

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

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 JUNE 2008**

	AS AT END OF CURRENT FINANCIAL YEAR END 30.6.2008 RM (Unaudited)	AS AT PRECEDING FINANCIAL YEAR END 31.12.2007 RM (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	15,696,581	16,643,885
Prepaid Land Lease Payments	1,492,652	1,502,210
Development Costs	49,684	102,486
Investment Properties	1,239,777	1,259,659
Investment in Associates	-	1
Due from An associate	-	73,826
Other Investments	667,458	806,195
Deferred Tax Assets	22,800	-
<b>Total Non-current assets</b>	<u>19,168,952</u>	<u>20,388,262</u>
<b>Current Assets</b>		
Inventories	16,573,775	20,252,374
Due from Customers on Contract	2,652,444	3,915,947
Trade & Other Receivables	27,011,670	27,951,963
Cash and Bank Balances	28,281,746	24,603,628
<b>Total Current Assets</b>	<u>74,519,635</u>	<u>76,723,912</u>
<b>TOTAL ASSETS</b>	<u>93,688,587</u>	<u>97,112,174</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share Capital	47,631,500	46,193,000
Treasury Shares, at cost	(545,154)	(545,154)
Reserves	10,189,471	10,412,553
<b>Shareholders' funds</b>	<u>57,275,817</u>	<u>56,060,399</u>
Minority Interests	6,849,152	7,222,700
<b>Total equity</b>	<u>64,124,969</u>	<u>63,283,099</u>
<b>Non-current liabilities</b>		
Borrowings	813,266	1,099,832
Deferred Tax Liabilities	847,256	988,559
<b>Total Non-current liabilities</b>	<u>1,660,522</u>	<u>2,088,391</u>
<b>Current Liabilities</b>		
Provisions	46,969	46,969
Trade & Other Payables	19,649,635	23,853,628
Borrowings	2,725,236	3,581,538
Current Tax Payables	521,336	366,811
Due to Customers on Contract	4,959,920	3,891,738
<b>Total Current Liabilities</b>	<u>27,903,096</u>	<u>31,740,684</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>93,688,587</u>	<u>97,112,174</u>
Net Assets per share of RM0.50 each (RM)	0.61	0.61

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2008**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR QUARTER 30.6.2008 RM	PRECEDING YEAR QUARTER 30.6.2007 RM	CURRENT YEAR 30.6.2008 RM	PRECEDING YEAR 30.6.2007 RM
Revenue	12,870,447	26,001,085	29,675,631	41,151,225
Cost of Sales	<u>(8,606,749)</u>	<u>(19,321,143)</u>	<u>(18,539,642)</u>	<u>(28,413,161)</u>
Gross Profit	4,263,698	6,679,942	11,135,989	12,738,064
Other Income	204,005	241,631	281,429	664,349
Operating Expenses	(5,735,121)	(6,116,346)	(11,771,898)	(11,983,622)
Finance Costs	(148,326)	(218,961)	(261,147)	(378,986)
Investing Results	<u>(65,797)</u>	<u>129,257</u>	<u>(135,504)</u>	<u>563,681</u>
(Loss)/Profit Before Tax	(1,481,541)	715,522	(751,132)	1,603,486
Income Tax Expense	<u>103,482</u>	<u>(40,311)</u>	<u>130,275</u>	<u>(313,153)</u>
(Loss)/Profit for the Year	<u>(1,378,059)</u>	<u>675,211</u>	<u>(620,857)</u>	<u>1,290,333</u>
<b>Attributable to :</b>				
Equity holders of the Company	(1,191,160)	416,758	(247,309)	1,167,349
Minority Interest	<u>(186,899)</u>	<u>258,453</u>	<u>(373,548)</u>	<u>122,984</u>
(Loss)/Profit for the Year	<u>(1,378,059)</u>	<u>675,211</u>	<u>(620,857)</u>	<u>1,290,333</u>
EPS of RM0.50 each - Basic (sen)	(1.27)	0.46	(0.26)	1.30

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)

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**INDUSTRONICS BERHAD (23699-X)**

