

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SECOND QUARTER ENDED****30 JUNE 2008****(The figures have not been audited)**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 June 2008 RM'000	Preceding Year Corresponding Quarter 30 June 2007 RM'000	Current Year To Date 30 June 2008 RM'000	Preceding Year Corresponding Period 30 June 2007 RM'000
Revenue	10,425	6,561	18,508	12,269
Other operating income	228	270	369	370
Operating expenses	(9,704)	(7,215)	(17,652)	(13,710)
Profit from operations	949	(384)	1,225	(1,071)
Finance costs	(119)	(139)	(251)	(275)
Share of profit/ (loss) of an associate	7	(3)	2	1
Profit/ (Loss) before taxation	837	(526)	976	(1,345)
Taxation	(520)	-	(520)	-
Profit/ (Loss) after taxation	317	(526)	456	(1,345)
Attributable to:				
Equity Holders of The Parent	248	(394)	452	(1,083)
Minority Interest	69	(132)	4	(262)
	317	(526)	456	(1,345)
Profit/ (Loss) per share (sen)				
Basic (note B13)	0.26	(0.42)	0.48	(1.14)
Diluted (note B13)	0.26	(0.42)	0.48	(1.14)

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and accompanying explanatory notes attached to the interim financial statements)

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008**

	Unaudited As At 30 June 2008 RM'000	Audited As At 31 December 2007 RM'000
ASSETS		
Non-current assets		
Investment in an associate	152	150
Property, plant and equipment	9,047	9,563
Goodwill on consolidation	269	269
Other intangible assets	1,225	1,312
Deferred tax assets	3	3
	<u>10,696</u>	<u>11,297</u>
Current assets		
Inventories	5,441	4,294
Trade receivables	12,551	10,718
Other receivables, deposits and prepayments	1,072	1,056
Tax recoverable	177	847
Marketable securities	108	107
Fixed deposits	105	73
Cash and bank balances	1,238	1,631
	<u>20,692</u>	<u>18,726</u>
TOTAL ASSETS	<u>31,388</u>	<u>30,023</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	9,493	9,493
Share premium	3,538	3,538
Exchange translation reserve	(14)	(97)
Retained profits/ (Accumulated losses)	88	(364)
Equity attributable to equity holders of the parent	<u>13,105</u>	<u>12,570</u>
MINORITY INTERESTS	1,915	1,843
TOTAL EQUITY	<u>15,020</u>	<u>14,413</u>
Non-current liabilities		
Hire purchase payables	311	464
Bank borrowings	1,321	1,489
Deferred taxation	638	118
	<u>2,270</u>	<u>2,071</u>
Current liabilities		
Trade payables	7,753	6,269
Other payables and accruals	1,648	1,401
Hire purchase payables	239	335
Bank borrowings	3,654	4,497
Bank overdrafts	804	1,037
	<u>14,098</u>	<u>13,539</u>
TOTAL LIABILITIES	<u>16,368</u>	<u>15,610</u>
TOTAL EQUITY AND LIABILITIES	<u>31,388</u>	<u>30,023</u>
Net assets per ordinary share attributable to equity holders of the parent (RM)	0.14	0.13

(The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and accompanying explanatory notes attached to the interim financial statements)

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2008**

(The figures have not been audited)

	Current Year To Date 30 June 2008 RM'000	Preceding Year Corresponding Period 30 June 2007 RM'000
CASH FLOWS FROM / (FOR) OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	976	(1,345)
Adjustments for:-		
Non-cash items	779	785
Non-operating items	159	215
Operating profit / (loss) before changes in working capital	1,914	(345)
Net changes in current assets	(3,012)	(94)
Net changes in development expenditure	(52)	(141)
Net changes in current liabilities	2,401	(1,363)
CASH FROM / (FOR) OPERATIONS	1,251	(1,943)
Interest paid	(203)	(233)
Tax paid	-	(20)
NET CASH FROM / (FOR) OPERATING ACTIVITIES	1,048	(2,196)
NET CASH FROM / (FOR) INVESTING ACTIVITIES		
Interest received	7	19
Proceeds from disposal of plant & equipments	138	49
Proceed from disposal of quoted investment	-	202
Purchase of quoted investment	-	(190)
Purchase of plant and equipments	(142)	(368)
NET CASH FROM / (FOR) INVESTING ACTIVITIES	3	(288)
CASH FLOWS FROM / (FOR) FINANCING ACTIVITIES		
Net (repayment) / drawdown of other short-term bank borrowings	(660)	772
Proceed received from issuance of share capital		442
Repayments of hire purchase	(250)	(163)
Repayments of term loans	(416)	(477)
NET CASH FROM / (FOR) FINANCING ACTIVITIES	(1,326)	574
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(275)	(1,910)
EXCHANGE DIFFERENCES	146	(62)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	668	2,275
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	539	303

* Cash and cash equivalents included in the cashflow statements comprise of the following:

	RM'000	RM'000
Fixed deposits	105	631
Cash and bank balances	1,238	808
Bank overdraft	(804)	(1,136)
	539	303

(The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and accompanying explanatory notes attached to the interim financial statements.)

