

**SERSOL TECHNOLOGIES BERHAD**Company No. 602062-X  
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED  
31 DECEMBER 2012**

(The figures have not been audited)

|  | <u>INDIVIDUAL QUARTER</u>           |  | <u>CUMULATIVE QUARTER</u>                   |   |
|--|-------------------------------------|--|---|---|
|  | Current Quarter<br>31 December 2012 | Preceding Year<br>Corresponding<br>Quarter<br>31 December 2011 | Current Year To<br>Date<br>31 December 2012 | Preceding Year<br>Corresponding<br>Period<br>31 December 2011 |
|  | RM'000                              | RM'000   | RM'000                                      | RM'000  |
| Revenue  | 3,521                               | 5,625  | 17,960                                      | 30,116  |
| Other operating income   | 247                                 | 99   | 407   | 342   |
| Operating expenses   | (7,036)                             | (7,205)  | (22,852)                                    | (32,185)  |
| <b>Loss from operations</b>                                    | <b>(3,268)</b>                      | <b>(1,481)</b>   | <b>(4,485)</b>                              | <b>(1,727)</b>  |
| Loss due to embezzlement                                       | -                                   | -  | -   | (160)   |
| Finance costs  | (43)                                | (98)   | (262)                                       | (409)   |
| Share of Profit of an associate                                | -                                   | (6)  | (1)   | 61  |
| <b>Loss before tax</b>   | <b>(3,311)</b>                      | <b>(1,585)</b>   | <b>(4,748)</b>                              | <b>(2,235)</b>  |
| Income tax expense   | 388                                 | 29   | 373   | (163)   |
| <b>Loss for the period</b>                                     | <b>(2,923)</b>                      | <b>(1,556)</b>   | <b>(4,375)</b>                              | <b>(2,398)</b>  |
| <b>Other comprehensive income, net of tax</b>                  |                                     |  |   |   |
| Exchange differences on translation<br>of foreign subsidiaries | (32)                                | (100)  | 96  | (47)  |
| <b>Total comprehensive income for the<br/>period</b>           | <b>(2,955)</b>                      | <b>(1,656)</b>   | <b>(4,279)</b>                              | <b>(2,445)</b>  |
| Loss attributable to:  |                                     |  |   |   |
| Owners of the parent   | (2,848)                             | (1,085)  | (4,424)                                     | (1,554)   |
| Non-controlling interests                                      | (75)                                | (470)  | 49  | (843)   |
| <b>Loss for the period</b>                                     | <b>(2,923)</b>                      | <b>(1,555)</b>   | <b>(4,375)</b>                              | <b>(2,397)</b>  |
| Total comprehensive income attributable to:                    |                                     |  |   |   |
| Owners of the parent   | (2,869)                             | (1,125)  | (4,533)                                     | (1,577)   |
| Non-controlling interests                                      | (86)                                | (531)  | 254   | (868)   |
| <b>Total comprehensive income for the period</b>               | <b>(2,955)</b>                      | <b>(1,656)</b>   | <b>(4,279)</b>                              | <b>(2,445)</b>  |
| Loss per share (sen)   |                                     |  |   |   |
| Basic (note B10)   | (2.96)                              | (1.14)   | (4.60)                                      | (1.64)  |
| Diluted (note B10)   | (2.96)                              | (1.14)   | (4.60)                                      | (1.64)  |

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

**SERSOL TECHNOLOGIES BERHAD**

 Company No. 602062-X  
 (Incorporated In Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2012**

