

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED
30 June 2014**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 June 2014	Preceding Year Corresponding Quarter 30 June 2013	Current Year To Date 30 June 2014	Preceding Year Corresponding Period 30 June 2013
	RM'000	RM'000	RM'000	RM'000
Revenue	4,082	4,156	8,004	8,081
Other operating income/ (loss)	(8)	84	50	160
Operating expenses	(4,911)	(4,897)	(9,365)	(9,297)
Loss from operations	(837)	(657)	(1,311)	(1,056)
Finance costs	(34)	(59)	(62)	(112)
Share of Profit of an associate	-	-	-	-
Loss before tax	(871)	(716)	(1,373)	(1,168)
Income tax expense	4	13	9	18
Loss for the period	(867)	(703)	(1,364)	(1,150)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	124	2	125	(4)
Total comprehensive income for the period	(743)	(701)	(1,239)	(1,154)
Loss attributable to:				
Owners of the parent	(867)	(716)	(1,362)	(1,154)
Non-controlling interests	-	13	(2)	4
Loss for the period	(867)	(703)	(1,364)	(1,150)
Total comprehensive income attributable to:				
Owners of the parent	(783)	(715)	(1,277)	(1,158)
Non-controlling interests	36	14	38	4
Total comprehensive income for the period	(743)	(701)	(1,239)	(1,154)
Loss per share (sen)				
Basic (note B11)	(0.45)	(0.37)	(0.71)	(0.80)
Diluted (note B11)	(0.45)	(0.37)	(0.71)	(0.80)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Unaudited As At 30 June 2014	Audited As At 31 December 2013
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,493	8,668
	<u>8,493</u>	<u>8,668</u>
Current assets		
Inventories	2,789	3,345
Trade receivables	4,694	4,488
Other receivables, deposits and prepayments	220	276
Tax recoverable	98	199
Marketable securities	-	-
Fixed deposits	-	-
Cash and bank balances	6,281	8,807
	<u>14,082</u>	<u>17,115</u>
Current assets classified as held for sale	-	10
TOTAL ASSETS	<u>22,575</u>	<u>25,793</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	19,290	19,290
Share premium	3,767	3,767
Exchange translation reserve	(61)	(146)
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(10,674)	(9,340)
Revaluation reserve	3,966	3,994
Equity attributable to owners of the parent	<u>16,288</u>	<u>17,565</u>
Non-controlling interest	-	(38)
TOTAL EQUITY	<u>16,288</u>	<u>17,527</u>
Non-current liabilities		
Hire purchases payables	68	116
Bank borrowings	-	-
Deferred tax liabilities	789	798
	<u>857</u>	<u>914</u>
Current liabilities		
Trade payables	2,773	2,765
Other payables and accruals	591	808
Hire purchases payables	96	94
Bank borrowings	-	692
Bank overdraft	1,970	2,993
	<u>5,430</u>	<u>7,352</u>
TOTAL LIABILITIES	<u>6,287</u>	<u>8,266</u>
TOTAL EQUITY AND LIABILITIES	<u>22,575</u>	<u>25,793</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.08	0.09

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED
30 June 2014**

(The figures have not been audited)

