

SERSOL BERHAD (Formerly known as SERSOL TECHNOLOGIES BERHAD)Company No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2013**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 September 2013	Preceding Year Corresponding Quarter 30 September 2012	Current Year To Date 30 September 2013	Preceding Year Corresponding Period 30 September 2012
	RM'000	RM'000	RM'000	RM'000
Revenue	4,848	3,918	12,929	14,439
Other operating income	141	(78)	301	161
Operating expenses	(4,993)	(4,400)	(14,290)	(15,818)
Loss from operations	(4)	(560)	(1,060)	(1,218)
Finance costs	(54)	(70)	(166)	(218)
Share of Profit of an associate	-	-	-	(1)
Loss before tax	(58)	(630)	(1,226)	(1,437)
Income tax expense	5	1	23	(15)
Loss for the period	(53)	(629)	(1,203)	(1,452)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(3)	(18)	(7)	128
Total comprehensive income for the period	(56)	(647)	(1,210)	(1,324)
Loss attributable to:				
Owners of the parent	(51)	(634)	(1,205)	(1,576)
Non-controlling interests	(2)	5	2	124
Loss for the period	(53)	(629)	(1,203)	(1,452)
Total comprehensive income attributable to:				
Owners of the parent	(53)	(646)	(1,211)	(1,664)
Non-controlling interests	(3)	(1)	1	340
Total comprehensive income for the period	(56)	(647)	(1,210)	(1,324)
Loss per share (sen)				
Basic (note B11)	(0.03)	(0.66)	(0.75)	(1.64)
Diluted (note B11)	(0.03)	(0.66)	(0.75)	(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 2012 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHAD (Formerly known as SERSOL TECHNOLOGIES BERHAD)Company No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013**

	Unaudited As At 30 September 2013 RM'000	Audited As At 31 December 2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,848	9,067
	<u>8,848</u>	<u>9,067</u>
Current assets		
Inventories	3,043	2,206
Trade receivables	4,539	3,136
Other receivables, deposits and prepayments	221	309
Tax recoverable	218	173
Marketable securities	-	125
Fixed deposits	-	191
Cash and bank balances	9,575	670
	<u>17,596</u>	<u>6,810</u>
TOTAL ASSETS	<u>26,444</u>	<u>15,877</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	19,270	9,635
Share premium	3,751	3,751
Exchange translation reserve	(146)	(166)
Warrants reserve	7,708	-
Other reserve	(7,708)	-
Accumulated loss	(8,889)	(7,700)
Revaluation reserve	4,103	4,145
Equity attributable to owners of the parent	<u>18,089</u>	<u>9,665</u>
Non-controlling interests	(34)	(35)
TOTAL EQUITY	<u>18,055</u>	<u>9,630</u>
Non-current liabilities		
Hire purchases payables	221	211
Bank borrowings	-	145
Deferred tax liabilities	791	805
	<u>1,012</u>	<u>1,161</u>
Current liabilities		
Trade payables	2,657	2,089
Other payables and accruals	518	626
Hire purchases payables	176	115
Bank borrowings	750	1,563
Bank overdraft	3,276	693
	<u>7,377</u>	<u>5,086</u>
TOTAL LIABILITIES	<u>8,389</u>	<u>6,247</u>
TOTAL EQUITY AND LIABILITIES	<u>26,444</u>	<u>15,877</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 financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHAD (Formerly known as SERSOL TECHNOLOGIES BERHAD)Company No. 602062-X
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2013**

(The figures have not been audited)