|   | Unaudited<br>As At<br>31 December<br>2012 | Audited<br>As At<br>31 December<br>2011 |
|---|---|---|
|   | RM'000                                    | RM'000                                  |
| <b>ASSETS</b>   |   |   |
| <b>Non-current assets</b>   |   |   |
| Investment in an associate  | -   | 257                                     |
| Property, plant and equipment   | 9,067                                     | 6,789                                   |
| Other intangible assets   | -   | 132                                     |
|   | 9,067                                     | 7,178                                   |
| <b>Current assets</b>   |   |   |
| Property, plant and equipment   | -   | 100                                     |
| Inventories   | 2,206                                     | 4,475                                   |
| Trade receivables   | 3,136                                     | 6,605                                   |
| Amount owing by an associate  | -   | 59                                      |
| Other receivables, deposits and prepayments                             | 309                                       | 1,159                                   |
| Tax recoverable   | 173                                       | 59                                      |
| Marketable securities   | 125                                       | 184                                     |
| Fixed deposits  | 191                                       | -                                       |
| Cash and bank balances  | 670                                       | 1,270                                   |
|   | 6,810                                     | 13,911                                  |
| <b>TOTAL ASSETS</b>   | <b>15,877</b>                             | <b>21,089</b>                           |
| <b>EQUITY AND LIABILITIES</b>   |   |   |
| <b>Equity</b>   |   |   |
| Share capital   | 9,635                                     | 9,493                                   |
| Share premium   | 3,751                                     | 3,538                                   |
| Exchange translation reserve  | (166)                                     | (57)                                    |
| Accumulated loss  | (7,700)                                   | (3,280)                                 |
| Revaluation reserve   | 4,145                                     | -                                       |
| Equity attributable to owners of the parent                             | 9,665                                     | 9,694                                   |
| <b>Non-controlling interests</b>  | (35)                                      | (289)                                   |
| <b>TOTAL EQUITY</b>   | <b>9,630</b>                              | <b>9,405</b>                            |
| <b>Non-current liabilities</b>  |   |   |
| Finance lease payables  | 211                                       | 581                                     |
| Bank borrowings   | 145                                       | 290                                     |
| Deferred tax liabilities  | 805                                       | 490                                     |
|   | 1,161                                     | 1,361                                   |
| <b>Current liabilities</b>  |   |   |
| Trade payables  | 2,089                                     | 3,413                                   |
| Other payables and accruals   | 626                                       | 1,225                                   |
| Amount owing to an associate  | -   | 1                                       |
| Finance lease payables  | 115                                       | 170                                     |
| Bank borrowings   | 1,563                                     | 4,018                                   |
| Bank overdraft  | 693                                       | 1,496                                   |
|   | 5,086                                     | 10,323                                  |
| <b>TOTAL LIABILITIES</b>  | <b>6,247</b>                              | <b>11,684</b>                           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                     | <b>15,877</b>                             | <b>21,089</b>                           |
| Net assets per ordinary share attributable to owners of the parent (RM) | 0.10                                      | 0.10                                    |

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for

**SERSOL TECHNOLOGIES BERHAD**Company No. 602062-X  
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED  
31 DECEMBER 2012**

(The figures have not been audited)

