

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED
30 JUNE 2011**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 June 2011 RM'000	Preceding Year Corresponding Quarter 30 June 2010 RM'000	Current Year To Date 30 June 2011 RM'000	Preceding Year Corresponding Period 30 June 2010 RM'000
Revenue	9,326	6,713	16,307	11,013
Other operating income	113	104	239	264
Operating expenses	(9,333)	(7,281)	(16,536)	(12,266)
Profit / (Loss) from operations	106	(464)	10	(989)
Finance costs	(106)	(74)	(201)	(126)
Share of Profit of an associate	26	8	35	17
Profit / (Loss) before tax	26	(530)	(156)	(1,098)
Income tax expense	(15)	-	(92)	-
Profit / (Loss) for the period	11	(530)	(248)	(1,098)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	19	6	24	(121)
Total comprehensive income for the period	30	(524)	(224)	(1,219)
Profit / (Loss) attributable to:				
Owners of the parent	46	(415)	(101)	(845)
Minority Interests	(35)	(115)	(147)	(253)
Loss for the period	11	(530)	(248)	(1,098)
Total comprehensive income attributable to:				
Owners of the parent	56	(412)	(92)	(916)
Minority Interests	(26)	(112)	(132)	(303)
Total comprehensive income for the period	30	(524)	(224)	(1,219)
Profit / (Loss) per share (sen)				
Basic (note B13)	0.05	(0.44)	(0.11)	(0.89)
Diluted (note B13)	0.05	(0.44)	(0.11)	(0.89)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and accompanying explanatory notes attached to the interim financial statements.)

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Unaudited As At 30 June 2011 RM'000	Audited As At 31 December 2010 RM'000
ASSETS		
Non-current assets		
Investment in an associate	231	196
Property, plant and equipment	7,488	7,734
Other intangible assets	212	297
	<u>7,931</u>	<u>8,227</u>
Current assets		
Inventories	5,828	4,515
Trade receivables	9,675	7,633
Amount owing by an associate	458	238
Other receivables, deposits and prepayments	1,341	1,205
Current tax assets	32	93
Marketable securities	295	421
Cash and bank balances	777	1,235
	<u>18,406</u>	<u>15,340</u>
TOTAL ASSETS	<u>26,337</u>	<u>23,567</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	9,493	9,493
Share premium	3,538	3,538
Exchange translation reserve	(56)	(65)
(Accumulated loss)/ Retained profits	(1,444)	(1,343)
Equity attributable to owners of the parent	<u>11,531</u>	<u>11,623</u>
MINORITY INTERESTS	830	962
TOTAL EQUITY	<u>12,361</u>	<u>12,585</u>
Non-current liabilities		
Hire purchase payables	393	357
Bank borrowings	348	418
Deferred tax liabilities	493	543
	<u>1,234</u>	<u>1,318</u>
Current liabilities		
Trade payables	4,889	4,230
Other payables and accruals	1,266	1,253
Amount owing to an associate	416	274
Current tax liabilities	15	-
Hire purchase payables	130	132
Bank borrowings	4,932	3,311
Bank overdraft	1,094	464
	<u>12,742</u>	<u>9,664</u>
TOTAL LIABILITIES	<u>13,976</u>	<u>10,982</u>
TOTAL EQUITY AND LIABILITIES	<u>26,337</u>	<u>23,567</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.12	0.12

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 SECOND QUARTER ENDED****30 JUNE 2011**

(The figures have not been audited)