	Current Year To Date 30 September 2013	Preceding Year Corresponding Period 30 September 2012
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,226)	(1,437)
Adjustments for:-		
Non-cash items	389	885
Non-operating items	75	(226)
	<u>(762)</u>	<u>(778)</u>
Operating (loss) / profit before changes in working capital	(762)	(778)
Net changes in current assets	(2,126)	3,854
Net changes in current liabilities	460	(59)
	<u>(2,428)</u>	<u>3,017</u>
CASH FROM OPERATIONS	(2,428)	3,017
Interest paid	(140)	(181)
Tax paid	(36)	(170)
	<u>(2,604)</u>	<u>2,666</u>
NET CASH FROM OPERATING ACTIVITIES	(2,604)	2,666
NET CASH FOR INVESTING ACTIVITIES		
Dividend received	-	1
Interest received	64	1
Proceed from disposal of quoted investment	126	58
Proceed from disposal of plant and equipment	92	367
Proceed from disposal of an associate	-	180
Net cash outflow from disposal of investment in subsidiary	-	340
Purchase of quoted investment	-	-
Purchase of plant and equipment	(105)	(464)
	<u>177</u>	<u>483</u>
NET CASH FOR INVESTING ACTIVITIES	177	483
CASH FLOWS FOR FINANCING ACTIVITIES		
Net (repayment) / drawdown of other short-term bank borrowings	(672)	(1,902)
Proceed from issuance of share capital	9,635	355
Repayments of hire purchases payables	(110)	(394)
Repayments of term loans	(286)	(97)
	<u>8,567</u>	<u>(2,038)</u>
NET CASH FOR FINANCING ACTIVITIES	8,567	(2,038)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6,140	1,111
Effect of changes in exchange rates	(9)	(182)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	168	(226)
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	6,299	703
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Fixed deposits	-	163
Cash and bank balances	9,575	1,398
Bank overdraft	(3,276)	(858)
	<u>6,299</u>	<u>703</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 2012 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHAD (Formerly known as SERSOL TECHNOLOGIES BERHAD)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2013**

(The figures have not been audited)

	← Non - distributable		Attributable to Owners of the Parent				Distributable	Total	Non-controlling Interests	Total Equity
	Share capital RM'000	Share premium RM'000	Exchange Translation reserve RM'000	Revaluation reserve RM'000	Warrants reserve RM'000	Other reserve RM'000				
As at 1 January 2013	9,635	3,751	(166)	4,145	-	-	(7,700)	9,665	(35)	9,630
Issuance of Shares	9,635	-	-	-	-	-	-	9,635	-	9,635
Issuance of warrants	-	-	-	-	7,708	(7,708)	-	-	-	-
Total comprehensive income for the period	-	-	(6)	-	-	-	(1,205)	(1,211)	1	(1,210)
Translation reserve	-	-	26	-	-	-	(26)	-	-	-
Realisation of revaluation reserve	-	-	-	(42)	-	-	42	-	-	-
As at 30 September 2013	19,270	3,751	(146)	4,103	7,708	(7,708)	(8,889)	18,089	(34)	18,055
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	9,635	3,751	(145)	-	-	-	(4,856)	8,385	51	8,436

(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 2012 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHAD (FORMERLY KNOWN AS 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 third quarter ended 30 September 2013 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 2012. 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 2012.

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:

MFRSs, Amendments to MFRSs and IC Interpretation effective for annual periods beginning on or after 1 January 2014

1. Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
2. Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
3. Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
4. Amendments to MFRS 132, Financial Instruments : Presentation – Offsetting Financial Assets and Financial Liabilities

MFRSs, Amendments to MFRSs and IC Interpretation effective for annual periods beginning on or after 1 January 2015

1. MFRS 9 Financial Instruments (2009)
2. MFRS 9 Financial Instruments (2010)
3. Amendments to MFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosure.

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

A2. Seasonality or Cyclicity 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

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 period-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 period-to-date.

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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:-

	Current Quarter 30 September 2013 RM'000	Preceding Year Corresponding Quarter 30 September 2012 RM'000	Current Year To Date 30 September 2013 RM'000	Preceding Year Corresponding Period 30 September 2012 RM'000
Revenue				
Malaysia	4,561	3,660	12,564	12,053
Thailand	1,189	710	2,872	1,849
People's Republic of China and Hong Kong	-	-	-	1,177
Others	-	43	-	770
Total including inter-segment sales	5,750	4,413	15,436	15,849
Eliminations of inter-segment sales	(902)	(495)	(2,507)	(1,410)
Total Revenue	4,848	3,918	12,929	14,439

Loss Before Tax

Segment results				
Malaysia	973	(552)	(156)	(1,529)
Thailand	141	(22)	261	(149)
People's Republic of China and Hong Kong	-	-	-	371
Others	(6)	(167)	5	(302)
	1,108	(741)	110	(1,609)
Finance costs	(54)	(70)	(166)	(218)
Share of profit of an associate	-	-	-	(1)
Eliminations	(1,112)	181	(1,170)	391
Total Loss Before Tax	(58)	(630)	(1,226)	(1,437)