|  | Current Year To<br>Date<br>31 December 2012 | Preceding Year<br>Corresponding<br>Period<br>31 December 2011 |
|--|---|---|
|  | RM'000                                      | RM'000  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |   |
| Loss before tax  | (4,748)                                     | (2,235)   |
| Adjustments for:-  |   |   |
| Non-cash items   | 3,003                                       | 2,229   |
| Non-operating items  | 52  | 174   |
|  | <u>          </u>                           | <u>          </u>   |
| Operating (loss) / profit before changes in working capital                                    | (1,693)                                     | 168   |
| Net changes in current assets  | 5,355                                       | 494   |
| Net changes in current liabilities   | (192)                                       | (1,060)   |
|  | <u>          </u>                           | <u>          </u>   |
| <b>CASH FROM OPERATIONS</b>  | 3,470                                       | (398)   |
| Interest paid  | (217)                                       | (336)   |
| Income tax refunded  | 11  | -   |
| Tax paid   | (182)                                       | (182)   |
|  | <u>          </u>                           | <u>          </u>   |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>  | <u>3,082</u>                                | <u>(916)</u>  |
| <b>NET CASH FOR INVESTING ACTIVITIES</b>   |   |   |
| Dividend received  | 1   | 4   |
| Interest received  | 2   | 1   |
| Proceed from disposal of quoted investment   | 58  | 177   |
| Proceed from disposal of plant and equipment   | 444   | 223   |
| Proceed from disposal of an associate  | 180   | -   |
| Net cash inflow from disposal of investment in subsidiary                                      | 78  | -   |
| Purchase of quoted investment  | -   | (17)  |
| Purchase of plant and equipment  | (530)                                       | (657)   |
|  | <u>          </u>                           | <u>          </u>   |
| <b>NET CASH FOR INVESTING ACTIVITIES</b>   | <u>233</u>                                  | <u>(269)</u>  |
| <b>CASH FLOWS FOR FINANCING ACTIVITIES</b>   |   |   |
| Net (repayment) / drawdown of other short-term bank borrowings                                 | (2,472)                                     | 739   |
| Proceed from issuance of share capital   | 355   | -   |
| Repayments of finance lease payables   | (424)                                       | (149)   |
| Repayments of term loans   | (129)                                       | (159)   |
|  | <u>          </u>                           | <u>          </u>   |
| <b>NET CASH FOR FINANCING ACTIVITIES</b>   | <u>(2,670)</u>                              | <u>431</u>  |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                  | 645   | (754)   |
| Effect of changes in exchange rates  | (251)                                       | (59)  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>  | <u>(226)</u>                                | <u>587</u>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD*</b>   | <u>168</u>                                  | <u>(226)</u>  |
| * Cash and cash equivalents included in the statement of cash flows comprise of the following: |   |   |
|  | RM'000                                      | RM'000  |
| Fixed deposits   | 191   | -   |
| Cash and bank balances   | 670   | 1,270   |
| Bank overdraft   | (693)                                       | (1,496)   |
|  | <u>168</u>                                  | <u>(226)</u>  |

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

**SERSOL TECHNOLOGIES BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED**

**31 DECEMBER 2012**

(The figures have not been audited)

|  | Attributable to Owners of the Parent |                            |  |                                  |                                 | Total<br>RM'000 | Non-controlling<br>Interests<br>RM'000 | Total<br>Equity<br>RM'000 |
|--|--------------------------------------|----------------------------|--|----------------------------------|---------------------------------|-----------------|--|---------------------------|
|  | Share<br>capital<br>RM'000           | Share<br>premium<br>RM'000 | Exchange<br>Translation<br>reserve<br>RM'000 | Revaluation<br>reserve<br>RM'000 | Accumulated<br>losses<br>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                            | -                                    | -                          | (109)  | -                                | (4,424)                         | (4,533)         | 254                                    | (4,279)                   |
| Revaluation of property, plant and<br>equipment, net of deferred tax | -                                    | -                          | -  | 4,149                            | -                               | 4,149           | -                                      | 4,149                     |
| Realisation of revaluation reserve                                   | -                                    | -                          | -  | (4)                              | 4                               | -               | -                                      | -                         |
| As at 31 December 2012   | <u>9,635</u>                         | <u>3,751</u>               | <u>(166)</u>                                 | <u>4,145</u>                     | <u>(7,700)</u>                  | <u>9,665</u>    | <u>(35)</u>                            | <u>9,630</u>              |
| As at 1 January 2011   | 9,493                                | 3,538                      | (34)   | -                                | (1,726)                         | 11,271          | 579                                    | 11,850                    |
| Total comprehensive income for the period                            | -                                    | -                          | (23)   | -                                | (1,554)                         | (1,577)         | (868)                                  | (2,445)                   |
| As at 31 December 2011   | <u>9,493</u>                         | <u>3,538</u>               | <u>(57)</u>                                  | <u>-</u>                         | <u>(3,280)</u>                  | <u>9,694</u>    | <u>(289)</u>                           | <u>9,405</u>              |

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

**SERSOL TECHNOLOGIES BERHAD**

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**A. EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134****A1. Basis of Preparation**

The unaudited condensed interim financial statements for the fourth quarter ended 31 December 2012 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 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.

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.

