

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

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2008

| | AS AT END OF CURRENT FINANCIAL YEAR END 30.9.2008 RM (Unaudited) | AS AT PRECEDING FINANCIAL YEAR END 31.12.2007 RM (Audited) |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, Plant and Equipment | 15,280,601 | 16,643,885 |
| Prepaid Land Lease Payments | 1,487,874 | 1,502,210 |
| Development Costs | 36,575 | 102,486 |
| Investment Properties | 1,229,837 | 1,259,659 |
| Investment in Associates | - | 1 |
| Due from An associate | - | 73,826 |
| Other Investments | 606,077 | 806,195 |
| Deferred Tax Assets | 17,600 | - |
| Total Non-current assets | <u>18,658,564</u> | <u>20,388,262</u> |
| Current Assets | | |
| Inventories | 17,042,851 | 20,252,374 |
| Due from Customers on Contract | 2,338,854 | 3,915,947 |
| Trade & Other Receivables | 25,400,304 | 27,951,963 |
| Cash and Bank Balances | 26,057,983 | 24,603,628 |
| Total Current Assets | <u>70,839,992</u> | <u>76,723,912</u> |
| TOTAL ASSETS | <u>89,498,556</u> | <u>97,112,174</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the Company | | |
| Share Capital | 47,631,500 | 46,193,000 |
| Treasury Shares, at cost | (545,154) | (545,154) |
| Reserves | 9,997,433 | 10,412,553 |
| Shareholders' funds | <u>57,083,779</u> | <u>56,060,399</u> |
| Minority Interests | 6,846,150 | 7,222,700 |
| Total equity | <u>63,929,929</u> | <u>63,283,099</u> |
| Non-current liabilities | | |
| Borrowings | 748,494 | 1,099,832 |
| Deferred Tax Liabilities | 843,256 | 988,559 |
| Total Non-current liabilities | <u>1,591,750</u> | <u>2,088,391</u> |
| Current Liabilities | | |
| Provisions | 46,969 | 46,969 |
| Trade & Other Payables | 11,643,079 | 23,853,628 |
| Borrowings | 4,379,055 | 3,581,538 |
| Current Tax Payables | 496,646 | 366,811 |
| Due to Customers on Contract | 7,411,129 | 3,891,738 |
| Total Current Liabilities | <u>23,976,877</u> | <u>31,740,684</u> |
| TOTAL EQUITY AND LIABILITIES | <u>89,498,556</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 SEPTEMBER 2008**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTERS | |
|----------------------------------|---|---|------------------------------------|--------------------------------------|
| | CURRENT YEAR QUARTER 30.9.2008 RM | PRECEDING YEAR QUARTER 30.9.2007 RM | CURRENT YEAR 30.9.2008 RM | PRECEDING YEAR 30.9.2007 RM |
| Revenue | 11,154,045 | 18,989,969 | 40,829,676 | 60,141,194 |
| Cost of Sales | <u>(6,029,673)</u> | <u>(11,679,745)</u> | <u>(24,569,315)</u> | <u>(40,092,906)</u> |
| Gross Profit | 5,124,372 | 7,310,224 | 16,260,361 | 20,048,288 |
| Other Income | 457,991 | 475,984 | 739,420 | 1,140,333 |
| Operating Expenses | (5,737,787) | (5,546,522) | (17,509,685) | (17,530,143) |
| Finance Costs | (120,121) | (174,019) | (381,268) | (553,005) |
| Investing Results | <u>(49,669)</u> | <u>(14,840)</u> | <u>(185,174)</u> | <u>548,841</u> |
| (Loss)/Profit Before Tax | (325,214) | 2,050,827 | (1,076,346) | 3,654,313 |
| Income Tax Expense | <u>77,916</u> | <u>(325,585)</u> | <u>208,191</u> | <u>(638,738)</u> |
| (Loss)/Profit for the Year | <u>(247,298)</u> | <u>1,725,242</u> | <u>(868,154)</u> | <u>3,015,575</u> |
| Attributable to : | | | | |
| Equity holders of the Company | (244,296) | 1,004,055 | (491,604) | 2,171,404 |
| Minority Interest | <u>(3,002)</u> | <u>721,187</u> | <u>(376,550)</u> | <u>844,171</u> |
| (Loss)/Profit for the Year | <u>(247,298)</u> | <u>1,725,242</u> | <u>(868,154)</u> | <u>3,015,575</u> |
| EPS of RM0.50 each - Basic (sen) | (0.26) | 1.11 | (0.52) | 2.41 |

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

INDUSTRONICS BERHAD (23699-X)

