

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

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2008

	AS AT END OF CURRENT FINANCIAL YEAR END 31.12.2008 RM (Unaudited)	AS AT PRECEDING FINANCIAL YEAR END 31.12.2007 RM (Audited)
ASSETS		
Non-current assets		
Property, Plant and Equipment	14,939,812	16,643,885
Prepaid Land Lease Payments	1,483,094	1,502,210
Development Costs	23,467	102,486
Investment Properties	1,219,895	1,259,659
Investment in Associates	-	1
Due from An associate	-	73,826
Other Investments	411,887	806,195
Deferred Tax Assets	-	-
Total Non-current assets	<u>18,078,155</u>	<u>20,388,262</u>
Current Assets		
Inventories	11,409,790	20,252,374
Due from Customers on Contract	3,023,626	3,915,947
Trade & Other Receivables	25,277,997	27,951,963
Cash and Bank Balances	23,832,716	24,603,628
Total Current Assets	<u>63,544,129</u>	<u>76,723,912</u>
TOTAL ASSETS	<u>81,622,284</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	4,418,981	10,412,553
Shareholders' funds	<u>51,505,327</u>	<u>56,060,399</u>
Minority Interests	7,337,518	7,222,700
Total equity	<u>58,842,845</u>	<u>63,283,099</u>
Non-current liabilities		
Borrowings	588,402	1,099,832
Deferred Tax Liabilities	759,389	988,559
Total Non-current liabilities	<u>1,347,791</u>	<u>2,088,391</u>
Current Liabilities		
Provisions	140,298	46,969
Trade & Other Payables	15,645,685	23,853,628
Borrowings	2,548,444	3,581,538
Current Tax Payables	513,560	366,811
Due to Customers on Contract	2,583,661	3,891,738
Total Current Liabilities	<u>21,431,648</u>	<u>31,740,684</u>
TOTAL EQUITY AND LIABILITIES	<u>81,622,284</u>	<u>97,112,174</u>
Net Assets per share of RM0.50 each (RM)	0.55	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 31 DECEMBER 2008**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR QUARTER 31.12.2008 RM	PRECEDING YEAR QUARTER 31.12.2007 RM	CURRENT YEAR 31.12.2008 RM	PRECEDING YEAR 31.12.2007 RM
Revenue	26,664,124	34,425,576	67,493,800	94,566,770
Cost of Sales	<u>(22,198,977)</u>	<u>(29,461,321)</u>	<u>(46,768,292)</u>	<u>(69,554,227)</u>
Gross Profit	4,465,147	4,964,255	20,725,508	25,012,543
Other Income	569,085	1,100,074	1,308,505	2,240,407
Operating Expenses	(9,891,312)	(9,182,575)	(27,400,997)	(26,712,718)
Finance Costs	(95,771)	(143,721)	(477,038)	(696,726)
Investing Results	<u>(194,143)</u>	<u>(795,757)</u>	<u>(379,316)</u>	<u>(246,916)</u>
(Loss)/Profit Before Tax	(5,146,993)	(4,057,723)	(6,223,339)	(403,410)
Income Tax Expense	<u>74,513</u>	<u>(548,068)</u>	<u>282,704</u>	<u>(1,186,806)</u>
(Loss)/Profit for the Year	<u>(5,072,480)</u>	<u>(4,605,791)</u>	<u>(5,940,635)</u>	<u>(1,590,216)</u>
Attributable to :				
Equity holders of the Company	(5,563,848)	(4,670,567)	(6,055,453)	(2,499,163)
Minority Interest	<u>491,368</u>	<u>64,776</u>	<u>114,818</u>	<u>908,947</u>
(Loss)/Profit for the Year	<u>(5,072,480)</u>	<u>(4,605,791)</u>	<u>(5,940,635)</u>	<u>(1,590,216)</u>
EPS of RM0.50 each - Basic (sen)	(5.93)	(5.18)	(6.45)	(2.77)

