend income | 3,888 | 2,592 |
| Net cash generated from investing activities | 2,097,285 | (4,017,451) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net repayment of hire purchase | (173,702) | (214,937) |
| Net cash (used in)/generated from financing activities | (173,702) | (214,937) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | 2,520,476 | (3,879,979) |
| Effect of exchange rate changes | (133,473) | 2,523,215 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 4,016,605 | 5,373,369 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 6,403,608 | 4,016,605 |
| CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash and bank balances | 6,694,589 | 5,401,453 |
| Bank overdraft | (290,981) | (1,384,848) |
| | 6,403,608 | 4,016,605 |

(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 31 December 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 finanical 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.

**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 31 December 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 year.

**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 year ended 31 December 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 year ended 31 December 2016.

**A7. Dividend paid**

There were no dividends paid during the current financial year.

**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 |

## A8. Segmental Reporting (Continued)

### a. Individual quarter

| **Business segments:** | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Electronics & | | Security Systems | | Sheet Metal | | Other | | Adjustments and | | Per consolidated | |
| Individual quarter | System Integration | | & M&E | | Fabrication | | Operations | | Eliminations | | Financial Statements | |
| ended | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 |
| | 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 | 1,103 | 2,456 | 375 | 422 | - | - | 13,719 | 3,057 | - | - | 15,197 | 5,935 |
| Inter-segment | 12,050 | 2,595 | (1) | 2 | - | - | - | - | (12,049) | (2,597) | - | - |
| Total revenue | 13,153 | 5,051 | 374 | 424 | - | - | 13,719 | 3,057 | (12,049) | (2,597) | 15,197 | 5,935 |
| **Results** | | | | | | | | | | | | |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance costs | 72 | 13 | - | 21 | - | 1 | 2 | 4 | - | - | 74 | 39 |
| Depreciation | 39 | 44 | 21 | 36 | 22 | 22 | 84 | (275) | - | - | 166 | (173) |
| Segment profit/(loss) | 428 | (9,591) | (1,892) | (399) | 76 | (310) | (3,601) | (1,117) | (344) | 7,404 | (5,333) | (4,013) |
| **Segment assets** | 28,030 | 36,005 | 7,057 | 11,166 | - | 791 | 14,032 | 13,528 | (10,318) | (12,388) | 38,801 | 49,102 |
| **Segment liabilities** | (7,461) | (14,017) | (1,934) | (4,327) | - | (451) | (48,668) | (36,788) | 46,184 | 43,856 | (11,879) | (11,727) |
| **Capital expenditure** | - | 65 | - | - | - | - | 168 | (7,431) | - | - | 168 | (7,366) |

| **Geographical segments:** | | | | | | | Adjustments and | | Per consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Malaysia | | Hong Kong | | Singapore | | eliminations | | financial statements | |
| | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 |
| | 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 | 1,308 | 2,756 | 13,719 | 3,057 | 170 | 122 | - | - | 15,197 | 5,935 |
| **Segment assets** | 32,950 | 44,153 | 14,032 | 13,509 | 2,137 | 3,828 | (10,318) | (12,388) | 38,801 | 49,102 |
| **Capital expenditure** | - | 65 | 168 | (7,431) | - | - | - | - | 168 | (7,366) |