	Current Year To Date 30 June 2011 RM'000	Preceding Year Corresponding Period 30 June 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	(156)	(1,098)
Adjustments for:-		
Non-cash items	709	798
Non-operating items	58	96
	<u>611</u>	<u>(204)</u>
Operating (loss) / profit before changes in working capital	(3,565)	(1,644)
Net changes in current assets	673	434
	<u>673</u>	<u>434</u>
CASH FROM OPERATIONS	(2,281)	(1,414)
Interest paid	(158)	(83)
Tax paid	(66)	(131)
	<u>(66)</u>	<u>(131)</u>
NET CASH FROM OPERATING ACTIVITIES	(2,505)	(1,628)
NET CASH FOR INVESTING ACTIVITIES		
Dividend received	2	11
Interest received	1	1
Proceed from disposal of quoted investment	98	542
Proceed from disposal of plant and equipment	78	25
Purchase of quoted investment	(17)	(654)
Purchase of plant and equipment	(280)	(151)
	<u>(280)</u>	<u>(151)</u>
NET CASH FOR INVESTING ACTIVITIES	(118)	(226)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown / (repayment) of other short-term bank borrowings	1,653	1,286
Repayments of hire purchase obligations	(77)	(138)
Repayments of term loans	(101)	(257)
	<u>(101)</u>	<u>(257)</u>
NET CASH FOR FINANCING ACTIVITIES	1,475	891
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,148)	(963)
Effect of changes in exchange rates	60	(80)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	771	2,737
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	(317)	1,694
	<u>(317)</u>	<u>1,694</u>
* Cash and cash equivalents included in the cashflow statements comprise of the following:		
	RM'000	RM'000
Fixed deposits	-	77
Cash and bank balances	777	1,672
Bank overdraft	(1,094)	(55)
	<u>(317)</u>	<u>1,694</u>

(The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 SECOND QUARTER ENDED
30 JUNE 2011**

(The figures have not been audited)

	Attributable to Owners of the Parent				Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Exchange Translation reserve RM'000	Retained Profits RM'000			
As at 1 January 2011	9,493	3,538	(65)	(1,343)	11,623	962	12,585
Total comprehensive income for the period	-	-	9	(101)	(92)	(132)	(224)
As at 30 June 2011	9,493	3,538	(56)	(1,444)	11,531	830	12,361
As at 1 January 2010	9,493	3,538	70	542	13,643	1,578	15,221
Total comprehensive income for the period	-	-	(71)	(845)	(916)	(303)	(1,219)
As at 30 June 2010	9,493	3,538	(1)	(303)	12,727	1,275	14,002

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and accompanying explanatory notes attached to the interim financial statements.)

SERSOL TECHNOLOGIES BERHAD

Company No. 602062-X
(Incorporated in Malaysia)

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 2011 have been prepared in accordance with Financial Reporting Standards ("FRS") No. 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

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 2010. 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 2010.

The significant 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 2010, except that the Group has adopted the following FRS, amendments and interpretations effective for the group for financial period beginning on 1 January 2011:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
Annual Improvements to FRSs (2010)	1 January 2011

Other than the above new accounting standards and interpretations, the Group has also adopted the various amendments to existing accounting standards.

The adoption of the above did not have any significant effects on the interim financial statements upon their initial application.

A2. Seasonality or Cyclical Factors

The Group's interim operations for the quarter under review and financial period-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 period-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 period-to-date.

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

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

A6. Dividend Paid

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

A7. Segmental Reporting

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

(a) Primary Reporting Format - Geographical Segment:-

Period Ended 30 June 2011	Malaysia	People's Republic of China and Hong Kong	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
-Sales to external customers	11,675	2,516	2,116	-	16,307
-Inter-segment sales	1,560	-	28	(1,588)	-
Total revenue	13,235	2,516	2,144	(1,588)	16,307
Segments results	300	(233)	(155)	98	10
Finance costs	(188)	(4)	(9)	-	(201)
Share of profit of an associates	-	-	-	-	35
Loss before tax					(156)
At 30 June 2011					
Segment assets	33,072	4,312	3,069	(14,379)	26,074
Investment in associates	-	-	-	-	231
Income tax assets	32	-	-	-	32
Total Assets					26,337
Segment liabilities	6,634	2,987	2,183	(5,233)	6,571
Interest bearing -borrowings	6,875	-	22	-	6,897
Income tax liabilities	507	-	1	-	508
Total liabilities					13,976
Other segment information					
Capital expenditure	305	-	85	-	390
Depreciation of property, plant and equipment	480	61	41	(1)	581