As at the date of these interim financial statements, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

| <b>MFRS, Amendments to MFRS and IC Interpretations</b>                                     | <b>Effective for annual periods beginning on or after</b> |
|--|---|
| MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in November 2009) and October 2010)  | 1 January 2015  |
| MFRS 10 : Consolidated Financial Statements  | 1 January 2013  |
| MFRS 11 : Joint Arrangements   | 1 January 2013  |
| MFRS 12 : Disclosure of Interests in Other Entities  | 1 January 2013  |
| MFRS 13 : Fair Value Measurement   | 1 January 2013  |
| MFRS 119 : Employee Benefits   | 1 January 2013  |
| MFRS 127 : Separate Financial Statements   | 1 January 2013  |
| MFRS 128 : Investments in Associates and Joint Ventures                                    | 1 January 2013  |
| Amendments to MFRS 7 : Disclosures - Offsetting Financial Assets and Financial Liabilities | 1 January 2013  |
| Amendments to MFRS 101 : Presentation of Items of Other Comprehensive Income               | 1 July 2012   |
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities              | 1 January 2014  |
| IC Interpretation 20 : Stripping Costs in the Production Phase of a Surface Mine           | 1 January 2013  |

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

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**A2. Seasonality or Cyclical 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**

The Group has reassessed the estimated useful lives to reflect the future economic benefit of Group's property, plant and equipment and changed the depreciation policies in the current financial period. The major assets of the Group have been revised from 10 years to 5 years. The impact to the financial statements on the accelerated depreciation is RM0.974 million.

The Group has revalued its land and buildings and this represents a change in the measurement of the land and buildings from the cost model to revaluation model. Total gross upward revaluation is approximately RM4.894 million and the net upward revaluation is approximately RM4.149 million (net of deferred tax liability).

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

**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**

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 year-to-date.

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**A7. Segmental Reporting**

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

(a) Primary Reporting Format - Geographical Segment:-

|   | <u>INDIVIDUAL QUARTER</u>                        |   | <u>CUMULATIVE QUARTER</u>                                |  |
|---|--|---|--|--|
|   | Current Quarter<br>31 December<br>2012<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>31 December<br>2011<br>RM'000 | Current Year<br>To Date<br>31 December<br>2012<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>31 December<br>2011<br>RM'000 |
| <b>Revenue</b>                                |  |   |  |  |
| Malaysia                                      | 2,873  | 4,873   | 14,926   | 25,118   |
| People's Republic of China and Hong Kong      | -  | 906   | 1,177  | 4,195  |
| Others  | 878  | 914   | 3,497  | 4,125  |
| Total including inter-segment sales           | 3,751  | 6,693   | 19,600   | 33,438   |
| Eliminations of inter-segment sales           | (230)  | (1,068)   | (1,640)  | (3,322)  |
| <b>Total Revenue</b>                          | <b>3,521</b>                                     | <b>5,625</b>  | <b>17,960</b>  | <b>30,116</b>  |
| <b>Loss Before Tax</b>                        |  |   |  |  |
| Segment results                               |  |   |  |  |
| Malaysia                                      | (3,100)  | (3,092)   | (4,630)  | (2,690)  |
| People's Republic of China and Hong Kong      | -  | (869)   | 371  | (1,498)  |
| Others  | (118)  | (201)   | (569)  | (497)  |
| Finance costs                                 | (43)   | (98)  | (262)  | (409)  |
| Share of profit of an associate               | -  | (6)   | (1)  | 61   |
| Eliminations                                  | (50)   | 2,681   | 343  | 2,798  |
| <b>Total Loss Before Tax</b>                  | <b>(3,311)</b>                                   | <b>(1,585)</b>  | <b>(4,748)</b>   | <b>(2,235)</b>   |
| <b>At 31 December 2012</b>                    | <b>Malaysia<br/>RM'000</b>                       | <b>Others<br/>RM'000</b>  | <b>Eliminations<br/>RM'000</b>                           | <b>Consolidated<br/>RM'000</b>   |
| Segment assets                                | 24,417   | 1,269   | (9,982)  | 15,704   |
| Income tax assets                             | 173  | -   | -  | 173  |
| <b>Total assets</b>                           |  |   |  | <b>15,877</b>  |
| Segment liabilities                           | 5,298  | 1,398   | (3,981)  | 2,715  |
| Interest bearing - borrowings                 | 2,725  | 2   | -  | 2,727  |
| Income tax liabilities                        | 805  | -   | -  | 805  |
| <b>Total liabilities</b>                      |  |   |  | <b>6,247</b>   |
| Other segment information                     |  |   |  |  |
| Capital expenditure                           | 530  | -   | -  | 530  |
| Depreciation of property, plant and equipment | 1,995  | 53  | -  | 2,048  |