(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 31 DECEMBER 2008**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<----- Reserves ----->							Share- holders 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	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	-	-	-	-	(7,148)	-	-	(7,148)	-	(7,148)	
Realisation due to disposal of property						(106,588)	282,075	175,487	(102,407)	73,080	
Net expense recognised directly to equity	-	-	-	-	(7,148)	(106,588)	282,075	168,339	(102,407)	65,932	
Profit for the period	-	-	-	-	-	-	(2,499,163)	(2,499,163)	908,947	(1,590,216)	
Total recognised income and expense for the period	-	-	-	-	(7,148)	(106,588)	(2,217,088)	(2,330,824)	806,540	(1,524,284)	
Dividends paid	-	0	-	0	-	-	(1,973,650)	(1,973,650)	(980,000)	(2,953,650)	
Share option granted under ESOS	-	0	-	15,318	-	-	-	15,318	-	15,318	
Issuance of ordinary shares pursuant to ESOS	716,500	330	-	(330)	-	-	-	716,500	-	716,500	
Shares repurchased during the period	-	0	(4,826)	0	-	-	-	(4,826)	-	(4,826)	
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	

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2008**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<----- Reserves ----->							Share- holders 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	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	-	-	-	-	49,221	-	-	49,221	-	49,221
Realisation due to disposal of property	-	-	-	-	-	-	-	-	-	-
Net expense recognised directly to equity	-	-	-	-	49,221	-	-	49,221	-	49,221
Profit for the period	-	-	-	-	-	-	(6,055,453)	(6,055,453)	114,818	(5,940,635)
Total recognised income and expense for the period	-	-	-	-	49,221	-	(6,055,453)	(6,006,232)	114,818	(5,891,414)
Dividends paid	-	0	-	0	-	-	-	-	-	-
Share option granted under ESOS	-	0	-	12,659	-	-	-	12,659	-	12,659
Issuance of ordinary shares pursuant to ESOS	1,438,500	402	-	(402)	-	-	-	1,438,500	0	1,438,500
Shares repurchased during the period	-	0	-	0	-	-	-	-	-	-
At 31 December 2008	47,631,500	732	(545,154)	27,245	80,967	1,892,893	2,417,144	51,505,327	7,337,518	58,842,845

(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 31 DECEMBER 2008**

	Current Year 12 Months Ended 31.12.2008 (Unaudited)	Preceding Year 12 Months Ended 31.12.2007 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(6,223,339)	(403,410)
Adjustments for non-cash flow:-		
Non-cash items	10,039,727	5,831,834
Non-operating items	191,394	(656,940)
Operating profit before changes in working capital	4,007,782	4,771,484
Net change in current assets	5,613,367	19,419,599
Net change in current liabilities	(10,204,879)	(13,255,984)
Cash (used in)/generated from operations	(583,730)	10,935,099
Interest paid	(477,038)	(400,350)
Taxes refunded	212,372	95,823
Taxes paid	(1,064,956)	(1,380,446)
Net cash generating from/(used in) operating activities	(1,913,352)	9,250,126
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in amount due from an associate	-	(25,263)
Purchase of property, plant and equipment	(290,175)	(954,585)
Proceeds from disposal of property, plant and equipment	317,768	922,647
Proceeds from disposal of quoted investments	-	1,178,743
Interest received	535,960	515,916
Dividend income	14,993	12,101
Purchase of investment in quoted investment	-	(9,600)
Net cash generated from investing activities	578,546	1,639,959
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(1,973,650)
Dividends paid to minority shareholders of subsidiary companies	-	(980,000)
Proceeds from issuance of ordinary shares pursuant to ESOS	1,438,500	716,500
(Repayment of)/Drawdown from bank borrowings	(778,051)	(2,664,388)
Net increase in pledged fixed deposits	(3,387,976)	(1,696,209)
Purchase of treasury shares	-	(4,826)
Net cash used in financing activities	(2,727,527)	(6,602,573)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,062,332)	4,287,512
Effect of exchange rate changes	49,221	(7,214)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,567,754	15,287,456
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>15,554,643</u>	<u>19,567,754</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Deposits, bank balances and cash	23,832,716	24,603,628
Less : Fixed deposit not readily available for use	(6,718,005)	(3,330,029)
	17,114,711	21,273,599
Bank overdraft	(1,560,068)	(1,705,845)
	<u>15,554,643</u>	<u>19,567,754</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 strenghten 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 Industronics Berhad and Industronics Manufacturing Sdn. Bhd.