	Current Year To Date 30 June 2014	Preceding Year Corresponding Period 30 June 2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,373)	(1,168)
Adjustments for:-		
Non-cash items	552	338
Non-operating items	<u>(30)</u>	<u>26</u>
Operating loss before changes in working capital	(851)	(804)
Net changes in current assets	(44)	(1,828)
Net changes in current liabilities	<u>(207)</u>	<u>1,284</u>
CASH (USED IN)/ FROM OPERATIONS	(1,102)	(1,348)
Income tax refunded	116	-
Interest paid	(47)	(95)
Tax paid	<u>(15)</u>	<u>(36)</u>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	<u>(1,048)</u>	<u>(1,479)</u>
NET CASH FOR INVESTING ACTIVITIES		
Dividend received	-	-
Interest received	30	14
Proceed from disposal of quoted investment	-	126
Proceed from disposal of plant and equipment	12	61
Proceed from disposal of an associate	-	-
Net cash outflow from disposal of investment in subsidiary	(9)	-
Purchase of quoted investment	-	-
Purchase of plant and equipment	<u>(25)</u>	<u>(106)</u>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	<u>8</u>	<u>95</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Net repayment of other short-term bank borrowings	(692)	(249)
Increase in fixed deposit pledged	-	-
Proceed from issuance of share	-	9,635
Repayments of hire purchases payables	(47)	(69)
Repayments of term loans	<u>-</u>	<u>(68)</u>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	<u>(739)</u>	<u>9,249</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,779)	7,865
Effect of changes in exchange rates	262	(3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>5,828</u>	<u>168</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	<u>4,311</u>	<u>8,030</u>
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Fixed deposits	-	-
Cash and bank balances	6,281	9,100
Bank overdraft	<u>(1,970)</u>	<u>(1,070)</u>
	<u>4,311</u>	<u>8,030</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 2013 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHAD
Company No. 602062-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED
30 June 2014

(The figures have not been audited)

	Non - distributable		Attributable to Owners of the Parent					Non-controlling Interest	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	Accumulated losses RM'000			Total RM'000
As at 1 January 2014	19,290	3,767	(146)	3,994	7,692	(7,692)	(9,340)	17,565	(38)	17,527
Issuance of Shares	-	-	-	-	-	-	-	-	-	-
Issuance of warrants	-	-	-	-	-	-	-	-	-	-
Conversion of warrants	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	85	-	-	-	(1,362)	(1,277)	38	(1,239)
Realisation of revaluation reserve	-	-	-	(28)	-	-	28	-	-	-
As at 30 June 2014	19,290	3,767	(61)	3,966	7,692	(7,692)	(10,674)	16,288	-	16,288
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	-	-	(4)	-	-	-	(1,154)	(1,158)	4	(1,154)
Translation reserve	-	-	26	-	-	-	(26)	-	-	-
Realisation of revaluation reserve	-	-	-	(28)	-	-	28	-	-	-
As at 30 June 2013	19,270	3,751	(144)	4,117	7,708	(7,708)	(8,852)	18,142	(31)	18,111

(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 2013 and the accompanying explanatory notes attached to the interim financial statements.)

A. EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the second quarter ended 30 June 2014 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 2013. 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 30 June 2014.

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
5. Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets
6. Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
7. Amendments to MFRS 2, Share-based payment: Annual Improvements to MFRSs 2010-2012 Cycle
8. Amendments to MFRS 3, Business Combinations: Annual Improvements to MFRSs 2010-2012 Cycle and Annual Improvements to MFRSs 2011-2013 Cycle
9. Amendments to MFRS 8, Operating Segments: Annual Improvements to MFRSs 2010-2012 Cycle
10. Amendments to MFRS 116, Property, Plant and Equipment: Annual Improvements to MFRSs 2010-2012 Cycle
11. Amendments to MFRS 124, Related Party Disclosures: Annual Improvements to MFRSs 2010-2012 Cycle
12. Amendments to MFRS 138, Intangible Assets: Annual Improvements to MFRSs 2010-2012 Cycle
13. Amendments to MFRS 13, Fair Value Measurement: Annual Improvements to MFRSs 2011-2013 Cycle
14. Amendments to MFRS 140, Investment Property: Annual Improvements to MFRSs 2011-2013 Cycle
15. Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions

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.
4. MFRS 9 Financial Instruments: Hedge Accounting
5. Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

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

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.

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

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

	Ordinary share of RM0.10 each No of shares '000	RM'000
Share capital-issued and fully paid up as at 01.01.2014	192,902	19,290
Arising from exercise of Warrants	-	-
Share capital as at 30.06.2014	<u>192,902</u>	<u>19,290</u>

The Company has offered a total of 34,000,000 options of Exercise price RM0.29 each to employees under its SIS at 24 July 2014. The market price of shares on the date of the offer is RM0.32 each.