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED****30 JUNE 2008****(The figures have not been audited)**

	Attributable to Equity Holders of the Parent Company				Total	Minority Interest	Total Equity
	Non - distributable		Distributable				
	Share capital	Share premium	Translation reserve	(Accumulated losses)	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2008	9,493	3,538	(97)	(364)	12,570	1,843	14,413
Profit for the period	-	-	-	452	452	4	456
Exchange translation differences	-	-	83	-	83	68	151
As at 30 June 2008	9,493	3,538	(14)	88	13,105	1,915	15,020
As at 1 January 2007	9,493	3,538	(30)	(38)	12,963	700	13,663
Loss for the period	-	-	-	(1,083)	(1,083)	(262)	(1,345)
Exchange translation differences	-	-	(27)	-	(27)	(49)	(76)
Issuance of share capital to minority shareholders	-	-	-	-	-	516	516
As at 30 June 2007	9,493	3,538	(57)	(1,121)	11,853	905	12,758

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and accompanying explanatory notes attached to the interim financial statements.)

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A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the second quarter ended 30 June 2008 have been prepared in accordance with Financial Reporting Standards (FRS) No. 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) for the MESDAQ Market (MMLR). The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.

The accounting policies and methods of computation adopted in these interim financial statements of the Group are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2007 except for the adoption of the following new and revised FRS issued by MASB that are effective for the financial period beginning on 1 January 2008:

FRS 107 - Cash Flow Statements

FRS 112 - Income Taxes

FRS 118 - Revenue

FRS 137 - Provisions, Contingent Liabilities and Contingent Assets

Amendment to FRS 121 – The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation.

The adoption of the above revised FRSs and amendments to FRS does not have any significant financial impact to the Group.

A2. Seasonality or Cyclicity Factors

The Group's interim operations for the quarter under review and financial year-to-date were not significantly affected by any seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the quarter under review and financial year-to-date, there were no items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence.

A4. Material Change in Estimates

There were no changes in estimates amount reported as at to date that would have a material effect on the results for the current quarter under review and financial year-to-date.

A5. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

During the quarter under review and financial year-to-date, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

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A6. Dividend Paid

There was no dividend paid during the quarter under review and financial year-to-date.

A7. Segmental Reporting

Segmental reporting of the Group's result for the financial period-to-date is as follows:

Segment Revenue	Investment Holding RM'000	Multi-Square Sdn. Bhd. RM'000	Multi-Square Pte. Ltd. RM'000	Asset Capital Holdings Limited RM'000	PT Multi Square RM'000	Deco Coatings Sdn. Bhd. RM'000	Multi Square Coating (Thailand) Co. Ltd. RM'000	Total RM'000	Eliminations/Adjustment RM'000	Consolidated Total RM'000
Plastic/polymer coatings	-	5,474	-	2,954	939	-	595	9,962	-1,964	7,998
Industrial diluents	-	4,685	-	1,117	334	-	255	6,391	-766	5,625
Wood coatings	-	194	-	-	-	-	-	194	-	194
Automotive coatings	-	424	-	-	-	-	-	424	-	424
Others	263	2,265	-	-	70	-	-	2,598	-263	2,335
Trading goods	-	-	1,217	449	-	266	-	1,932	-	1,932
Total Revenue	263	13,042	1,217	4,520	1,343	266	850	21,501	-2,993	18,508
Segment Result										
Interest expenses	-	196	-	-	1	6	-	203	-	203
Profit/(Loss) before taxation (PBT/LBT)	(210)	1,479	172	204	(245)	(80)	(288)	1,032	(56)	976
Taxation	-	(520)	-	-	-	-	-	(520)	-	(520)
Profit/(Loss) after taxation (PAT/LAT)	(210)	959	172	204	(245)	(80)	(288)	512	(56)	456

A8. Material Events Subsequent to the End of the Quarter Under Review

There was no material event subsequent to the end of the quarter under review that has not been reflected in the interim financial statement.

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A10. Changes in Contingent Liabilities or Contingent Assets

There were no changes in the contingent liabilities or contingent assets of the Group during the quarter under review and financial year-to-date.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

B1. Review of Group's Results for the Current Quarter and Financial Year-to-Date Ended 30 June 2008

For the current quarter under review, the Sersol Group recorded an increase in its Group revenue by RM3.864 million to RM10.425 million, representing an increase of approximately 58.89% as compared to the corresponding financial period ended 30 June 2007. Consequently, the Group achieved a profit after taxation of RM0.317 million for the current quarter ended 30 June 2008 compared to the loss after taxation of RM0.526 million for the corresponding financial period ended 30 June 2007.

For the financial year-to-date, the Group recorded an increase in its Group revenue of RM6.239 million to RM18.508 million, representing an increase of approximately 50.85% as compared to the preceding year corresponding period ended 30 June 2007. Consequently, the Group achieved a profit after taxation of RM0.456 million for the current year-to-date as compared to the loss after taxation of RM1.345 million for the corresponding financial period ended 30 June 2007.

The improvement in revenue and profit was mainly due to the increase in sales from its subsidiary companies.