(b) Secondary Reporting Format - Business Segments:-

	Investment Holdings and Others	Coatings Manufacturing	High Precision, Ferrous and Non-Ferrous Metal Trading	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
-Sales to external customers	65	11,668	4,574		16,307
-Inter-segment sales	437	1,151	-	(1,588)	-
	<u>502</u>	<u>12,819</u>	<u>4,574</u>	<u>(1,588)</u>	<u>16,307</u>
Segment Assets	11,267	23,828	5,358	(14,379)	26,074
Investment in associates					231
Income tax assets					<u>32</u>
					<u>26,337</u>
Capital Expenditure	56	327	7	-	390

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 period-to-date.

SERSOL TECHNOLOGIES BERHAD

Company No. 602062-X
(Incorporated in Malaysia)

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

B1. Review of Group's Results for the Current Quarter and Financial period-to-date Ended 30 June 2011

For the current quarter under review, our Group's revenue is RM9.326 million, showing an increase of revenue by RM2.613 million, representing an increase of approximately 38.92% as compared to the corresponding financial quarter ended 30 June 2010. Our Group recorded a profit after taxation of RM0.011 million for the current quarter ended 30 June 2011 as compared to the loss after taxation of RM0.530 million for the corresponding quarter ended 30 June 2010.

For the financial period-to-date, the Group's revenue is RM16.307 million, showing an increase of revenue of RM5.294 million, representing an increase of approximately 48.07% as compared to the preceding year's corresponding period 30 June 2010. Our Group recorded a loss after taxation of RM0.248 million for the current period-to-date as compared to the loss after taxation of RM1.098 million for the corresponding financial period ended 30 June 2010.

The improved performance is due to the increase in revenue by our subsidiary companies.

B2. Variation of Results For the Current Quarter Ended 30 June 2011 against Immediate Preceding Quarter

During the current quarter ended 30 June 2011, our Group's revenue is RM9.326 million, showing an increase of revenue of RM2.346 million, representing an increase of approximately 33.61% as compared to the immediate preceding quarter ended 31 March 2011. Our Group recorded a profit after taxation of RM0.011 million in the current quarter ended 30 June 2011, as compared to a loss after taxation of RM0.259 million in the previous quarter ended 31 March 2011. The improved performance is due to the increase in revenue by our subsidiary companies

B3. Current Year's Prospects for 2011

Our board of Directors are of the view that our financial performance for 2011 will improve as compared to 2010 in the light of strategies put in place by the Group for 2011.

B4. Variance of Profit Forecast

Not applicable as no profit forecast has been issued.

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated in Malaysia)**B5. Tax Expense**

Tax expense comprises the following:

	Individual quarter ended		Cumulative quarter ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	142	-	142	-
Deferred taxation	(50)	-	(50)	-
	<u>92</u>	<u>-</u>	<u>92</u>	<u>-</u>
Under/ (Over) provision in previous financial years:-	-	-	-	-
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>92</u>	<u>-</u>	<u>92</u>	<u>-</u>

The effective tax rate of the group for the current quarter and current financial period is higher as the losses incurred by loss making subsidiaries could not be set off against the taxable profit of the profitable 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 period-to-date ended 30 June 2011 are as follows:-

	Quarter under review RM'000	Financial period-to-date RM'000
Total purchase consideration	-	17
Total sales proceed from disposal	-	98
Total gain on disposal	-	12

- (ii) The details of the investments in marketable securities as at 30 June 2011 are set out below:-

	RM'000
Total investment at cost	317
Total investment at carrying value	295
Total investment at market value	295

SERSOL TECHNOLOGIES BERHAD

Company No. 602062-X
(Incorporated in Malaysia)

B8. Status of Corporate Proposal Announced

i) Save as disclosed below, there were no corporate proposals announced but not completed.

