

SERSOL TECHNOLOGIES BERHAD

 Company No. 602062-X
 (Incorporated In Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED
 30 SEPTEMBER 2012**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 September 2012 RM'000	Preceding Year Corresponding Quarter 30 September 2011 (Restated) RM'000	Current Year To Date 30 September 2012 RM'000	Preceding Year Corresponding Period 30 September 2011 (Restated) RM'000
Revenue	3,918	8,184	14,439	24,491
Other operating income	(78)	4	161	243
Operating expenses	(4,400)	(8,444)	(15,818)	(24,980)
Loss from operations	(560)	(256)	(1,218)	(246)
Loss due to embezzlement	-	22	-	(160)
Finance costs	(70)	(109)	(218)	(311)
Share of Profit of an associate	-	31	(1)	67
Loss before tax	(630)	(312)	(1,437)	(650)
Income tax expense	1	(100)	(15)	(192)
Loss for the period	(629)	(412)	(1,452)	(842)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(18)	44	128	53
Total comprehensive income for the period	(647)	(368)	(1,324)	(789)
Loss attributable to:				
Owners of the parent	(634)	(277)	(1,576)	(469)
Minority Interests	5	(135)	124	(373)
Loss for the period	(629)	(412)	(1,452)	(842)
Total comprehensive income attributable to:				
Owners of the parent	(646)	(246)	(1,664)	(452)
Minority Interests	(1)	(122)	340	(337)
Total comprehensive income for the period	(647)	(368)	(1,324)	(789)
Loss per share (sen)				
Basic (note B10)	(0.66)	(0.29)	(1.64)	(0.49)
Diluted (note B10)	(0.66)	(0.29)	(1.64)	(0.49)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 2012**

	Unaudited As At 30 September 2012	Audited As At 31 December 2011
	RM'000	RM'000
ASSETS		
Non-current assets		
Investment in an associate	-	257
Property, plant and equipment	6,028	6,789
Other intangible assets	50	132
	<u>6,078</u>	<u>7,178</u>
Current assets		
Property, plant and equipment	-	100
Inventories	2,453	4,475
Trade receivables	4,047	6,605
Amount owing by an associate	-	59
Other receivables, deposits and prepayments	821	1,159
Tax recoverable	183	59
Marketable securities	124	184
Fixed deposits	163	-
Cash and bank balances	1,398	1,270
	<u>9,189</u>	<u>13,911</u>
TOTAL ASSETS	<u>15,267</u>	<u>21,089</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	9,635	9,493
Share premium	3,751	3,538
Exchange translation reserve	(145)	(57)
(Accumulated loss)/ Retained profits	(4,856)	(3,280)
Equity attributable to owners of the parent	<u>8,385</u>	<u>9,694</u>
NON-CONTROLLING INTERESTS	51	(289)
TOTAL EQUITY	<u>8,436</u>	<u>9,405</u>
Non-current liabilities		
Hire purchase payables	239	581
Bank borrowings	131	290
Deferred tax liabilities	459	490
	<u>829</u>	<u>1,361</u>
Current liabilities		
Trade payables	2,269	3,413
Other payables and accruals	579	1,225
Amount owing to an associate	-	1
Hire purchase payables	118	170
Bank borrowings	2,178	4,018
Bank overdraft	858	1,496
	<u>6,002</u>	<u>10,323</u>
TOTAL LIABILITIES	<u>6,831</u>	<u>11,684</u>
TOTAL EQUITY AND LIABILITIES	<u>15,267</u>	<u>21,089</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.09	0.10

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 THIRD QUARTER ENDED
30 SEPTEMBER 2012**

(The figures have not been audited)