B2. Variation of Results For the Current Quarter Ended 30 June 2008 against Immediate Preceding Quarter

During the current quarter ended 30 June 2008, the Group recorded an increase in its Group revenue of RM2.342 million to RM10.425 million, representing an increase of approximately 28.97% as compared to the immediate preceding quarter ended 31 March 2008. The Group recorded a profit after taxation of RM0.317 million in the current quarter ended 30 June 2008, as compared to a profit after taxation of RM0.139 million in the previous quarter ended 31 March 2008. The higher profit after taxation was mainly due to the increase in sales from its subsidiary companies.

B3. Current Year's Prospects for 2008

The Board of Directors of Sersol ("the Board") expects that the Sersol Group's operating units will record further positive improvement in the second half of the year 2008. The Group's financial performance is expected to remain favourable for the financial year ending 2008, after taking into the consideration of the Group's efforts in producing and promoting high end products, coupled with its continuous efforts in cost management.

The prevailing global economic slowdown may have some impact to the Group's prospects for the financial year ending 2008. However, the Sersol Group has implemented adequate measures to mitigate such impact.

B4. Variance of Profit Forecast

Not applicable as no profit forecast has been issued.

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B5. Tax Expense

Taxation comprises the following:

	Individual quarter ended		Cumulative quarter ended	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	-	-	-
Deferred taxation	520	-	520	-
Total	520	-	520	-

The effective tax rate for current quarter and current financial year-to-date is higher than the statutory tax rate is due to the losses incurred by foreign subsidiaries is not allowed to be set off against the taxable profit of another subsidiary.

B6. Profit on Sale of Unquoted Investments and Properties

There was no disposal of unquoted investments and properties during the quarter under review.

B7. Purchase and Disposal of Quoted and Marketable Securities

- (i) The dealings in quoted marketable securities for the quarter under review and current financial year-to-date ended 30 June 2008 are as follows:-

	Quarter under review RM'000	Financial year-to-date RM'000
Total purchase at cost	-	-
Total disposal	-	-
Total gain / (loss) on disposal	-	-

- (ii) The details of the investments in marketable securities as at 30 June 2008 are set out below:-

	RM'000
Total investment at cost	100
Total investment at carrying value	108
Total investment at market value	108

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B8. Status of Corporate Proposal Announced

- i) There were no corporate proposals announced but not completed as at the date of issue of this report.
- ii) There was no corporate proposal undertaken to raise any proceeds during the quarter under review and financial year-to-date.

B9. Group Borrowings and Debt Securities

The Group's borrowings, all repayable in Ringgit Malaysia, as at the end of the quarter under review are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings			
Term Loans	281	229	510
Trade Financing	2,042	1,102	3,144
Bank overdraft	637	167	804
Hire Purchase Payables	239	-	239
	<u>3,199</u>	<u>1,498</u>	<u>4,697</u>
Long Term Borrowings			
Term Loans	882	439	1,321
Hire Purchase Payables	311	-	311
	<u>1,193</u>	<u>439</u>	<u>1,632</u>
Total	<u>4,392</u>	<u>1,937</u>	<u>6,329</u>

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of issue of this report.

B11. Changes in Material Litigation Since the Last Annual Balance Sheet Date

Save as disclosed below, the Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of issue of this report.

- (i) The status of the legal claim against Polycure Coating (M) Sdn Bhd and Tan Soon Chew for a sum of RM165,423.39 together with interests and costs, being the outstanding sum overdue for the supply of goods is as follows:
- (a) Multi Square Sdn Bhd (MSSB) had on 1 August 2006 obtained a court order to wind up Polycure Coating (M) Sdn Bhd. The Official Receiver has been appointed the liquidator of the company.

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- (b) MSSB's solicitors, Messrs. Ang & Co had on 28 November 2006 obtained Receiving and Adjudication Order against Tan Soon Chew and Messrs. Ang & Co had on 18 January 2007 filed the Proof of Debts with the Insolvency Department.
- (ii) For the legal claim against Real Bonus Sdn Bhd for a sum of RM107,229.80 together with legal cost, being the outstanding amount overdue for the supply of goods, the company was wound up by the Court on 25 February 2008. The Official Receiver has been appointed the liquidator of the company.

A provision of the said outstanding amount overdue was made in the financial statement for the financial year ended 2006. The provision is not expected to affect materially on the financial position or business of the Group.

B12. Dividend Proposed

No dividend has been proposed during the quarter under review.

B13. Earnings / (Loss) Per Share**Basic earnings / (loss) per share**

	Current quarter ended		Cumulative quarter ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
Net Profit/(loss) attributed to equity holder of the parent for the period	248	(394)	452	(1,083)
Number of shares in issue ('000)	94,931	94,931	94,931	94,931
Basic profit / (loss) / earnings per share (sen)	0.26	(0.42)	0.48	(1.14)

Diluted earnings / (loss) per share

Diluted profit / (loss) per share is equal to the basic profit / (loss) per share as there were no potential ordinary shares outstanding in both the previous and current financial period.

B14. Auditor's Report of Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2007 was not qualified.