(b) Secondary Reporting Format - Business Segments:-

|   | <u>INDIVIDUAL QUARTER</u> |                       | <u>CUMULATIVE QUARTER</u> |                      |
|---|---------------------------|-----------------------|---------------------------|----------------------|
|   | Current Quarter           | Preceding Year        | Current Year              | Preceding Year       |
|   | 31 December               | Corresponding Quarter | To Date                   | Corresponding Period |
|   | 2012                      | 31 December 2011      | 31 December 2012          | 31 December 2011     |
|   | RM'000                    | RM'000                | RM'000                    | RM'000               |
| <b>Revenue</b>  |                           |                       |                           |                      |
| Investment Holdings                                   | 42                        | 564                   | 278                       | 1,080                |
| Coatings Manufacturing                                | 3,617                     | 4,954                 | 17,301                    | 24,102               |
| High Precision, Ferrous and Non-Ferrous Metal Trading | -                         | 1,155                 | 1,720                     | 7,993                |
| Others  | 92                        | 20                    | 301                       | 263                  |
| Eliminations  | (230)                     | (1,068)               | (1,640)                   | (3,322)              |
| <b>Total Revenue</b>                                  | <b>3,521</b>              | <b>5,625</b>          | <b>17,960</b>             | <b>30,116</b>        |
| <b>Loss Before tax</b>                                |                           |                       |                           |                      |
| Segment results                                       |                           |                       |                           |                      |
| Investment Holdings                                   | (988)                     | (1,015)               | (1,431)                   | (1,480)              |
| Coatings Manufacturing                                | (1,876)                   | (2,987)               | (2,333)                   | (3,128)              |
| High Precision, Ferrous and Non-Ferrous Metal Trading | (112)                     | (100)                 | (586)                     | 246                  |
| Others  | (242)                     | (60)                  | (478)                     | (323)                |
|   | (3,218)                   | (4,162)               | (4,828)                   | (4,685)              |
| Finance costs   | (43)                      | (98)                  | (262)                     | (409)                |
| Share of profit of an associate                       | -                         | (6)                   | (1)                       | 61                   |
| Eliminations  | (50)                      | 2,681                 | 343                       | 2,798                |
| <b>Total Loss Before Tax</b>                          | <b>(3,311)</b>            | <b>(1,585)</b>        | <b>(4,748)</b>            | <b>(2,235)</b>       |

**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 year-to-date.



**SERSOL TECHNOLOGIES BERHAD**

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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 Year-to-date Ended 31 December 2012**

For the current quarter under review, our Group's revenue is RM3.521 million, showing a decrease of revenue by RM2.104 million, representing a decrease of approximately 37.40% as compared to the corresponding financial quarter ended 31 December 2011. Our Group recorded a loss after taxation of RM2.923 million for the current quarter ended 31 December 2012 as compared to the loss after taxation of RM1.556 million for the corresponding quarter ended 31 December 2011.

For the current financial year-to-date under review, our Group's revenue is RM17.960 million, showing a decrease of revenue by RM12.156 million, representing a decrease of approximately 40.36% as compared to the corresponding financial year ended 31 December 2011. Our Group recorded a loss after taxation of RM4.375 million for the current financial year-to-date ended 31 December 2012 as compared to the loss after taxation of RM2.398 million for the corresponding year-to-date ended 31 December 2011. The increase in losses for current quarter is mainly due to additional depreciation expenses as a result of change in depreciation policies as highlighted in Note A3. The increase in losses for financial year-to-date is mainly due to decrease in revenue in business operation, additional depreciation expenses and written off property, plant and equipment of RM0.610 million which no future economic benefits are expected from the usage.

