

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED
30 June 2015**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>Current Quarter</u>	<u>Preceding Year</u>	<u>Current Year To</u>	<u>Preceding Year</u>
	<u>30 June 2015</u>	<u>Corresponding</u>	<u>Date</u>	<u>Corresponding</u>
		<u>Quarter</u>	<u>30 June 2015</u>	<u>Period</u>
	<u>RM'000</u>	<u>30 June 2014</u>	<u>RM'000</u>	<u>30 June 2014</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	5,350	4,082	11,539	8,004
Other operating income	117	(8)	289	50
Operating expenses	(5,368)	(4,911)	(11,577)	(9,365)
Profit / (Loss) from operations	99	(837)	251	(1,311)
Finance costs	(41)	(34)	(77)	(62)
Profit / (Loss) before tax	58	(871)	174	(1,373)
Income tax expense	4	4	9	9
Profit / (Loss) for the period	62	(867)	183	(1,364)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(8)	124	25	125
Total comprehensive profit / (loss) for the period	54	(743)	208	(1,239)
Profit / (Loss) attributable to:				
Owners of the parent	62	(867)	183	(1,362)
Non-controlling interests	-	-	-	(2)
Profit / (Loss) for the period	62	(867)	183	(1,364)
Total comprehensive profit / (loss) attributable to:				
Owners of the parent	54	(783)	208	(1,277)
Non-controlling interests	-	40	-	38
Total comprehensive profit / (loss) for the period	54	(743)	208	(1,239)
Profit / (Loss) per share (sen)				
Basic (note B11)	0.03	(0.45)	0.09	(0.71)
Diluted (note B11)	0.03	(0.45)	0.09	(0.71)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2015**

	Unaudited As At 30 June 2015 RM'000	Audited As At 31 December 2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,864	9,026
	<u>8,864</u>	<u>9,026</u>
Current assets		
Inventories	3,430	3,198
Trade receivables	4,977	4,132
Other receivables, deposits and prepayments	276	227
Tax recoverable	85	98
Cash and bank balances	7,697	4,097
	<u>16,465</u>	<u>11,752</u>
Current assets classified as held for sale	-	-
TOTAL ASSETS	<u>25,329</u>	<u>20,778</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	21,535	19,527
Share premium	7,251	4,218
Exchange translation reserve	(19)	(44)
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(13,517)	(13,728)
Revaluation reserve	3,910	3,938
Equity attributable to owners of the parent	<u>19,160</u>	<u>13,911</u>
Non-controlling interest	-	-
TOTAL EQUITY	<u>19,160</u>	<u>13,911</u>
Non-current liabilities		
Hire purchases payables	262	391
Bank borrowings	-	-
Deferred tax liabilities	770	779
	<u>1,032</u>	<u>1,170</u>
Current liabilities		
Trade payables	3,201	3,646
Other payables and accruals	788	891
Hire purchases payables	279	296
Bank borrowings	247	-
Bank overdraft	622	864
	<u>5,137</u>	<u>5,697</u>
TOTAL LIABILITIES	<u>6,169</u>	<u>6,867</u>
TOTAL EQUITY AND LIABILITIES	<u>25,329</u>	<u>20,778</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.09	0.07

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED

30 June 2015

(The figures have not been audited)

	Current Year To Date 30 June 2015	Preceding Year Corresponding Period 30 June 2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	174	(1,373)
Adjustments for:-		
Non-cash items	231	552
Non-operating items	(2)	(30)
Operating profit / (loss) before changes in working capital	403	(851)
Net changes in current assets	(1,033)	(44)
Net changes in current liabilities	(548)	(207)
CASH (USED IN)/ FROM OPERATIONS	(1,178)	(1,102)
Income tax refunded	23	116
Interest paid	(55)	(47)
Tax paid	(10)	(15)
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	(1,220)	(1,048)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	2	30
Proceed from disposal of plant and equipment	8	12
Net cash outflow from disposal of investment in subsidiary	-	(9)
Purchase of plant and equipment	(108)	(25)
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(98)	8
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown/ (repayment) of other short-term bank borrowings	247	(692)
Proceed from issuance of share	5,041	-
Repayments of hire purchases payables	(146)	(47)
Repayments of term loans	-	-
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	5,142	(739)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,824	(1,779)
Effect of changes in exchange rates	18	262
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,233	5,828
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	7,075	4,311
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Cash and bank balances	7,897	6,281
Bank overdraft	(822)	(1,970)
	7,075	4,311