### b. Cumulative quarters

| **Business segments:** | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Electronics & | | Security Systems | | Sheet Metal | | Other | | Adjustments and | | Per consolidated | |
| Cumulative quarters | System Integration | | & M&E | | Fabrication | | Operations | | Eliminations | | Financial Statements | |
| ended | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 |
| | 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 | 5,090 | 8,896 | 1,372 | 2,435 | - | - | 24,406 | 12,300 | - | - | 30,868 | 23,631 |
| Inter-segment | 22,687 | 6,025 | 51 | 12 | - | - | - | - | (22,738) | (6,037) | - | - |
| Total revenue | 27,777 | 14,921 | 1,423 | 2,447 | - | - | 24,406 | 12,300 | (22,738) | (6,037) | 30,868 | 23,631 |
| **Results** | | | | | | | | | | | | |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance costs | 101 | 51 | 35 | 81 | - | 1 | 12 | 20 | - | - | 148 | 153 |
| Depreciation | 156 | 190 | 100 | 150 | 89 | 89 | 432 | 355 | - | - | 777 | 784 |
| Segment profit/(loss) | (2,336) | (11,510) | (2,337) | (928) | (292) | (504) | (7,015) | (7,111) | (1,809) | 7,116 | (13,789) | (12,937) |
| **Segment assets** | 28,030 | 36,005 | 7,057 | 11,166 | - | 791 | 14,032 | 13,528 | (10,318) | (12,388) | 38,801 | 49,102 |
| **Segment liabilities** | (7,461) | (14,017) | (1,934) | (4,327) | - | (451) | (48,668) | (36,788) | 46,184 | 43,856 | (11,879) | (11,727) |
| **Capital expenditure** | 4 | 147 | - | 2 | - | - | 793 | 5,287 | - | - | 797 | 5,436 |

| **Geographical segments:** | | | | | | | Adjustments and | | Per consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Malaysia | | Hong Kong | | Singapore | | eliminations | | financial statements | |
| | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 |
| | 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 | 5,936 | 10,115 | 24,406 | 12,300 | 526 | 1,216 | - | - | 30,868 | 23,631 |
| **Segment assets** | 32,950 | 44,153 | 14,032 | 13,509 | 2,137 | 3,828 | (10,318) | (12,388) | 38,801 | 49,102 |
| **Capital expenditure** | 4 | 149 | 793 | 5,287 | - | - | - | - | 797 | 5,436 |

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

In line with the Group's accounting policies on property, plant and equipment, a revaluation exercise was carried out on 31 December 2016 by an independent professional valuer Mr D B Das Gupta, a chartered surveyor and registered valuer of Stocker Roberts & Gupta Sdn Bhd using the comparison method of valuation to reflect the fair values of properties of the Group.

Arising from this exercise, revaluation surplus of RM1,422,624 was credited to other comprehensive income of the Group.

**A10. Subsequent Events**

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.

**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 year including business combination, acquisition of subsidiaries and long term investment, disposal of subsidiaries, restructuring and discontinuing operations.

a. On 22 December 2016, the Company entered into the Equity Transfer Agreement with Reill Edward Champley for the disposal of all equity interest in the following wholly-owned subsidiaries for a total consideration of HKD1,950,001:

| Company | Number of shares | Disposal Consideration |
|---|---|---|
| Itronic Services Limited ("ISL") | 1,000,000 (100%) | HKD 1,500,000 |
| Itronic Management Limited ("IML") | 10,000 (100%) | HKD 450,000 |
| Metro Energy Limited ("MEL") | 10,000 (100%) | HKD 1 |

The disposal has the following financial effects on the Group for the financial year ended 31 December 2016:

| | MEL | IML | ISL | Total |
|---|---|---|---|---|
| | **RM** | **RM** | **RM** | **RM** |
| Property, plant and equipment | - | (196,399) | (697,786) | (894,185) |
| Inventories | - | - | - | - |
| Trade and other receivables | - | (75,934) | (464,389) | (540,323) |
| Cash & bank balances | - | (15,323) | (1,979) | (17,302) |
| Trade and other payables | - | 34,594 | 313,064 | 347,658 |
| | - | (253,062) | (851,090) | (1,104,152) |
| Disposal proceeds | 1 | 259,454 | 864,848 | 1,124,303 |
| Gain on disposal to the Group | 1 | 6,392 | 13,758 | 20,151 |

| | |
|---|---|
| Disposal proceeds outstanding as at 31 Dec 2016 (N1) | 1,124,303 |
| Cash inflow/(outflow) arising from disposals as at 31 Dec 2016: | |
| Cash consideration received | - |
| Cash and cash equivalents of subsidiary disposed | (17,302) |
| Net cash inflow/(outflow) from disposal | (17,302) |

The conversion rate used to convert HKD amount to RM is based on exchange rate quoted on Bank Negara Malaysia website as at 22 December 2016 (HKD100:RM57.6565).