**B2. Variation of Results For the Current Quarter Ended 31 December 2012 against Immediate Preceding Quarter**

During the current quarter ended 31 December 2012, our Group's revenue is RM3.521 million, showing a decrease of revenue of RM0.397 million, representing a decrease of approximately 10.13% as compared to the revenue of RM3.918 million in the preceding quarter ended 30 September 2012. Our Group recorded a loss after taxation of RM2.923 million in the current quarter ended 31 December 2012, as compared to a loss after taxation of RM0.629 million in the previous quarter ended 30 September 2012. The losses in current quarter is mainly due to the accelerated depreciation and written off property, plant and equipment as mentioned above.

**B3. Prospects for 2013**

Currently, the Group is mainly involved in the manufacturing and trading of plastic paints and coatings and architectural paints and coatings. However, the plastic paints and coatings segment of the Group, which is the main contributor to the Group's revenue, has not been profitable for the past financial years due to decrease in the demand of plastic paints and coatings since the FYE 31 December 2009. As such, the Board intends to widen the Group's product range to include marine paints and coatings for the oil and gas industry and to expand its existing architectural paints and coatings for the property development industry in Malaysia to address the current financial performance of the Group.

**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      |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | 31 December<br>2012<br>RM'000 | 31 December<br>2011<br>RM'000 | 31 December<br>2012<br>RM'000 | 31 December<br>2011<br>RM'000 |
| In respect of the current period:-            |                               |                               |                               |                               |
| Taxation                                      | (46)                          | (26)                          | -                             | 216                           |
| Deferred taxation                             | (493)                         | (14)                          | (524)                         | (64)                          |
|   | <u>(539)</u>                  | <u>(40)</u>                   | <u>(524)</u>                  | <u>152</u>                    |
| Under provision in previous financial years:- |                               |                               |                               |                               |
| Taxation                                      | 56                            |                               | 56                            | -                             |
| Deferred taxation                             | 95                            | 11                            | 95                            | 11                            |
|   | <u>151</u>                    | <u>11</u>                     | <u>151</u>                    | <u>11</u>                     |
|   | <u><b>(388)</b></u>           | <u><b>(29)</b></u>            | <u><b>(373)</b></u>           | <u><b>163</b></u>             |

The effective tax rate for previous year is higher due to certain expenses are not deductible for tax purpose.

**B6. Status of Corporate Proposal Announced****(A) Proposals (as defined herein)**

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 which are intended to facilitate the Proposed Increase in Authorised Share Capital ("Proposed Amendment I").

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The Controller of Foreign Exchange (via Bank Negara Malaysia) had vide its letter dated 22 November 2012, approved the issuance of Warrants to the non-resident shareholders of SerSol pursuant to the Proposed Rights Issue of Shares with Warrants.

Bursa Malaysia Securities Berhad had vide its letter dated 26 November 2012 approved the following:

- (i) Listing of up to 96,351,000 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;
- (ii) Admission to the Official List and listing and quotation of up to 96,351,000 Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;
- (iii) Listing of up to 96,351,000 new SerSol Shares to be issued pursuant to the exercise of the Warrants; and
- (iv) Listing of such number of additional new SerSol Shares, representing up to thirty percent (30%) of the issued and paid-up share capital of SerSol (excluding treasury shares), to be issued pursuant to exercise of options under Proposed SIS.

On 9 January 2013, SerSol announced that the Company proposes to undertake the following:

- (i) proposed change of company's name from SerSol Technologies Berhad to SerSol Berhad ("Proposed Change of Name"); and
- (ii) proposed amendments Memorandum and Articles of Association of SerSol to align with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, prevailing laws, guidelines or requirements of the relevant authorities as well as to enhance clarity and administrative efficiency of the Company ("Proposed Amendment II").

(The Proposed Rights Issue of Shares with Warrants, Proposed SIS, Proposed Increase in Authorised Share Capital, Proposed Change of Name, Proposed Amendment I and Proposed Amendment II are collectively referred to as "Proposals")

On 21 January 2013, a notice of the Extraordinary General Meeting ("EGM") was despatched to the shareholders of SerSol for the EGM to be held on 23 February 2013 to approve the Proposals.

All the resolutions set out in the Notice of EGM were duly passed by the shareholders of SerSol at the EGM held on 23 February 2013.