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2008****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Reserves										
	Non Distributable						Distributable		Share- holders Fund	Minority Interest	Total Equity
	Share capital	Share premium	Treasury shares	Share option reserve	Foreign currency reserve	Revaluation reserves	Retained earnings				
RM	RM	RM	RM	RM	RM	RM	RM	RM			
At 31 December 2006	45,476,500	-	(540,328)	-	38,894	1,999,481	12,663,334	59,637,881	7,396,160	67,034,041	
Currency translation differences	-	-	-	-	3,703	-	-	3,703	-	3,703	
Net expense recognised directly to equity	-	-	-	-	3,703	-	-	3,703	-	3,703	
Profit for the period	-	-	-	-	-	-	1,167,349	1,167,349	122,984	1,290,333	
Total recognised income and expense for the period	-	-	-	-	3,703	-	1,167,349	1,171,052	122,984	1,294,036	
Dividends paid	-	0	-	0	-	-	-	-	(980,000)	(980,000)	
Issuance of ordinary shares pursuant to ESO	149,500	0	-	0	-	-	-	149,500	-	149,500	
Shares repurchased during the period	-	0	(4,826)	0	-	-	-	(4,826)	-	(4,826)	
At 30 June 2007	45,626,000	-	(545,154)	-	42,597	1,999,481	13,830,683	60,953,607	6,539,144	67,492,751	

**INDUSTRONICS BERHAD (23699-X)**

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2008****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Reserves						Retained earnings	Shareholders Fund	Minority Interest	Total Equity
	Non Distributable				Distributable					
	Share capital	Share premium	Treasury shares	Share option reserve	Foreign currency reserve	Revaluation reserves				
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 31 December 2007	46,193,000	330	(545,154)	14,988	31,746	1,892,893	8,472,596	56,060,399	7,222,700	63,283,099
Currency translation differences	-	-	-	-	17,896	-	-	17,896	-	17,896
Net expense recognised directly to equity	-	-	-	-	17,896	-	-	17,896	-	17,896
Profit for the period	-	-	-	-	-	-	(247,308)	(247,308)	(373,548)	(620,856)
Total recognised income and expense for the period	-	-	-	-	17,896	-	(247,308)	(229,412)	(373,548)	(602,960)
Dividends paid	-	0	-	0	-	-	-	-	-	-
Share option granted under ESOS	-	0	-	6,330	-	-	-	6,330	-	6,330
Issuance of ordinary shares pursuant to ESO:	1,438,500	402	-	(402)	-	-	-	1,438,500	0	1,438,500
Shares repurchased during the period	-	0	-	0	-	-	-	-	-	-
At 30 June 2008	47,631,500	732	(545,154)	20,916	49,642	1,892,893	8,225,288	57,275,817	6,849,152	64,124,969

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)

**INDUSTRONICS BERHAD (23699-X)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2008**

	Current Year 6 Months Ended 30.6.2008 (Unaudited)	Preceding Year 6 Months Ended 30.6.2007 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	(751,132)	1,603,486
Adjustments for non-cash flow:-		
Non-cash items	936,658	975,051
Non-operating items	<u>191,103</u>	<u>(676,780)</u>
Operating profit before changes in working capital	376,629	1,901,757
Net change in current assets	6,469,800	(154,049)
Net change in current liabilities	<u>(3,590,297)</u>	<u>(2,305,058)</u>
Cash generated from/(used in) operations	3,256,132	(557,350)
Interest received	205,547	319,631
Taxes refunded	212,372	-
Taxes paid	<u>(669,343)</u>	<u>(728,488)</u>
Net cash generating from/(used in) operating activities	<u>3,004,708</u>	<u>(966,207)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(154,456)	(1,429,064)
Proceeds from disposal of property, plant and equipment	317,763	68,500
Proceeds from disposal of quoted investments	-	877,777
Dividend income	3,234	2,055
Net cash generated from/(used in) investing activities	<u>166,542</u>	<u>(480,732)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to minority shareholders of subsidiary companies	-	(980,000)
Proceeds from exercise of ESOS	1,438,500	149,500
(Repayment of)/Drawdown from bank borrowings	(503,118)	339,633
Interest paid	(261,146)	(206,533)
Shares repurchased	<u>-</u>	<u>(4,826)</u>
Net cash generated from/(used in) financing activities	<u>674,236</u>	<u>(702,226)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,845,485	(2,149,165)
Effect of exchange rate changes	17,896	3,703
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,567,754	15,287,456
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>23,431,135</u>	<u>13,141,994</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Deposits, bank balances and cash	28,281,746	17,911,797
Less : Fixed deposit not readily available for use	<u>(3,330,029)</u>	<u>(1,633,820)</u>
	24,951,717	16,277,977
Bank overdraft	<u>(1,520,582)</u>	<u>(3,135,983)</u>
	<u>23,431,135</u>	<u>13,141,994</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)

**NOTES TO THE INTERIM FINANCIAL REPORT**

**A1. 1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. These explanatory notes attached to the interim financial report provides an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements

**A2 Qualified audit report**

The audit report for the year ended 31 December 2007 included qualifications which are reproduced as follows:

As disclosed in Note 48 to the financial statements, the financial statements of the Group and of the Company for the year ended 31 December 2006 were audited by another firm of auditors who have rendered an unmodified opinion on those financial statements in their report dated 28 April 2007. We did not observe the counting of the physical inventories as of 31 December 2006 so as to satisfy ourselves as to the quantities, ownerships and conditions of those inventories, since that date was prior to our initial engagement as auditors for the Company and certain of its subsidiaries. The records of the Company and its subsidiaries do not permit adequate retroactive audit procedures on the inventory quantities, ownerships and conditions as at 1 January 2007.