	Current Year To Date 30 September 2012	Preceding Year Corresponding Period 30 September 2011
	RM'000	(Restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,437)	(650)
Adjustments for:-		
Non-cash items	885	984
Non-operating items	(226)	245
	<u>(778)</u>	<u>579</u>
Operating (loss) / profit before changes in working capital	(778)	579
Net changes in current assets	3,854	(2,063)
Net changes in current liabilities	(59)	486
	<u>(170)</u>	<u>(104)</u>
CASH FROM OPERATIONS	3,017	(998)
Interest paid	(181)	(245)
Tax paid	(170)	(104)
	<u>(170)</u>	<u>(104)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>2,666</u>	<u>(1,347)</u>
NET CASH FOR INVESTING ACTIVITIES		
Dividend received	1	4
Interest received	1	1
Proceed from disposal of quoted investment	58	177
Proceed from disposal of plant and equipment	367	223
Proceed from disposal of an associate	180	-
Net cash inflow from disposal of investment in subsidiary	340	-
Purchase of quoted investment	-	(17)
Purchase of plant and equipment	(464)	(485)
	<u>483</u>	<u>(97)</u>
NET CASH FOR INVESTING ACTIVITIES	<u>483</u>	<u>(97)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown / (repayment) of other short-term bank borrowings	(1,902)	985
Proceed from Issuance of share capital	355	-
Repayments of hire purchase obligations	(394)	(126)
Repayments of term loans	(97)	(130)
	<u>(2,038)</u>	<u>729</u>
NET CASH FOR FINANCING ACTIVITIES	<u>(2,038)</u>	<u>729</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,111</u>	<u>(715)</u>
Effect of changes in exchange rates	(182)	15
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>(226)</u>	<u>587</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	<u>703</u>	<u>(113)</u>
* Cash and cash equivalents included in the cashflow statements comprise of the following:		
	RM'000	RM'000
Fixed deposits	163	-
Cash and bank balances	1,398	1,244
Bank overdraft	(858)	(1,357)
	<u>703</u>	<u>(113)</u>

(The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and accompanying explanatory notes attached to the interim financial statements.)

SERSOL TECHNOLOGIES BERHAD

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2012**

(The figures have not been audited)

	Attributable to Owners of the Parent				Total RM'000	Non-controlling 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 2012	9,493	3,538	(57)	(3,280)	9,694	(289)	9,405
Issuance of Shares	142	213			355		355
Total comprehensive income for the period	-	-	(88)	(1,576)	(1,664)	340	(1,324)
As at 30 September 2012	<u>9,635</u>	<u>3,751</u>	<u>(145)</u>	<u>(4,856)</u>	<u>8,385</u>	<u>51</u>	<u>8,436</u>
As at 1 January 2011	9,493	3,538	(34)	(1,726)	11,271	579	11,850
Total comprehensive income for the period	-	-	17	(469)	(452)	(337)	(789)
As at 30 September 2011	<u>9,493</u>	<u>3,538</u>	<u>(17)</u>	<u>(2,195)</u>	<u>10,819</u>	<u>242</u>	<u>11,061</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 2011 and accompanying explanatory notes attached to the interim financial statements.)

SERSOL TECHNOLOGIES BERHAD

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A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the third quarter ended 30 September 2012 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 2011. 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 2011.

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 2011.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, First Time Adoption of Malaysian Financial Reporting Standards has been applied.

The transition to MFRS framework does not have any significant effects on these interim financial statements.

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

On 31 January 2012, the Company issued 1,420,000 ordinary shares at RM0.25 per share to the Bumiputera Investors identified by Ministry of International Trade and Industry (MITI).

A6. Dividend Paid

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

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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:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Revenue				
Malaysia	3,660	7,010	12,053	20,245
People's Republic of China and Hong Kong	-	773	1,177	3,289
Others	753	1,067	2,619	3,211
Total including inter-segment sales	4,413	8,850	15,849	26,745
Eliminations of inter-segment sales	(495)	(666)	(1,410)	(2,254)
Total Revenue	3,918	8,184	14,439	24,491
Loss Before Tax				
Segment results				
Malaysia	(552)	102	(1,529)	402
People's Republic of China and Hong Kong	-	(213)	371	(629)
Others	(189)	(142)	(451)	(296)
	(741)	(253)	(1,609)	(523)
Finance costs	(70)	(109)	(218)	(311)
Share of profit of an associate	-	31	(1)	67
Eliminations	181	19	391	117
Total Loss Before Tax	(630)	(312)	(1,437)	(650)
At 30 September 2012	Malaysia	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Segment assets	23,900	1,850	(10,666)	15,084
Income tax assets	183	-	-	183
Total assets				15,267
Segment liabilities	5,657	1,826	(4,635)	2,848
Interest bearing - borrowings	3,519	5	-	3,524
Income tax liabilities	459	-	-	459
Total liabilities				6,831
Other segment information				
Capital expenditure	464	-	-	464
Depreciation of property, plant and equipment	700	31	-	731