From the physical count in Dec 2008 with the presence of external auditor, the stock count differences identified was less than 1% of the total stock value of Industronics Berhad and Industronics Manufacturing Sdn Bhd.

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 31 December 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 31.12.2008 RM	PRECEDING YEAR QUARTER 31.12.2007 RM	CURRENT YEAR 31.12.2008 RM	PRECEDING YEAR 31.12.2007 RM
Segmental Revenue				
Security systems & M & E	11,553,494	9,337,326	20,568,011	26,745,103
Telecommunication and AV & ITS	3,796,217	14,864,822	8,391,313	31,914,845
Electronics products	9,668,645	7,428,925	29,680,332	28,011,846
Fabrication and manufacturing	3,713,701	3,897,256	21,656,902	14,105,663
Other operations	1,274,196	771,798	2,663,305	2,492,000
Total revenue including inter-segment sales	30,006,253	36,300,126	82,959,862	103,269,456
Elimination of inter-segment sales	(3,342,129)	(1,874,550)	(15,466,062)	(8,702,686)
Total	<u>26,664,124</u>	<u>34,425,576</u>	<u>67,493,800</u>	<u>94,566,770</u>
Segmental Results				
Security systems & M & E	1,574,207	990,129	481,939	2,656,424
Telecommunication and AV & ITS	1,122,510	6,950,399	990,134	9,062,639
Electronics products	(7,224,574)	(12,572,641)	(8,111,678)	(12,944,775)
Fabrication and manufacturing	(598,388)	(3,672,541)	1,394,422	(3,063,065)
Other operations	(138,205)	(16,612)	(402,196)	(374,011)
Segmental profit	(5,264,449)	(8,321,266)	(5,647,379)	(4,662,788)
Elimination of inter-segment transactions	407,369	5,203,020	280,394	5,203,020
Profit from operation	<u>(4,857,080)</u>	<u>(3,118,246)</u>	<u>(5,366,985)</u>	<u>540,232</u>

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 RM67.494 million for the current financial period ended 31 December 2008 was 29% lower compared to RM94.567 million for the previous year corresponding period. Loss before tax of RM6.223 million was lower as compared to RM0.403 million in the previous corresponding period due to lower sales and lower other income generated in the current financial period.

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

The Group revenue increased by more than 100% from RM11.154 million posted in the preceding quarter to RM26.664 million in the current quarter. Pre-tax loss of RM5.147 million for the current quarter was recorded as compared to pre-tax loss of RM0.325 million recorded in the preceding financial quarter mainly due to inventories written down of approximately RM4.055 million and allowance for doubtful debts of approximately RM4.090 million in the current quarter.

B3. Current Year Prospects

The Board expects the current year prospects are likely to be challenging in view of the current economic slowdown.

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	(8,246)	(53,534)
Deferred taxation	(66,267)	(229,170)
	<u>(74,513)</u>	<u>(282,704)</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 31 December 2008:-

	RM
At cost	1,364,787
At carrying value/book value	226,886
At market value	226,886

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 31 December 2008:-

	RM
a) Secured and unsecured :	
Total secured borrowings	1,032,183
Total unsecured borrowings	2,104,662
Total borrowings	<u>3,136,846</u>
b) Short Term and Long Term	
Total short-term borrowings	2,548,444
Total long term borrowings	588,402
Total borrowings	<u>3,136,846</u>

B10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 24 February 2009, 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 forms to the Insolvency Department are being settled and once complete, the documents including the Proof of Debt and General Proxy will be filed.

B12. Dividend

No dividend has been proposed in the current quarter.

B13. Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR QUARTER 31.12.2008	PRECEDING YEAR QUARTER 31.12.2007	CURRENT YEAR 31.12.2008	PRECEDING YEAR 31.12.2007
Basic earnings per share				
Net profit for the period	(5,563,848)	(4,670,567)	(6,055,453)	(2,499,163)
Weighted average no. of ordinary shares in issue	93,827,000	90,205,950	93,827,000	90,205,950
Basic earnings per share (sen)	(5.93)	(5.18)	(6.45)	(2.77)

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 24 February 2009.

BY ORDER OF THE BOARD
INDUSTRONICS BERHAD

24 February 2009