At 30 September 2013

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	38,592	1,647	19	(14,032)	26,226
Income tax assets	218	-	-	-	218
Total assets					26,444
Segment liabilities	6,341	1,445	-	(4,612)	3,174
Interest bearing - borrowings	4,326	97	-	-	4,423
Income tax liabilities	791	-	-	-	791
Total liabilities					8,388
Other segment information					
Capital expenditure	150	136	-	-	286
Depreciation of property, plant and equipment	481	26	-	-	507

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(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	Quarter	To Date	Period
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	180	61	380	236
Coatings Manufacturing	5,129	4,201	13,921	13,684
High Precision, Ferrous and Non-Ferrous Metal Trading	-	61	-	1,720
Others	441	90	1,135	209
Eliminations	(902)	(495)	(2,507)	(1,410)
Total Revenue	4,848	3,918	12,929	14,439
Loss Before tax				
Segment results				
Investment Holdings	(201)	(113)	(932)	(442)
Coatings Manufacturing	1,495	(420)	1,504	(457)
High Precision, Ferrous and Non-Ferrous Metal Trading	-	(158)	-	(474)
Others	(186)	(50)	(462)	(236)
	1,108	(741)	110	(1,609)
Finance costs	(54)	(70)	(166)	(218)
Share of profit of an associate	-	-	-	(1)
Eliminations	(1,112)	181	(1,170)	391
Total Loss Before Tax	(58)	(630)	(1,226)	(1,437)

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

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 disposal is pending the approval from the Indonesia Investment Coordinating Board.

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 2013

For the current quarter under review, our Group's revenue is RM4.848 million, showing an increase of revenue by RM930,000, representing an increase of approximately 23.74% as compared to the corresponding financial quarter ended 30 September 2012. Our Group recorded a loss after taxation of RM53,000 for the current quarter ended 30 September 2013 as compared to the loss after taxation of RM629,000 for the corresponding quarter ended 30 September 2012. The increase in revenue is mainly due to increase of revenue in Thailand's subsidiary and architectural paints section. The decrease in losses for current quarter as compared to the corresponding financial quarter is mainly due to improved performance in Thailand and Malaysia Coatings manufacturing subsidiaries.

For the current financial period-to-date under review, our Group's revenue is RM12.929 million, showing a decrease of revenue by RM1.510 million, representing a decrease of approximately 10.46% as compared to the corresponding financial period ended 30 September 2012. Our Group recorded a loss after taxation of RM1.203 million for the current financial period-to-date ended 30 September 2013 as compared to the loss after taxation of RM1.452 million for the corresponding period-to-date ended 30 September 2012. The decrease of revenue for current financial period-to-date is mainly due to cessation of metal trading division of the Malaysia subsidiary and the disposal of the China subsidiary during the quarter 3, 2012. The China subsidiary was then the second largest revenue contributor. Comparing the revenue for the current financial period-to-date to that of the corresponding period ended 30 September 2012, the revenue of the Malaysian subsidiary maintained and the revenue of the Thailand subsidiary increased by 55.32%. Thus, the improved performance of the Thailand subsidiary resulted in a decrease in losses for the current financial period-to-date.

B2. Variation of Results For the Current Quarter Ended 30 September 2013 against Immediate Preceding Quarter

During the current quarter ended 30 September 2013, our Group's revenue is RM4.848 million, showing an increase of revenue of RM692,000, representing an increase of approximately 16.65% as compared to the revenue of RM4.156 million in the preceding quarter ended 30 June 2013. Our Group recorded a loss after taxation of RM53,000 in the current quarter ended 30 September 2013, as compared to a loss after taxation of RM703,000 in the preceding quarter ended 30 June 2013. The decrease in losses in current quarter is mainly due to improved performance in Thailand and Malaysia Coatings manufacturing subsidiaries as mentioned in B1.