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		Preceding Year		Preceding Year
	Current Quarter	Corresponding	Current Year	Corresponding
	30 September 2012 RM'000	Quarter 30 September 2011 RM'000	To Date 30 September 2012 RM'000	Period 30 September 2011 RM'000
Revenue				
Investment Holdings	61	106	236	516
Coatings Manufacturing	4,201	6,329	13,684	19,148
High Precision, Ferrous and Non-Ferrous Metal Trading	61	2,264	1,720	6,838
Others	90	151	209	243
Eliminations	(495)	(666)	(1,410)	(2,254)
Total Revenue	3,918	8,184	14,439	24,491
Loss Before tax				
Segment results				
Investment Holdings	(113)	(233)	(442)	(465)
Coatings Manufacturing	(420)	53	(457)	(141)
High Precision, Ferrous and Non-Ferrous Metal Trading	(158)	54	(474)	346
Others	(50)	(127)	(236)	(263)
	(741)	(253)	(1,609)	(523)
Finance costs	(70)	(109)	(218)	(311)
Share of profit of an associate	-	31	(1)	67
Eliminations	181	19	391	117
Total Loss Before Tax	(630)	(312)	(1,437)	(650)

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

The Group had on 25 June 2012 announced to dispose its entire shareholding in its 50% owned subsidiary, Asset Capital Holdings Limited (ACHL). The disposal was completed on 18 July 2012.

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.

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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 2012

For the current quarter under review, our Group's revenue is RM3.918 million, showing a decrease of revenue by RM4.266 million, representing a decrease of approximately 52.13% as compared to the corresponding financial quarter ended 30 September 2011. Our Group recorded a loss after taxation of RM0.629 million for the current quarter ended 30 September 2012 as compared to the loss after taxation of RM0.412 million for the restated corresponding quarter ended 30 September 2011.

For the current financial period-to-date under review, our Group's revenue is RM14.439 million, showing a decrease of revenue by RM10.052 million, representing a decrease of approximately 41.04% as compared to the restated corresponding financial period ended 30 September 2011. Our Group recorded a loss after taxation of RM1.452 million for the current financial period-to-date ended 30 September 2012 as compared to the loss after taxation of RM0.842 million for the restated corresponding period-to-date ended 30 September 2011. The increase in losses for current quarter and financial period-to-date is mainly due to the decrease in revenue in Manufacturing Division, lower margin and additional expenses incurred in the cessation of Metal Trading Division.

B2. Variation of Results For the Current Quarter Ended 30 September 2012 against Immediate Preceding Quarter

During the current quarter ended 30 September 2012, our Group's revenue is RM3.918 million, showing a decrease of revenue of RM1.529 million, representing a decrease of approximately 28.07% as compared to the revenue of RM5.447 million in the preceding quarter ended 30 June 2012. Our Group recorded a loss after taxation of RM0.629 million in the current quarter ended 30 September 2012, as compared to a loss after taxation of RM0.210 million in the previous quarter ended 30 June 2012. The losses in current quarter is mainly due to expenditures incurred in disposing activities in Metal Trading Division and Singapore operation, promoting Corporate image and branding in architecture coating and additional defrayment in the Corporate exercise.

B3. Prospects for 2012

Our board of Directors expects the business environment for the remaining year to be challenging. The board of Directors intends to widen its activities into architecture coating and coating in the oil and gas industries to enhance its business prospects.

B4. Variance of Profit Forecast

Not applicable as no profit forecast has been issued.

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B5. Tax Expense

Tax expense comprises the following:

	Individual quarter ended		Cumulative quarter ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
In respect of the current period:-				
Taxation	-	100	46	242
Deferred taxation	(1)	-	(31)	(50)
	<u>(1)</u>	<u>100</u>	<u>15</u>	<u>192</u>

No provision for taxation for current quarter as most of the subsidiaries have recorded losses.