On 30 December 2010, The Board of Directors of SerSol ("the Board") announced that the Company had submitted the following proposals to the Securities Commission ("SC") and the Ministry of International Trade and Industry ("MITI") for approvals:

- a) The issuance of up to 8,064,000 new ordinary shares of RM0.10 each in SerSol ("Sersol Shares"), representing approximately 8.5% of the existing issued and paid-up share capital of SerSol, at an issue price to be determined later to the Bumiputera Investors to be nominated by the Ministry of International Trade and Industry ("MITI") which fall within the ambit of Schedules 6 and 7 of the Capital Markets and Service Act 2007 ("MITI Nominated Bumiputera Investors") ("Proposed Special Bumiputera Issue") such that the total Bumiputera equity interest in the Company after the Proposed Special Bumiputera Issue and the existing 4,810,700 SerSol Shares held by the existing Bumiputera investors recognized by the MITI ("Existing MITI Recognised Bumiputera Investors") pursuant to the letter of approval from the MITI dated 20 July 2010 will aggregate to 12.5% of the enlarged issued and paid-up share capital of SerSol;
- b) An increase in its authorised share capital from RM10,000,000 comprising 100,000,000 SerSol Shares to RM25,000,000 comprising 250,000,000 SerSol Shares ("Proposed Increase in Authorised Share Capital") to facilitate the Proposed Special Bumiputera Issue in the event MITI Nominated Bumiputera Investors subscribe for more than 5,069,000 new SerSol shares. The Proposed Increase in Authorised Share Capital will cater for the issuance of more than 5,069,000 new SerSol shares pursuant to the Proposed Special Bumiputera Issue as well as to cater for any future issuance of new SerSol Shares; and
- c) An amendment to its Memorandum & Articles of Association ("M&A") to effect the Proposed Increase in Authorised Share Capital if the Proposed Increase in Authorised Share Capital is undertaken ("Proposed M&A Amendments")

The Proposed Special Bumiputera Issue, the Proposed Increase in Authorised Share Capital and the Proposed M&A Amendment are collectively known as the "Proposals".

On 26 January 2011, the Board announced that the above Proposals have been approved by the SC vide its letter dated 24 January 2011. The Proposals have also been approved by MITI vide its letter dated 26 May 2011 which the Board has announced on 27 May 2011,

On 6 May 2011, the Board announced that the Company proposed to undertake the following:

- a) Proposed Increase in Authorised Share Capital; and
- b) Proposed M&A Amendments.

On 10 May 2011, the Board announced that SerSol had proposed to diversify its business into the trading and marketing of ferrous and non-ferrous metal commodities ("Proposed Business Diversification").

The Proposed Increase in Authorised Share Capital, Proposed M&A Amendments and Proposed Business Diversification have been approved by shareholders at the Extraordinary General Meeting convened on 28 June 2011.

ii) There was no corporate proposal undertaken to raise any proceeds during the quarter under review and financial period.

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	125	-	125
Trade Financing	3,268	1,539	4,807
Hire Purchase Payables	130	-	130
Bank Overdraft	1,094	-	1,094
	<u>4,617</u>	<u>1,539</u>	<u>6,156</u>
Long Term Borrowings			
Term Loans	348	-	348
Hire Purchase Payables	393	-	393
	<u>741</u>	<u>-</u>	<u>741</u>
Total	<u><u>5,358</u></u>	<u><u>1,539</u></u>	<u><u>6,897</u></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

There were no changes in material litigation, including the status of pending material litigation since the date of issue of last report.

B12. Dividend Proposed

No dividend has been proposed during the quarter under review.

B13. Profit / (Loss) Per Share

Basic profit / (loss) per share

	Current quarter ended		Cumulative quarter ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Net Profit / (Loss) attributed to owners of the parent for the period (RM'000)	46	(415)	(101)	(845)
Number of shares in issue ('000)	94,931	94,931	94,931	94,931
Basic profit / (loss) per share (sen)	0.05	(0.44)	(0.11)	(0.89)

Diluted loss per share

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

B14. Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2010 was not qualified.

B15. Realised and unrealised profits disclosure

The retained profits may be analysed as follows:

	As at 30.06.2011 RM'000	As at 31.03.2011 RM'000
Realised	(1,521)	(1,467)
Unrealised	77	(23)
	(1,444)	(1,490)