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:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Revenue				
Malaysia	4,508	4,362	8,649	8,004
Thailand	722	779	1,515	1,682
People's Republic of China and Hong Kong	-	-	-	-
Others	-	-	-	-
Total including inter-segment sales	5,230	5,141	10,164	9,686
Eliminations of inter-segment sales	(1,148)	(985)	(2,160)	(1,605)
Total Revenue	4,082	4,156	8,004	8,081

Loss Before Tax

Segment results				
Malaysia	(760)	(670)	(1,237)	(1,129)
Thailand	41	30	57	120
People's Republic of China and Hong Kong	-	-	-	-
Others	-	36	(5)	11
	(719)	(604)	(1,185)	(998)
Finance costs	(34)	(59)	(62)	(112)
Share of profit of an associate	-	-	-	-
Eliminations	(118)	(53)	(126)	(58)
Total Loss Before Tax	(871)	(716)	(1,373)	(1,168)

At 30 June 2014	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	37,154	1,152	-	(15,829)	22,477
Income tax assets	98	-	-	-	98
Total assets					22,575
Segment liabilities	8,766	1,003	-	(6,405)	3,364
Interest bearing - borrowings	2,066	68	-	-	2,134
Income tax liabilities	789	-	-	-	789
Total liabilities					6,287
Other segment information					
Capital expenditure	23	2	-	-	25
Depreciation of property, plant and equipment	178	21	-	-	199

(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 June	Quarter	To Date	Period
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	324	140	658	200
Coatings Manufacturing	4,171	4,517	8,385	8,792
Others	735	484	1,121	694
Eliminations	(1,148)	(985)	(2,160)	(1,605)
Total Revenue	4,082	4,156	8,004	8,081
Loss Before tax				
Segment results				
Investment Holdings	(60)	(324)	(269)	(731)
Coatings Manufacturing	(462)	(118)	(631)	9
High Precision, Ferrous and Non-Ferrous Metal Trading	-	-	-	-
Others	(197)	(163)	(285)	(276)
	(719)	(605)	(1,185)	(998)
Finance costs	(34)	(59)	(62)	(112)
Share of profit of an associate	-	-	-	-
Eliminations	(118)	(52)	(126)	(58)
Total Loss Before Tax	(871)	(716)	(1,373)	(1,168)

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

(A) Disposal of PT Multi Square (“PTMS”)

The disposal of 240,000 shares of US Dollar One (USD1.00) each, representing its entire holding of 60% of the issued and paid-up share capital of PTMS to Tuanku Muhammad Zamadilla Narukaya for a total consideration of Ringgit Malaysia One (RM1.00) (the “Disposal”) had been completed on 31 March 2014.

The notification from Notaris Kota Banda Aceh, namely Sabaruddin Salam, SH on the completion of the Disposal was received by the Company on 2 May 2014.

The Company had disposed of its Indonesian subsidiary on 31 March 2014 resulting in a loss of RM130,720 upon Disposal.

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 June 2014

For the current quarter under review, our Group revenue is RM4.082 million, showing a decrease of revenue by RM74,000, representing a decline of approximately 1.78% as compared to the corresponding financial quarter ended 30 June 2013. Our Group recorded a loss after taxation of RM867,000 for the current quarter ended 30 June 2014 as compared to the loss after taxation of RM703,000 for the corresponding quarter ended 30 June 2013.

For the current financial period-to-date under review, our Group revenue is RM8.004 million, showing a decrease of revenue by RM77,000, representing a decline of approximately 0.95% as compared to the corresponding financial period-to-date ended 30 June 2013. Our Group recorded a loss after taxation of RM1.364 million for the current financial period-to-date ended 30 June 2014 as compared to the loss after taxation of RM1.150 million for the corresponding period-to-date ended 30 June 2013. The increase in losses for current quarter and financial period-to-date is mainly due to the provision for doubtful debts which is approximately amounting to RM0.429 million. In addition, we also incurred a loss of RM130,720 on the disposal of Indonesian subsidiary.