(N1) - Total disposal proceeds have been received in January 2017.

b. On 29 December 2016, the Company entered into an Equity Transfer Agreement with Chong Hwa Cheong for the disposal of all equity interest in Primeworth (M) Sdn Bhd, a 69.2% owned subsidiary of the Company for a total consideration of RM20,000.

The disposal has the following financial effects on the Group for the financial year ended 31 December 2016:

| | Primeworth |
|---|---|
| | **RM** |
| Property, plant and equipment | (117,358) |
| Inventories | (392,427) |
| Trade and other receivables | (32,670) |
| Cash & bank balances | (5,618) |
| Trade and other payables | 605,090 |
| | 57,017 |
| MI (30.8%) | (17,561) |
| | 39,456 |
| Disposal proceeds | 20,000 |
| Gain on disposal to the Group | 59,456 |
| | |
| Disposal proceeds outstanding as at 31 Dec 2016 | 20,000 |
| | |
| Cash inflow/(outflow) arising from disposals as at 31 Dec 2016: | |
| Cash consideration received | - |
| Cash and cash equivalents of subsidiary disposed | (5,618) |
| Net cash inflow/(outflow) from disposal | (5,618) |

**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 RM5,059,850 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 31.12.2016.

a. The subsidiary of the Company, Industonics Technology Limited has a capital commitments related to software under development of HKD11,253,500, approximately equivalent to RM6,510,150.

**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 year under review.

| | Individual Current Quarter | Cumulative Quarters |
|---|---|---|
| | RM | 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 | 2,032,731 | 6,430,871 |

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

| | As at 31.12.2016 Unaudited | As at 31.12.2015 Audited |
|---|---|---|
| | RM | RM |
| Sales to an entity connected with a director of a subsidiary of the group | 1,219,912 | 1,248,532 |
| Provision for doubtful debts | (1,219,912) | - |
| Net balance | - | 1,248,532 |
| Deposit paid to Vashion Group Limited *, in relation to Conditional Deposit Agreement entered into on 9 July 2014 (N1) | - | 6,430,871 |

(N1) 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.

On 23 December 2016, the Board of Directors announced that Vashion had on 22 December 2016 made a full repayment of S$1,033,188 as well as approximately S$175,000 interest charges for period from July 2016 to December 2016 to Industrial Electronics (S) Pte. Ltd.

* 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.

**NOTES TO THE INTERIM FINANCIAL REPORT**

**A16. Profit/(loss) Before Taxation**

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

| | Q416 RM | Q415 RM | YTD 16 RM | YTD 15 RM |
|---|---|---|---|---|
| Interest Income | (255,929) | (113,956) | (540,541) | (114,311) |
| Other Income | 92,112 | 72,778 | (34,285) | (257,344) |
| Interest expense | 74,914 | 3,832 | 148,725 | 118,749 |
| Depreciation and amortization | 166,038 | (211,287) | 776,585 | 745,163 |
| Provision for receivables | 2,512,116 | 509,221 | 2,512,116 | 509,221 |
| Provision for inventories | 34,730 | 359,924 | 34,730 | 359,924 |
| Reversal of provision for inventories | (69,587) | (22,022) | (69,587) | (22,022) |
| Gain on disposal of subsidiaries | (79,607) | - | (79,607) | (31,051) |
| (Gain)/Loss on disposal of quoted investment | - | - | - | (564,397) |
| (Gain)/Loss on disposal of property, plant and equipment | (30,725) | - | (82,476) | (30,000) |
| Realised foreign exchange (gain)/loss | 27,978 | (41,518) | (11,835) | (138,093) |
| Unrealised foreign exchange (gain)/loss | (64,453) | 176,546 | 97,879 | (527,333) |

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 REQUIREMENTS**

**B1. Review of Performance**

a. Quarter ended 31 December 2016 (4Q16) compared with quarter ended 31 December 2015 (4Q15)

The Group's revenue was higher in 4Q16 (RM15.20 million) compared to 4Q15 (RM5.93 million). This is mainly due to higher revenue in Other Operation segment in 4Q16 (RM13.72 million) compared to 4Q15 (RM3.06 million).

