

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

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 September 2011	Preceding Year Corresponding Quarter 30 September 2010	Current Year To Date 30 September 2011	Preceding Year Corresponding Period 30 September 2010
	RM'000	RM'000	RM'000	RM'000
Revenue	8,184	7,060	24,491	18,074
Other operating income	4	91	243	355
Operating expenses	(8,444)	(7,258)	(24,980)	(19,524)
Loss from operations	(256)	(107)	(246)	(1,095)
Other expense	A1(b) (874)	-	(874)	-
Finance costs	(109)	(71)	(311)	(198)
Share of Profit of an associate	31	4	67	21
Loss before tax	(1,208)	(174)	(1,364)	(1,272)
Income tax expense	(100)	(45)	(192)	(45)
Loss for the period	(1,308)	(219)	(1,556)	(1,317)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	97	(134)	121	(255)
Total comprehensive income for the period	(1,211)	(353)	(1,435)	(1,572)
Loss attributable to:				
Owners of the parent	(725)	(111)	(826)	(956)
Minority Interests	(583)	(108)	(730)	(361)
Loss for the period	(1,308)	(219)	(1,556)	(1,317)
Total comprehensive income attributable to:				
Owners of the parent	(668)	(188)	(760)	(1,104)
Minority Interests	(543)	(165)	(675)	(468)
Total comprehensive income for the period	(1,211)	(353)	(1,435)	(1,572)
Loss per share (sen)				
Basic (note B13)	(0.76)	(0.12)	(0.87)	(1.01)
Diluted (note B13)	(0.76)	(0.12)	(0.87)	(1.01)

(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 SEPTEMBER 2011**

	Unaudited As At 30 September 2011	Audited As At 31 December 2010
	RM'000	RM'000
ASSETS		
Non-current assets		
Investment in an associate	263	196
Property, plant and equipment	7,598	7,734
Other intangible assets	170	297
	<u>8,031</u>	<u>8,227</u>
Current assets		
Inventories	4,693	4,515
Trade receivables	9,108	7,633
Amount owing by an associate	225	238
Other receivables, deposits and prepayments	1,281	1,205
Current tax assets	32	93
Marketable securities	183	421
Cash and bank balances	1,240	1,235
	<u>16,762</u>	<u>15,340</u>
TOTAL ASSETS	<u>24,793</u>	<u>23,567</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	9,493	9,493
Share premium	3,538	3,538
Exchange translation reserve	1	(65)
(Accumulated loss)/ Retained profits	(2,169)	(1,343)
Equity attributable to owners of the parent	<u>10,863</u>	<u>11,623</u>
MINORITY INTERESTS	287	962
TOTAL EQUITY	<u>11,150</u>	<u>12,585</u>
Non-current liabilities		
Hire purchase payables	588	357
Bank borrowings	317	418
Deferred tax liabilities	493	543
	<u>1,398</u>	<u>1,318</u>
Current liabilities		
Trade payables	4,853	4,230
Other payables and accruals	1,319	1,253
Amount owing to an associate	173	274
Current tax liabilities	77	-
Hire purchase payables	199	132
Bank borrowings	4,267	3,311
Bank overdraft	1,357	464
	<u>12,245</u>	<u>9,664</u>
TOTAL LIABILITIES	<u>13,643</u>	<u>10,982</u>
TOTAL EQUITY AND LIABILITIES	<u>24,793</u>	<u>23,567</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.11	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.)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2011**

(The figures have not been audited)