B2. Variation of Results For the Current Quarter Ended 30 June 2014 against Immediate Preceding Quarter

During the current quarter ended 30 June 2014, our Group revenue is RM4.082 million, showing an increase of revenue of RM160,000, representing an increase of approximately 4.08% as compared to the revenue of RM3.922 million in the preceding quarter ended 31 March 2014. Our Group recorded a loss after taxation of RM867,000 in the current quarter ended 30 June 2014, as compared to a loss after taxation of RM497,000 in the previous quarter ended 31 March 2014. The increase in losses for the current quarter is mainly due to the provision for doubtful debts of RM429,000.

B3. Prospects for 2014

Despite a tough second half 2014, our Group will strive to improve upon the current mix of architectural, electrical & electronic and plastic coatings turnover. We are cautiously hopeful by the second half of 2014 our Group's revenue may start to grow steadily. We are constantly looking for opportunity in both the upstream and downstream segment in the coating industry.

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 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	9	-	9
Deferred taxation	4	4	9	9
	4	13	9	18

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

B6. Status of Corporate Proposal Announced

(A) Corporate Proposal

(i) Share Issuance Scheme ("SIS")

On 24 July 2014, the Company had offered an option of 34,000,000 new ordinary shares of RM0.10 each at an option price of RM0.29 per share to the eligible employees of the Group subject to the terms and conditions in accordance with the By-Laws of the SIS.

(B) Status of Utilisation of Proceeds

(i) Proceeds from Rights Issue of Shares with Warrants

	Purpose	Proposed Utilisation	Actual Utilisation
		RM'000	RM'000
i)	Research & development	900	832
ii)	Purchase of plant and machinery	500	93
iii)	Repayment of bank borrowings	2,500	2,500
iv)	Working capital	5,235	5,235
iv)	Defray estimated expenses	500	500
	Total	9,635	9,160

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	-	-	-
Hire Purchase Payables	96	-	96
Bank Overdraft	1,970	-	1,970
	<u>2,066</u>	<u>-</u>	<u>2,066</u>
Long Term Borrowings			
Hire Purchase Payables	68	-	68
Total	<u>2,134</u>	<u>-</u>	<u>2,134</u>

B8. Changes in Material Litigation Since the Last Annual Statement of Financial Position 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)

We are in constant engagement with the members of Persatuan Kontraktor Melayu Malaysia (PKMM). We expect to be making some progress in the exploration of business in the very near future.

B11. Loss Per Share

Basic loss per share

	Current quarter ended		Cumulative quarter ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Net Loss attributed to owners of the parent for the period (RM'000)	(867)	(716)	(1,362)	(1,154)
Weighted Average Number of shares in issue ('000)	192,902	192,702	192,902	144,527
Basic loss per share (sen)	(0.45)	(0.37)	(0.71)	(0.80)

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 2013 was not qualified.

B13. Realised and unrealised losses disclosure

The accumulated losses may be analysed as follows:

	As at 30.06.2014	As at 31.12.2013
	RM'000	RM'000
Realised	(7,269)	(7,414)
Unrealised	(7)	(13)
	<hr/>	<hr/>
	(7,276)	(7,427)
Less : Consolidation adjustments	(3,398)	(1,913)
Total	<hr/>	<hr/>
	(10,674)	(9,340)

B14. Loss Before Tax

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

	Current quarter ended		Cumulative quarter ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Allowance for and write off of receivables	(424)	-	(429)	-
Allowance for and write off of inventories	(5)	(2)	(5)	(3)
Bad debts recovered	-	-	1	6
Depreciation and amortisation	(100)	(169)	(199)	(335)
Gain or (loss) on disposal of property, plant and equipment	-	48	12	61
Gain or (loss) on foreign exchange – Realised	-	(4)	2	11
Gain or (loss) on foreign exchange – Unrealised	(31)	(55)	(16)	(14)
Loss on disposal of subsidiary	(131)	-	(131)	-
Interest expense	(26)	(51)	(47)	(95)
Interest income	19	14	30	14