B3. Prospects for 2013

Our Group will continue to maintain the current plastic coatings turnover and projected a slight increase in turnover in second half 2013, as our Group will expand its business from current electrical & electronic to industrial coatings where industrial coatings are the main contributor to our Group turnover in future. In addition, our architectural coatings turnover will continue to increase by adopting several brand name promotion programmes to private and government sectors. Due to the current uncertainty in the global economic situation, our Group may take necessary prudent actions to seek new business opportunities to improve our Group profitability.

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 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	-	(9)	46
Deferred taxation	(5)	(1)	(14)	(31)
	<u>(5)</u>	<u>(1)</u>	<u>(23)</u>	<u>15</u>

No provision for taxation for current quarter as most of the subsidiaries have recorded losses and there are available unutilized tax losses for profit making subsidiaries.

B6. Status of Corporate Proposal Announced

(A) Corporate Proposal

There were no corporate proposals announced but not completed as at the date of issue of this report.

(B) Status of Utilisation of Proceeds

(i) Proceeds from Right Issues of Share with Warrants

	Purpose	Proposed Utilisation	Actual Utilisation
		RM'000	RM'000
i)	Research & development	900	-
ii)	Purchase of plant and machinery	500	-
iii)	Repayment of bank borrowings	2,500	600
iv)	Working capital	5,235	1,750
v)	Defray estimated expenses	500	500
	Total	9,635	2,850

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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 RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings			
Trade Financing	750	-	750
Hire Purchase Payables	176	-	176
Bank Overdraft	3,276	-	3,276
	<u>4,202</u>	<u>-</u>	<u>4,202</u>
Long Term Borrowings			
Hire Purchase Payables	221	-	221
Total	<u>4,423</u>	<u>-</u>	<u>4,423</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. Memorandum of Understanding (MOU)

The Board of Directors of SerSol had entered into MOU with Persatuan Kontraktor Melayu Malaysia(PKMM) on 4 September 2013 to establish a strategic synergy in that Sersol will supply the products, especially architectural and/ or decorative paint coatings under the brand name of Paint Products Cat1Malaysia (C1M) to PKMM and all their registered members.

The MOU is effective from the date of signing until 31 December 2014 unless extended in writing by the mutual consent of the Company and PKMM.

There were no new developments as at the date of issue of this report.

B11. Loss Per Share

Basic loss per share

	Current quarter ended		Cumulative quarter ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Net Loss attributed to owners of the parent for the period (RM'000)	(51)	(634)	(1,205)	(1,576)
Weighted Average Number of shares in issue ('000)	192,702	96,351	160,585	96,193
Basic loss per share (sen)	(0.03)	(0.66)	(0.75)	(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.

B12. Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 was not qualified.

B13. Realised and unrealized losses disclosure

The accumulated losses may be analysed as follows:

	As at 30.09.2013	As at 31.12.2012
	RM'000	RM'000
Realised	(7,020)	(7,608)
Unrealised	40	413
	<hr/>	<hr/>
	(6,980)	(7,195)
Less : Consolidation adjustments	(1,909)	(505)
Total	<hr/>	<hr/>
	(8,889)	(7,700)

SERSOL BERHAD (FORMERLY KNOWN AS SERSOL TECHNOLOGIES BERHAD)Company No. 602062-X
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The following items have been included in arriving at loss before tax:

	Current quarter ended		Cumulative quarter ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Allowance for and write off of receivables	(1)	-	(1)	-
Allowance for and write off of inventories	(1)	(17)	(4)	(17)
Bad debts recovered	1	-	7	3
Depreciation and amortization	(172)	(202)	(507)	(731)
Dividend Income	-	2	-	5
Gain or (loss) on derivatives	-	-	-	-
Gain or (loss) on disposal of quoted or unquoted investments	-	(88)	-	(88)
Gain or (loss) on disposal of property, plant and equipment	31	(109)	92	(67)
Gain or (loss) on foreign exchange – Realised	(1)	(5)	10	(39)
Gain or (loss) on foreign exchange – Unrealised	40	(49)	26	(20)
Gain on disposal of subsidiary	-	-	-	570
Impairment of assets	-	-	-	-
Interest expense	(45)	(59)	(140)	(181)
Interest income	50	-	64	1
Loss on disposal of associate	-	-	-	(77)