As disclosed in Note 23 to the financial statements, the unidentified differences between the Company's and a subsidiary's carrying value of inventories based on physical inventory counts and the recorded amounts in their respective books as at 31 December 2007 of approximately RM5.9 million and RM2.7 million respectively, were adjusted to the income statements of the Group and of the Company for the year then ended. This has an effect of reducing the inventories balances of the Group and of the Company by RM8.6 million and RM5.9 million respectively as at balance sheet date and increasing the losses for the current financial year of the Group and of the Company by the same amounts respectively. The inventories records of the Company and the said subsidiary do not permit us to carry out adequate appropriate audit procedures so as to satisfy ourselves as to the appropriateness of the adjustments described above.

The Board of Directors has taken serious view on the inventories issue and has directed the management to assess the entire inventory system. The management will work closely with the internal and external auditor to continuously improve the internal controls on inventories.

Steps taken include:

- a) 100% physical count in July 2008 and December 2008 respectively with the presence of external auditor.
- b) improves the inventory system and strengthen the store keeping procedures: and
- c) outsourcing of internal control functions to a reputable accounting firm.

**A3. Seasonal or Cyclical Factors**

The business operations of the Group is generally non seasonal.

**A4. Extraordinary Items**

Not applicable under the new and revised FRSs

**A5. Changes in estimates**

There is no significant change in estimates of amounts reported in prior interim periods of the current or in previous financial year.

**A6. Debt and Equity Securities**

Save as disclosed below, there were no other issuance and repayment of debt and equity securities for the current financial period to date.

**a. Issuance of equity**

In the previous quarter, the Company increased its issued and paid up capital from RM46,193,000 to RM47,631,500 by allotment of 2,877,000 new ordinary shares of RM0.50 each arising from the exercise of 2,877,000 options under the Employees Share Option Scheme.

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

No shares were bought back during the quarter under review.

The total number of shares held as treasury shares as at 30 June 2008 was 1,131,000 at an average price per share of RM0.482. None of the treasury shares were sold or cancelled during the current quarter.

**A7. Dividend paid**

There were no dividends paid during the current period.

**A8. Segmental Reporting**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR QUARTER 30.6.2008 RM	PRECEDING YEAR QUARTER 30.6.2007 RM	CURRENT YEAR 30.6.2008 RM	PRECEDING YEAR 30.6.2007 RM
<b>Segmental Revenue</b>				
Security systems & M & E	1,706,493	5,902,596	5,233,495	8,794,295
Telecommunication and AV & ITS	2,078,689	11,943,253	2,952,998	14,224,375
Electronics products	6,257,487	6,637,651	15,981,058	15,317,509
Fabrication and manufacturing	6,030,904	3,153,350	13,909,536	6,860,658
Other operations	681,054	771,388	1,105,902	1,193,468
Total revenue including inter-segment sales	16,754,627	28,408,238	39,182,990	46,390,305
Elimination of inter-segment sales	(3,884,180)	(2,407,153)	(9,507,359)	(5,239,080)
Total	12,870,447	26,001,085	29,675,631	41,151,225
<b>Segmental Results</b>				
Security systems & M & E	(547,968)	620,753	(914,871)	(108,915)
Telecommunication and AV & ITS	(46,810)	991,993	(494,509)	1,244,516
Electronics products	(1,138,498)	(447,701)	(283,622)	120,174
Fabrication and manufacturing	437,775	(268,403)	1,513,908	319,357
Other operations	53,753	(91,416)	(149,717)	(156,341)
Segmental profit	(1,241,748)	805,226	(328,811)	1,418,791
Elimination of inter-segment transactions	(25,670)	-	(25,670)	-
Profit from operation	(1,267,418)	805,226	(354,481)	1,418,791

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

The valuations of land and buildings have been brought forward, without amendment from the previous annual financial statements .

**A10. Subsequent Events**

As at the date of this report, there are no material events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period.