	Current Year To Date 30 September 2011	Preceding Year Corresponding Period 30 September 2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,364)	(1,272)
Adjustments for:-		
Non-cash items	984	1,226
Non-operating items	<u>245</u>	<u>131</u>
Operating (loss) / profit before changes in working capital	(135)	85
Net changes in current assets	(1,721)	(2,924)
Net changes in current liabilities	<u>600</u>	<u>929</u>
CASH FROM OPERATIONS	(1,256)	(1,910)
Interest paid	(245)	(135)
Tax paid	<u>(104)</u>	<u>(181)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>(1,605)</u>	<u>(2,226)</u>
NET CASH FOR INVESTING ACTIVITIES		
Dividend received	4	11
Interest received	1	3
Proceed from disposal of quoted investment	177	597
Proceed from disposal of plant and equipment	223	25
Purchase of quoted investment	(17)	(676)
Purchase of plant and equipment	<u>(485)</u>	<u>(299)</u>
NET CASH FOR INVESTING ACTIVITIES	<u>(97)</u>	<u>(339)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown / (repayment) of other short-term bank borrowings	985	1,224
Repayments of hire purchase obligations	(126)	(174)
Repayments of term loans	<u>(130)</u>	<u>(344)</u>
NET CASH FOR FINANCING ACTIVITIES	<u>729</u>	<u>706</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(973)	(1,859)
Effect of changes in exchange rates	85	(172)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>771</u>	<u>2,737</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	<u>(117)</u>	<u>706</u>
* Cash and cash equivalents included in the cashflow statements comprise of the following:		
	RM'000	RM'000
Fixed deposits	-	-
Cash and bank balances	1,240	1,499
Bank overdraft	<u>(1,357)</u>	<u>(793)</u>
	<u>(117)</u>	<u>706</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 THIRD QUARTER ENDED****30 SEPTEMBER 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	-	-	66	(826)	(760)	(675)	(1,435)
As at 30 September 2011	<u>9,493</u>	<u>3,538</u>	<u>1</u>	<u>(2,169)</u>	<u>10,863</u>	<u>287</u>	<u>11,150</u>
As at 1 January 2010	9,493	3,538	70	542	13,643	1,578	15,221
Total comprehensive income for the period	-	-	(148)	(956)	(1,104)	(468)	(1,572)
As at 30 September 2010	<u>9,493</u>	<u>3,538</u>	<u>(78)</u>	<u>(414)</u>	<u>12,539</u>	<u>1,110</u>	<u>13,649</u>

(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
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A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134**A1(a). Basis of Preparation**

The unaudited condensed interim financial statements for the third quarter ended 30 September 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.

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A1(b). Other expense

Included in other expense is RM 0.874 million which represents the estimated losses sustained by the Group arising from embezzlement of cash committed by a former employee, details of which have been announced to Bursa Securities Malaysia Berhad on 25 November 2011.

As the Group has yet to determine the losses incurred in the respective prior years due to the above mentioned fraud, the entire estimated losses have been taken up in the current quarter.

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

Save for the estimated losses arising from the embezzlement of cash as disclosed in Note A1(b), 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 September 2011	Malaysia RM'000	People's Republic of China and Hong Kong RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
-Sales to external customers	18,035	3,289	3,167	-	24,491
-Inter-segment sales	2,210	-	44	(2,254)	-
Total revenue	<u>20,245</u>	<u>3,289</u>	<u>3,211</u>	<u>(2,254)</u>	<u>24,491</u>
Segments results	402	(469)	(296)	117	(246)
Other expense		(874)			(874)
Finance costs	(288)	(10)	(13)	-	(311)
Share of profit of an associates	-	-	-	-	67
Loss before tax					<u>(1,364)</u>
At 30 September 2011					
Segment assets	32,861	2,707	3,110	(14,180)	24,498
Investment in associates	-	-	-	-	263
Income tax assets	32	-	-	-	32
Total Assets					<u>24,793</u>
Segment liabilities	6,625	2,441	2,331	(5,052)	6,345
Interest bearing -borrowings	6,709	-	19	-	6,728
Income tax liabilities	569	-	1	-	570
Total liabilities					<u>13,643</u>
Other segment information					
Capital expenditure	806	1	88	-	895
Depreciation of property, plant and equipment	<u>723</u>	<u>118</u>	<u>73</u>	<u>(1)</u>	<u>913</u>

(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	205	17,448	6,838		24,491
-Inter-segment sales	554	1,700	-	(2,254)	-
	<u>759</u>	<u>19,148</u>	<u>6,838</u>	<u>(2,254)</u>	<u>24,491</u>
Segment Assets	11,056	23,110	4,512	(14,180)	24,498
Investment in associates					263
Income tax assets					32
					<u>24,793</u>
Capital Expenditure	74	338	483	-	895

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.