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHADCompany No. 602062-X
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SECOND QUARTER ENDED****30 June 2015**

(The figures have not been audited)

	Non - distributable		Attributable to Owners of the Parent					Total	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			
As at 1 January 2015	19,527	4,218	(44)	3,938	7,692	(7,692)	(13,728)	13,911	-	13,911
Issuance of Shares pursuant to SIS	55	104	-	-	-	-	-	159	-	159
Issuance of Shares pursuant to Private Placement	1,953	2,929	-	-	-	-	-	4,882	-	4,882
Total comprehensive income for the period	-	-	25	-	-	-	183	208	-	208
Realisation of revaluation reserve	-	-	-	(28)	-	-	28	-	-	-
As at 30 June 2015	21,535	7,251	(19)	3,910	7,692	(7,692)	(13,517)	19,160	-	19,160
As at 1 January 2014	19,290	3,767	(146)	3,994	7,692	(7,692)	(9,340)	17,565	(38)	17,527
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

(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 2014 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 2015 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 2014. 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 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 2015

1. Amendments to MFRS 119, Defined Benefits Plans: Employee Contributions
2. Annual Improvements to MFRSs 2010 - 2012 Cycle
3. Annual Improvements to MFRSs 2011 - 2013 Cycle

MFRSs, Amendments to MFRSs and IC Interpretation effective for annual periods beginning on or after 1 January 2016

1. MFRS 14, Regulatory Deferral Accounts
2. Amendments to MFRS 11, Accounting for Acquisitions of Interests in Joint Operations
3. Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
4. Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
5. Amendments to MFRS 127, Equity Method in Separate Financial Statements
6. Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
7. Annual Improvements to MFRS s 2012 – 2014 Cycle
8. Amendments to MFRS 10, MFRS 12 and MFRS 128, Investment Entities : Applying the Consolidation Exception
9. MFRS 15, Revenue from Contracts with Customers
10. MFRS 9, Financial Instruments (IFRS 9 issued by IASB in July 2014)

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.

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 ended 30 June except for the following:

	Ordinary share of RM0.10 each No of shares '000	RM'000
Share capital-issued and fully paid up as at 01.04.2015	195,272	19,527
Arising from exercise of Warrants	-	-
Arising from exercise of Share Issuance Scheme	550	55
Issuance of share pursuant to Private Placement	19,527	1,953
Share capital-issued and fully paid up as at 30.06.2015	215,349	21,535

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 30 June 2015 RM'000	Preceding Year Corresponding Quarter 30 June 2014 RM'000	Current Year To Date 30 June 2015 RM'000	Preceding Year Corresponding Period 30 June 2014 RM'000
Revenue				
Malaysia	6,125	4,508	12,785	8,649
Thailand	1,323	722	3,268	1,515
Total including inter-segment sales	7,448	5,230	16,053	10,164
Eliminations of inter-segment sales	(2,098)	(1,148)	(4,514)	(2,160)
Total Revenue	5,350	4,082	11,539	8,004
Profit/ (Loss) Before Tax				
Segment results				
Malaysia	(256)	(760)	(547)	(1,237)
Thailand	313	41	897	57
Others	-	-	-	(5)
	57	(719)	350	(1,185)
Finance costs	(41)	(34)	(77)	(62)
Eliminations	42	(118)	(99)	(126)
Total Profit/ (Loss) Before Tax	58	(871)	174	(1,373)
At 30 June 2015	Malaysia	Thailand	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Segment assets	46,975	2,287	(24,018)	25,244
Income tax assets	85	-	-	85
Total assets				25,329
Segment liabilities	17,480	1,033	(14,524)	3,989
Interest bearing -borrowings	1,373	37	-	1,410
Income tax liabilities	770	-	-	770
Total liabilities				6,169
Other segment information				
Capital expenditure	97	11	-	108
Depreciation of property, plant and equipment	253	24	-	277