The Group recorded loss before tax of approximately RM5.33 million in 4Q16 compared to RM4.01 million in 4Q15. The higher loss was mainly due to higher operating expenses incurred in 4Q16 (RM6.35 million) compared to 4Q15 (RM4.55 million).

b. Current financial year ended 31 December 2016 (12M16) compared with preceding financial year ended 31 December 2015 (12M15)

The Group recorded higher revenue of RM30.87 million for 12M16 compared to RM23.63 million for 12M15, mainly attributable to higher revenue generated in Other Operation segment in 12M16.

The Group recorded higher loss before tax of RM13.79 million in 12M16 compared to RM12.94 million in 12M15 mainly due to lower gross profit generated in 12M16.

**B2. Material Changes in the Quarterly Results (4Q16) compared to the Results of the Preceding Quarter (3Q16)**

The Group recorded higher revenue of RM15.20 million in 4Q16 compared with RM7.31 million in 3Q16. Loss before tax was RM5.33 million in the current quarter compared to RM2.21 million in 3Q16. The higher loss is mainly due to higher operating expenses in 4Q16.

**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 | - | - |
| | - | - |

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

There were no material sale of quoted and unquoted investments for the financial year ended 31 December 2016.

**B7. Sale of Properties**

Other than as disclosed below, there were no material sale of properties for the financial year ended 31 December 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.

**B8. Status of Corporate Proposals**

As at 27 February 2017, 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 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 31 December 2016:-

| | RM |
|---|---|
| a) Secured and unsecured : | |
| Total secured borrowings | 468,414 |
| Total unsecured borrowings | - |
| Total borrowings | 468,414 |
| b) Short Term and Long Term | |
| Total short-term borrowings | 457,104 |
| Total long term borrowings | 11,309 |
| Total borrowings | 468,414 |

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 31.12.2016 RM (unaudited) | As at 31.12.2015 RM (audited) |
|---|---|---|
| Total accumulated losses of Industronics Berhad and its subsidiaries: | | |
| - Realised | (76,289,520) | (59,490,746) |
| - Unrealised | (79,741) | 545,472 |
| Less: consolidation adjustments | 37,278,470 | 31,743,553 |
| Total group (accumulated losses)/retained profits as per consolidated accounts | (39,090,791) | (27,201,721) |

**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:

a. The claimant to submit its final submission complete with authorities on or before 20 August 2016.

b. The respondent to submit its final submission complete with authorities on or before 28 November 2016.

c. 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 | Preceding Year Quarter | Current Year | Preceding Year |
| | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 |
| Net loss attributable to the owners of the Company for the period | (4,734,469) | (3,743,275) | (12,807,562) | (12,304,276) |
| 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) | (4.61) | (3.64) | (12.46) | (11.97) |

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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTERS | |
|---|---|---|---|---|
| | Current Year Quarter | Preceding Year Quarter | Current Year | Preceding Year |
| | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 |
| Net loss attributable to the owners of the Company for the period | (4,734,469) | (3,743,275) | (12,807,562) | (12,304,276) |
| 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) | (4.33) | (3.42) | (11.71) | (11.25) |

**B15. Authorisation For Issue**

The interim financial statements for the twelve (12)-months financial year ended 31 December 2016 were authorised for issue by the Board of Directors.

**BY ORDER OF THE BOARD**
INDUSTRONICS BERHAD

27 February 2017