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 September 2011

For the current quarter under review, our Group's revenue is RM8.184 million, showing an increase of revenue by RM1.124 million, representing an increase of approximately 15.92% as compared to the corresponding financial quarter ended 30 September 2010. Our Group recorded a loss after taxation of RM1.308 million for the current quarter ended 30 September 2011 as compared to the loss after taxation of RM0.219 million for the corresponding quarter ended 30 September 2010.

The increase in loss is mainly due to the increase in operating expenses and embezzlement loss from our subsidiary company as disclosed in Note A1(b).

For the financial period-to-date, the Group's revenue is RM24.491 million, showing an increase of revenue of RM6.417 million, representing an increase of approximately 35.50% as compared to the preceding year's corresponding period 30 September 2010. Our Group recorded a loss after taxation of RM1.556 million for the current period-to-date as compared to the loss after taxation of RM1.317 million for the corresponding financial period ended 30 September 2010.

The increase in losses is mainly due to the embezzlement loss from our subsidiary companies as disclosed in A1(b).

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

During the current quarter ended 30 September 2011, our Group's revenue is RM8.184 million, showing a decrease of revenue of RM1.142 million, representing a decrease of approximately 12.25% as compared to the immediate preceding quarter ended 30 June 2011. Our Group recorded a loss after taxation of RM1.308 million in the current quarter ended 30 September 2011, as compared to a profit after taxation of RM0.011 million in the previous quarter ended 30 June 2011. The loss is mainly due to the embezzlement loss from our subsidiary company as disclosed in Note A1(b).

B3. Current Year's Prospects for 2011

Had it not been for the estimated embezzlement loss of RM 0.874 million which has been charged to the current quarter's Statement of Comprehensive Income, our board of Directors are of the view that our financial performance for 2011 will improve as compared to 2010.

B4. Variance of Profit Forecast

Not applicable as no profit forecast has been issued.

B5. Tax Expense

Tax expense comprises the following:

	Individual quarter ended		Cumulative quarter ended	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
In respect of the current period:-				
Taxation	100	115	242	115
Deferred taxation	-	(70)	(50)	(70)
	<u>100</u>	<u>45</u>	<u>192</u>	<u>45</u>
Under/ (Over) provision in previous financial years:-	-	-	-	-
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>100</u>	<u>45</u>	<u>192</u>	<u>45</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 September 2011 are as follows:-

	Quarter under review RM'000	Financial period-to-date RM'000
Total purchase consideration	-	17
Total sales proceed from disposal	79	177
Total gain / (loss) on disposal	(13)	(1)

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

	RM'000
Total investment at cost	317
Total investment at carrying value	183
Total investment at market value	183

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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	127	-	127
Trade Financing	3,694	446	4,140
Hire Purchase Payables	199	-	199
Bank Overdraft	1,357	-	1,357
	<u>5,377</u>	<u>446</u>	<u>5,823</u>
Long Term Borrowings			
Term Loans	317	-	317
Hire Purchase Payables	588	-	588
	<u>905</u>	<u>-</u>	<u>905</u>
Total	<u>6,282</u>	<u>446</u>	<u>6,728</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 September 2011	30 September 2010	30 September 2011	30 September 2010
Net Loss attributed to owners of the parent for the period (RM'000)	(725)	(111)	(826)	(956)
Number of shares in issue ('000)	94,931	94,931	94,931	94,931
Basic loss per share (sen)	(0.76)	(0.12)	(0.87)	(1.01)

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 unrealized losses disclosure

The accumulated losses may be analysed as follows:

	As at 30.09.2011 RM'000	As at 30.06.2011 RM'000
Realised	(2,271)	(1,521)
Unrealised	102	77
	(2,169)	(1,444)