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

a. On 26 February 2008, the Board approved the deregistration of Industronics (Guangzhou) Co. Ltd., a wholly-owned subsidiary of the Company.

**A12. Contingent Liabilities**

There were no material changes in contingent liabilities since the last audited balance sheet date.

**A13. Related Party Transactions**

a. There is no significant transactions and balances with related parties of the Group during the current quarter.

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.



## ADDITIONAL INFORMATION REQUIRED BY THE BMSB LISTING REQUIREMENTS

### B1. Review of Performance

Group revenue of RM29.676 million for the current financial period ended 30 June 2008 was 28% lower compared to RM41.151 million for the previous year corresponding period. Loss before tax of RM0.751 million was lower as compared to profit before tax of RM1.603 million in the previous corresponding period due to low sales generated in the current financial period and lower investing income.

### B2. Material Changes in the Quarterly Results compared to the Results of the Preceding Quarter

The Group revenue decreased by 23% from RM16.805 million posted in the preceding quarter to RM12.870 million in the current quarter. Pre-tax loss of RM1.482 million for the current quarter was recorded as compared to pre-tax profit of RM0.730 million recorded in the preceding financial quarter mainly due to low sales and higher cost of sales in the current quarter.

### B3. Current Year Prospects

The Board expects the Group operating performance for year 2008 to be comparable to that of the previous year.

### B4. Profit Forecast

Not applicable as no profit forecast was published.

### B5. Taxation

Taxation comprises the following:-

	Individual Current Quarter RM	Cumulative Quarters Current RM
Current taxation	(24,682)	33,828
Deferred taxation	(78,800)	(164,103)
	<u>(103,482)</u>	<u>(130,275)</u>

The effective tax rate of the Group is lower than the statutory tax rate for the financial quarter/period to date principally due to the utilisation of unutilised tax losses and unabsorbed capital allowances from previous years.

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

There were no sales of unquoted investments and properties during the current quarter.

### B7. Purchase/Disposal of Quoted Investments

(a) Purchases and disposal of quoted securities for the financial period to date:-

	Individual Current Quarter RM	Cumulative Quarters Current RM
Total Purchases	-	-
Total Sale Proceeds	-	-
Total Gains on Disposals	-	-

(b) Investment in quoted securities as at 30 June 2008:-

	RM
At cost	1,364,787
At carrying value/book value	353,456
At market value	353,456

**B8. Status of Corporate Proposals**

As at the date of this report, there were no corporate proposals announced.

**B9. Group Borrowings and Debt Securities**

Total Group Borrowings as at 30 June 2008:-

	RM
<b>a) Secured and unsecured :</b>	
Total secured borrowings	1,307,117
Total unsecured borrowings	<u>2,231,385</u>
Total borrowings	<u><u>3,538,502</u></u>
<b>b) Short Term and Long Term</b>	
Total short-term borrowings	2,725,236
Total long term borrowings	<u>813,266</u>
Total borrowings	<u><u>3,538,502</u></u>

**B10. Off Balance Sheet Financial Instruments**

The Group does not have any financial instruments with off balance sheet risk as at 27 August 2008, the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.

**B11. Material Litigations**

**a) Claim by Sukitronics PMC Sdn. Bhd. ("Sukitronics PMC") (formerly known as Sukitronics (Penang) Sdn Bhd) against Mustajab Indah Sdn Bhd ("Mustajab")**

Pursuant to a winding up search on Mustajab, it was found that the said company has been wound up on 20 July 2004. Upon further enquiry with the Insolvency Department, it was confirmed that Sukitronics PMC can still file their Proof of Claim against the company with the Official Receiver. Sukitronics PMC is in the process of collating the documents and settling the proof of claim form. The solicitors for Sukitronics PMC are finalising the proof of claim. Once ready, an authorised personnel for Sukitronics PMC shall execute the said form and thereafter the said proof of claim together with all relevant documents will be filed with the Insolvency Department.

**B12. Dividend**

No dividend has been proposed in the current quarter.

**B13. Earnings per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR QUARTER 30.6.2008	PRECEDING YEAR QUARTER 30.6.2007	CURRENT YEAR 30.6.2008	PRECEDING YEAR 30.6.2007
Basic earnings per share				
Net profit for the period	(1,191,160)	416,758	(247,309)	1,167,349
Weighted average no. of ordinary shares in issue	93,827,000	90,030,617	93,827,000	90,030,617
Basic earnings per share (sen)	(1.27)	0.46	(0.26)	1.30

**B14. Authorisation For Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 August 2008.

BY ORDER OF THE BOARD  
INDUSTRONICS BERHAD

27 August 2008