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Revenue				
Investment Holdings	280	324	534	658
Coatings Manufacturing	5,499	4,171	12,295	8,385
Others	1,669	735	3,224	1,121
Eliminations	(2,098)	(1,148)	(4,514)	(2,160)
Total Revenue	5,350	4,082	11,539	8,004
Profit/ (Loss) Before tax				
Segment results				
Investment Holdings	(59)	(60)	(73)	(269)
Coatings Manufacturing	172	(462)	708	(631)
Others	(56)	(197)	(285)	(285)
	57	(719)	350	(1,185)
Finance costs	(41)	(34)	(77)	(62)
Eliminations	42	(118)	(99)	(126)
Total Profit/ (Loss) Before Tax	58	(871)	174	(1,373)

A8. Material Events Subsequent to the End of the Quarter under Review

There was no material event subsequent to the end of the quarter under review that has not been reflected in the interim financial statement.

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the period under review. Please refer to B6 (C).

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 2015

For the current quarter under review, our Group revenue is RM5.350 million, showing an increase of RM1.268 million, representing an improvement of approximately 31.06% as compared to the preceding period's corresponding quarter ended 30 June 2014. Our Group recorded a profit after taxation of RM62,000 for the current quarter ended 30 June 2015 as compared to the loss after taxation of RM867,000 for the preceding year's corresponding quarter ended 30 June 2014.

The increase in revenue is mainly due to the increase in decorative coatings business in Malaysia and the Thailand subsidiary. Our foreign export of coating products has also contributed to our foreign currency exchange gain. The revenue of architectural coatings also improved significantly.

B2. Variation of Results for the Current Quarter Ended 30 June 2015 against Immediate Preceding Quarter

For the current quarter ended 30 June 2015, our Group revenue was RM5.350 million, showing a decrease of RM839,000, representing a decrease of approximately 13.56% as compared to the revenue of RM6.189 million in the preceding quarter ended 31 March 2015. Our Group recorded a profit after taxation of RM62,000 in the current quarter ended 30 June 2015, as compared to a profit after taxation of RM121,000 in the previous quarter ended 31 March 2015. The decrease in profit in the current quarter is mainly due to the lower demand of plastic coatings.

B3. Prospects for 2015

In the light of current depressing economic climate, which is exacerbated by the falling of oil prices, the depreciation of Ringgit Malaysia currency, the devaluation of Yuan, the imminent increase of interest rate by U.S. Treasury, we are cautiously pessimistic of the outlook for the rest of the year. Despite the aforesaid challenges, our Group will still continue to strive to improve our revenue in respect of the current mix of architectural, electrical & electronic and plastic coating business for the rest of the year.

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 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	-	-	-
Deferred taxation	4	4	9	9
	4	4	9	9

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) Private Placement

The Private Placement was completed subsequent to the listing of 19,527,000 new ordinary shares on the Ace Market of Bursa Securities on 15 April 2015.

(B) Status of Utilisation of Proceeds

(i) Proceeds from Rights Issue of Shares with Warrants

	Purpose	Proposed Utilisation	Actual Utilisation	Balance Utilisation	Intended Timeframe of Utilisation
		RM'000	RM'000	RM'000	
i)	Research & development	900	900	-	-
ii)	Purchase of plant and machinery	500	145	355	28 October 2015
iii)	Repayment of bank borrowings	2,500	2,500	-	-
iv)	Working capital	5,235	5,235	-	-
v)	Defray estimated expenses	500	500	-	-
	Total	9,635	9,280	355	

(ii) Proceeds from Private Placement

	Purpose	Proposed Utilisation	Actual Utilisation	Balance Utilisation	Timeframe of Utilisation (from the date of listing of Placement share)
		RM'000	RM'000	RM'000	
i)	Working capital	2,494	2,494	-	Within 12 months
ii)	Repayment of bank borrowings	2,000	1,500	500	Within 12 months
iii)	Setting up of new showroom and sales offices	322	23	299	Within 12 months
iv)	Defray estimated expenses	66	66	-	Within 2 weeks
	Total	4,882	4,083	799	

**Any variation in actual proceeds raised will be adjusted to/from the amount earmarked for the working capital of the Group.