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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 | | | | | |
| 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 | - | - | - | - | (833) | - | - | (833) | - | (833) | |
| Net expense recognised directly to equity | - | - | - | - | (833) | - | - | (833) | - | (833) | |
| Profit for the period | - | - | - | - | - | - | 2,171,404 | 2,171,404 | 844,171 | 3,015,575 | |
| Total recognised income and expense for the period | - | - | - | - | (833) | - | 2,171,404 | 2,170,571 | 844,171 | 3,014,742 | |
| Dividends paid | - | 0 | - | 0 | - | - | (1,973,650) | (1,973,650) | (980,000) | (2,953,650) | |
| Issuance of ordinary shares pursuant to ESO | 214,500 | 0 | - | 0 | - | - | - | 214,500 | - | 214,500 | |
| Shares repurchased during the period | - | 0 | (4,826) | 0 | - | - | - | (4,826) | - | (4,826) | |
| At 30 September 2007 | 45,691,000 | - | (545,154) | - | 38,061 | 1,999,481 | 12,861,088 | 60,044,476 | 7,260,331 | 67,304,807 | |

INDUSTRONICS BERHAD (23699-X)

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2008**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Reserves | | | | | | Shareholders Fund | Minority Interest | Total Equity | |
|--|-------------------|---------------|-----------------|----------------------|--------------------------|----------------------|-------------------|-------------------|--------------|------------|
| | Non Distributable | | | | Distributable | | | | | |
| | 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 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 | - | - | - | - | 66,991 | - | - | 66,991 | - | 66,991 |
| Net expense recognised directly to equity | - | - | - | - | 66,991 | - | - | 66,991 | - | 66,991 |
| Profit for the period | - | - | - | - | - | - | (491,604) | (491,604) | (376,550) | (868,154) |
| Total recognised income and expense for the period | - | - | - | - | 66,991 | - | (491,604) | (424,613) | (376,550) | (801,163) |
| Dividends paid | - | 0 | - | 0 | - | - | - | - | - | - |
| Share option granted under ESOS | - | 0 | - | 9,493 | - | - | - | 9,493 | - | 9,493 |
| 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 September 2008 | 47,631,500 | 732 | (545,154) | 24,079 | 98,737 | 1,892,893 | 7,980,992 | 57,083,779 | 6,846,150 | 63,929,929 |

(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 SEPTEMBER 2008**

| | Current Year 9 Months Ended 30.9.2008 (Unaudited) | Preceding Year 9 Months Ended 30.9.2007 (Unaudited) |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/profit before taxation | (1,076,346) | 3,654,313 |
| Adjustments for non-cash flow:- | | |
| Non-cash items | 1,399,840 | 1,371,723 |
| Non-operating items | <u>213,494</u> | <u>(730,841)</u> |
| Operating profit before changes in working capital | 536,988 | 4,295,195 |
| Net change in current assets | 8,433,298 | (3,230,218) |
| Net change in current liabilities | <u>(9,477,567)</u> | <u>473,338</u> |
| Cash generated from/(used in) operations | (507,281) | 1,538,315 |
| Interest received | 352,948 | 458,127 |
| Taxes refunded | 212,372 | 95,823 |
| Taxes paid | <u>(1,036,938)</u> | <u>(1,090,714)</u> |
| Net cash generating from/(used in) operating activities | <u>(978,898)</u> | <u>1,001,551</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (242,157) | (1,630,365) |
| Proceeds from disposal of property, plant and equipment | 317,774 | 897,700 |
| Proceeds from disposal of quoted investments | - | 968,622 |
| Dividend income | 14,944 | 10,875 |
| Other investments | - | (9,600) |
| Increase in pledged fixed deposits | <u>(3,387,976)</u> | <u>-</u> |
| Net cash generated from/(used in) investing activities | <u>(3,297,415)</u> | <u>237,232</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | - | (1,973,650) |
| Dividends paid to minority shareholders of subsidiary companies | - | (980,000) |
| Proceeds from exercise of ESOS | 1,438,500 | 214,500 |
| (Repayment of)/Drawdown from bank borrowings | (592,658) | 201,051 |
| Interest paid | (381,268) | (275,413) |
| Shares repurchased | <u>-</u> | <u>(4,826)</u> |
| Net cash generated from/(used in) financing activities | <u>464,574</u> | <u>(2,818,338)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (3,811,739) | (1,579,555) |
| Effect of exchange rate changes | 66,991 | (833) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 19,567,754 | 15,287,456 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>15,823,006</u> | <u>13,707,068</u> |
| CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Deposits, bank balances and cash | 26,057,983 | 17,537,717 |
| Less : Fixed deposit not readily available for use | <u>(6,718,005)</u> | <u>(1,633,820)</u> |
| | 19,339,978 | 15,903,897 |
| Bank overdraft | <u>(3,516,972)</u> | <u>(2,196,829)</u> |
| | <u>15,823,006</u> | <u>13,707,068</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 auditors to continuously improve the internal controls on inventories.

Steps taken include:

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

From the physical count in July 2008 with the presence of external auditor, the stock count differences identified was approximately RM200k or 1% of the total stock value of Industritronics Berhad and Industritronics Manufacturing Sdn. Bhd. and that will be further looked into before the year end stock count.