### **(B) Strike-Off of Multi Square (S) Pte Ltd**

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.

### **(C) Disposal of PT Multi Square**

On 19 December 2012, the Company announced that the Company had entered into a Share Sale Agreement to dispose its entire holdings in its 60% owned subsidiary, PT Multi Square. The completion of the Disposal is expected to be within six (6) months from the date of the Sale Share Agreement.

Save as disclosed above, there were no other corporate proposals as at 18 February 2013 (being the latest practicable date not earlier than seven (7) days from the date of issuance of this report) which were pending for completion.

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**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<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000 |
|------------------------------|-------------------|---------------------|-----------------|
| <b>Short Term Borrowings</b> |                   |                     |                 |
| Term Loans                   | 141               | -                   | 141             |
| Trade Financing              | 1,422             | -                   | 1,422           |
| Finance Lease Payables       | 115               | -                   | 115             |
| Bank Overdraft               | 693               | -                   | 693             |
|                              | <b>2,371</b>      | -                   | <b>2,371</b>    |
| <b>Long Term Borrowings</b>  |                   |                     |                 |
| Term Loans                   | 145               | -                   | 145             |
| Finance Lease Payables       | 211               | -                   | 211             |
|                              | <b>356</b>        | -                   | <b>356</b>      |
| <b>Total</b>                 | <b>2,727</b>      | -                   | <b>2,727</b>    |

**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 |                     |
|---|-----------------------|---------------------|--------------------------|---------------------|
|   | 31 December<br>2012   | 31 December<br>2011 | 31 December<br>2012      | 31 December<br>2011 |
| Net Loss attributed to owners of the parent for the period (RM'000) | (2,848)               | (1,085)             | (4,424)                  | (1,554)             |
| Weighted Average Number of shares in issue ('000)                   | 96,351                | 94,931              | 96,233                   | 94,931              |
| Basic loss per share (sen)  | (2.96)                | (1.14)              | (4.60)                   | (1.64)              |

**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.

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**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<br>31.12.2012 | As at<br>31.12.2011 |
|------------|---------------------|---------------------|
|            | RM'000              | RM'000              |
| Realised   | (8,121)             | (3,124)             |
| Unrealised | 421                 | (156)               |
|            | <u>(7,700)</u>      | <u>(3,280)</u>      |

**B13. Loss Before Tax**

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

|   | Current Quarter ended |                     | Cumulative quarter ended |                     |
|---|-----------------------|---------------------|--------------------------|---------------------|
|   | 31 December<br>2012   | 31 December<br>2011 | 31 December<br>2012      | 31 December<br>2011 |
|   | RM'000                | RM'000              | RM'000                   | RM'000              |
| Allowance for impairment on receivables                     | (165)                 | (50)                | (165)                    | (50)                |
| Bad debts recovered   | -                     | -                   | 3                        | 9                   |
| Depreciation expense and amortization                       | (1,317)               | (296)               | (2,048)                  | (1,210)             |
| Dividend Income   | 1                     | 1                   | 6                        | 8                   |
| Gain or (loss) on disposal of property, plant and equipment | 54                    | (5)                 | (13)                     | 69                  |
| Gain or (loss) on foreign exchange – Realised               | 6                     | (112)               | (33)                     | (181)               |
| Gain or (loss) on foreign exchange – Unrealised             | 12                    | 78                  | (8)                      | 98                  |
| Gain or (loss) on disposal of quoted investment             | -                     | (27)                | (88)                     | (28)                |
| Gain on disposal of subsidiary                              | (312)                 | -                   | 258                      | -                   |
| Gain or (loss) on derivatives                               | -                     | -                   | -                        | -                   |
| Interest expense  | (36)                  | (91)                | (217)                    | (336)               |
| Interest income   | 1                     | -                   | 2                        | 1                   |
| Inventories written off                                     | -                     | -                   | (17)                     | -                   |
| Loss on disposal of associate                               | -                     | -                   | (77)                     | -                   |
| Property, plant and equipment written off                   | (610)                 | -                   | (610)                    | -                   |