B6. Status of Corporate Proposal Announced

On behalf of SerSol Technologies Berhad ("SerSol" or the "Company"), TA Securities Holdings Berhad ("TA Securities") had on 9 November 2012 announced that the Company proposes to undertake the following:

- (i) proposed renounceable rights issue of up to 96,351,000 new ordinary shares of RM0.10 each in SerSol ("SerSol Shares" or "Shares") ("Rights Shares"), together with up to 96,351,000 free detachable new warrants ("Warrants") on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing SerSol Share held at an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue of Shares with Warrants");
- (ii) proposed establishment of a share issuance scheme ("SIS") of up to thirty percent (30%) of the issued and paid-up share capital of SerSol (excluding treasury shares) at any point in time for the eligible directors and employees of SerSol and its subsidiaries ("SerSol Group" or "Group") ("Proposed SIS");
- (iii) proposed increase in the authorised share capital of SerSol from RM25,000,000 comprising 250,000,000 SerSol Shares to RM50,000,000 comprising 500,000,000 SerSol Shares ("Proposed Increase in Authorised Share Capital"); and
- (iv) proposed amendments to the Memorandum and Articles of Association of SerSol ("Proposed Amendments") which are intended to facilitate the Proposed Increase in Authorised Share Capital.

TA Securities had on 12 November 2012 submitted the following:

- (i) the listing application to Bursa Securities for the listing of and quotation for the Rights Shares, admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Warrants, new SerSol Shares arising from the exercise of the Warrants to be issued pursuant to the Proposed Right Issue of Shares with Warrants and new SerSol Shares arising from the exercise of the SIS options to be issued pursuant to the Proposed SIS on the ACE Market of Bursa Securities; and
- (ii) an application to the Controller of Foreign Exchange (via Bank Negara Malaysia) for the issuance of the Warrants to non-residents shareholders of SerSol pursuant to the Proposed Rights Issue of Shares with Warrants,

The approvals from Bursa Securities and the Controller of Foreign Exchange (via Bank Negara Malaysia) are still pending.

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On 16 November 2012, the Company announced that an application had been submitted to the Company Registrar, Singapore to strike-off Multi Square (S) Pte Ltd ("MSPL"), a wholly-owned subsidiary of the Company, pursuant to Section 344 of the Companies Act (Cap 50) of Singapore ("Strike-Off").

The Strike-Off is expected to be completed upon the receipt of notification for strike-off from the Company Registrar, Singapore.

B7. 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	186	-	186
Trade Financing	1,992	-	1,992
Hire Purchase Payables	118	-	118
Bank Overdraft	858	-	858
	<u>3,154</u>	<u>-</u>	<u>3,154</u>
Long Term Borrowings			
Term Loans	131	-	131
Hire Purchase Payables	239	-	239
	<u>370</u>	<u>-</u>	<u>370</u>
Total	<u>3,524</u>	<u>-</u>	<u>3,524</u>

B8. 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.

B9. Dividend Proposed

No dividend has been proposed during the quarter under review.

B10. Loss Per Share

Basic loss per share

	Current quarter ended		Cumulative quarter ended	
	30 September 2012	30 September 2011 (Restated)	30 September 2012	30 September 2011 (Restated)
Net Loss attributed to owners of the parent for the period (RM'000)	(634)	(277)	(1,576)	(469)
Weighted Average Number of shares in issue ('000)	96,351	94,931	96,193	94,931
Basic loss per share (sen)	(0.66)	(0.29)	(1.64)	(0.49)

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.

B11. Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2011 was not qualified.

B12. Realised and unrealized losses disclosure

The accumulated losses may be analysed as follows:

	As at 30.09.2012	As at 31.12.2011
	RM'000	RM'000
Realised	(4,867)	(3,124)
Unrealised	11	(156)
	<u>(4,856)</u>	<u>(3,280)</u>

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated in Malaysia)**B13. Loss Before Tax**

The following items have been included in arriving at loss before tax:

	Current Quarter ended		Cumulative quarter ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	RM'000	RM'000	RM'000	RM'000
Interest income	-	-	1	1
Bad debts recovered	-	4	3	9
Dividend Income	2	3	5	7
Gain or (loss) on disposal of property, plant and equipment	(109)	(3)	(67)	74
Gain or (loss) on foreign exchange – Realised	(5)	(9)	(39)	(69)
Gain or (loss) on foreign exchange – Unrealised	(49)	12	(20)	20
Gain or (loss) on disposal of quoted investment	(88)	(13)	(88)	(1)
Gain or (loss) on derivatives	-	-	-	-
Interest expense	(59)	(87)	(181)	(245)
Impairment of property, plant & equipment	-	-	-	-
Depreciation expense and amortization	(202)	(333)	(731)	(914)
Provision for and write off of receivables	-	-	-	-
Inventory written off	(17)	-	(17)	-
Loss on disposal of associate	-	-	(77)	-
Gain on disposal of subsidiary	-	-	570	-