A3. Seasonal or Cyclical Factors

The business operations of the Group is generally non seasonal. However, it is subjected to systematic market risk.

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.

a. Issuance of equity

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

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

No shares were bought back during the quarter under review.

The total number of shares held as treasury shares as at 30 September 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 | PRECEDING | CURRENT | PRECEDING |
| | YEAR | YEAR | YEAR | YEAR |
| | QUARTER | QUARTER | YEAR | YEAR |
| | 30.9.2008 | 30.9.2007 | 30.9.2008 | 30.9.2007 |
| | RM | RM | RM | RM |
| Segmental Revenue | | | | |
| Security systems & M & E | 3,781,022 | 8,613,482 | 9,014,517 | 17,407,777 |
| Telecommunication and AV & ITS | 1,642,098 | 2,825,648 | 4,595,096 | 17,050,023 |
| Electronics products | 4,030,628 | 5,265,412 | 20,011,687 | 20,582,921 |
| Fabrication and manufacturing | 4,033,664 | 3,347,749 | 17,943,201 | 10,208,407 |
| Other operations | 283,207 | 526,734 | 1,389,108 | 1,720,202 |
| Total revenue including inter-segment sales | 13,770,619 | 20,579,025 | 52,953,609 | 66,969,330 |
| Elimination of inter-segment sales | (2,616,574) | (1,589,056) | (12,123,933) | (6,828,136) |
| Total | 11,154,045 | 18,989,969 | 40,829,676 | 60,141,194 |
| Segmental Results | | | | |
| Security systems & M & E | (177,397) | 1,775,210 | (1,092,268) | 1,666,295 |
| Telecommunication and AV & ITS | 362,133 | 867,724 | (132,376) | 2,112,240 |
| Electronics products | (603,482) | (492,308) | (887,104) | (372,134) |
| Fabrication and manufacturing | 478,901 | 290,119 | 1,992,809 | 609,476 |
| Other operations | (114,275) | (201,059) | (263,991) | (357,399) |
| Segmental profit | (54,120) | 2,239,686 | (382,930) | 3,658,478 |
| Elimination of inter-segment transactions | (101,304) | - | (126,974) | - |
| Profit from operation | (155,424) | 2,239,686 | (509,904) | 3,658,478 |

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 RM40.830 million for the current financial period ended 30 September 2008 was 32% lower compared to RM60.141 million for the previous year corresponding period. Loss before tax of RM1.076 million was lower as compared to profit before tax of RM3.654 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 13% from RM12.870 million posted in the preceding quarter to RM11.154 million in the current quarter. Pre-tax loss of RM0.325 million for the current quarter was recorded as compared to pre-tax loss of RM1.482 million recorded in the preceding financial quarter mainly due to higher cost of sales in the preceding quarter.

B3. Current Year Prospects

The Board expects the Group operating performance for year 2008 to be affected by the current world economic situation.

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 | (79,116) | (45,288) |
| Deferred taxation | 1,200 | (162,903) |
| | <u>(77,916)</u> | <u>(208,191)</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 September 2008:-

| | RM |
|------------------------------|-----------|
| At cost | 1,364,787 |
| At carrying value/book value | 292,077 |
| At market value | 292,077 |

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 September 2008:-

| | RM |
|------------------------------------|-------------------------|
| a) Secured and unsecured : | |
| Total secured borrowings | 1,217,577 |
| Total unsecured borrowings | <u>3,909,972</u> |
| Total borrowings | <u><u>5,127,549</u></u> |
| b) Short Term and Long Term | |
| Total short-term borrowings | 4,379,055 |
| Total long term borrowings | <u>748,494</u> |
| Total borrowings | <u><u>5,127,549</u></u> |

B10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 25 November 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 Insolvency Department has requested for further documents in respect of Sukitronics PMC's claim, in particular, the Statement of Accounts, Invoices, Progress Claims and/or Interim Certificates for work done. Upon receipt of the said documents, the Solicitors shall forward the relevant forms to an authorised personnel for Sukitronics PMC to execute. The said forms and documents will be filed with the Insolvency Department thereafter.

B12. Dividend

No dividend has been proposed in the current quarter.

B13. Earnings per share

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTERS | |
|--|---|---|------------------------------|--------------------------------|
| | CURRENT YEAR QUARTER 30.9.2008 | PRECEDING YEAR QUARTER 30.9.2007 | CURRENT YEAR 30.9.2008 | PRECEDING YEAR 30.9.2007 |
| Basic earnings per share | | | | |
| Net profit for the period | (244,296) | 1,004,055 | (491,604) | 2,171,404 |
| Weighted average no. of ordinary shares in issue | 93,827,000 | 90,088,117 | 93,827,000 | 90,088,117 |
| Basic earnings per share (sen) | (0.26) | 1.11 | (0.52) | 2.41 |

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 25 November 2008.

BY ORDER OF THE BOARD
INDUSTRONICS BERHAD

25 November 2008