(C) Memorandum of Understanding with Roton Kimer Capital Sdn Bhd

The Board had announced that SerSol Coatings Sdn Bhd, a wholly-owned subsidiary of Multi Square Sdn Bhd, which in turn a wholly-owned subsidiary of the Company ("SCSB") and Roton Kimer Capital Sdn Bhd ("RKCSB"), had on 21 May 2015, entered into a Memorandum of Understanding ("MOU") for the purpose of recording their intention to negotiate and finalise the terms of their co-operation and co-invest in all the areas, subject to the terms and conditions as stated in the MOU.

The Board also announced on 20 August 2015 that SCSB had on 19 August 2015 subscribed for 51% shareholdings in SerSol NCK Sdn. Bhd. ("SerSol NCK"). Upon the said subscription, SerSol NCK will be a subsidiary of the Company. The remaining 49% of the issued and paid-up share capital of SerSol NCK is held by RKCSB. The Certificate of Incorporation of SerSol NCK dated 19 August 2015 was received on 20 August 2015.

The authorised share capital of SerSol NCK is Ringgit Malaysia One Million (RM1,000,000.00) only divided into 1,000,000 ordinary shares of RM1.00 each, of which 1,000 ordinary shares have been issued at par and fully paid-up.

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	247	-	247
Hire Purchase Payables	279	-	279
Bank Overdraft	622	-	622
	<u>1,148</u>	<u>-</u>	<u>1,148</u>
Long Term Borrowings			
Hire Purchase Payables	262	-	262
Total	<u>1,410</u>	<u>-</u>	<u>1,410</u>

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

The Company's wholly-owned subsidiary, Multi Square Sdn Bhd ("MSSB"), had presented the winding petition against E W Plastic Sdn Bhd ("the Respondent") for the sum of RM1,973,149.36 on 10 October 2014 with Kuala Lumpur High Court and transferred to the Johor Bahru High Court. The Winding Up Petition is now pending decision to be given on 15 September 2015.

MSSB had filed a suit for the sum of RM1,973,149.36 against Lee Chee Meng ("LCM"), guarantor for the Respondent which is fixed for hearing on 15 January 2015. The High Court awarded judgement against LCM in the sum of RM1,973,149.36 with interests at 5% per annum. The said LCM dissatisfied with the outcome has filed an appeal to the Court of Appeal and has subsequently failed in his appeal. The High Court judgment dated 15 January 2015 remains valid and enforceable against LCM.

B9. Dividend Proposed

No dividend has been proposed during the quarter under review.

B10. Profit / (Loss) Per Share

Basic Profit / (Loss) Per Share

	Current quarter ended		Cumulative quarter ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Net Profit /(Loss) attributed to owners of the parent for the period (RM'000)	62	(867)	183	(1,362)
Weighted Average Number of shares in issue ('000)	215,166	192,902	205,219	192,902
Basic profit / (loss) per share (sen)	0.03	(0.45)	0.09	(0.71)

Diluted Profit / (Loss) per share

Diluted profit / (loss) per share is equal to the basic profit / (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 2014 was not qualified.

B12. Realised and unrealised losses disclosure

The accumulated losses may be analysed as follows:

	As at 30.06.2015	As at 31.12.2014
	RM'000	RM'000
Realised	(10,022)	(10,491)
Unrealised	(28)	131
	<hr/>	<hr/>
	(10,050)	(10,360)
Less : Consolidation adjustments	(3,467)	(3,368)
Total	<hr/>	<hr/>
	(13,517)	(13,728)
	<hr/>	<hr/>

B13. Profit / (Loss) Before Tax

The following items have been included in arriving at profit / (loss) before tax:

	Current quarter ended		Cumulative quarter ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Allowance for and write off of receivables	131	(424)	131	(429)
Allowance for and write off of inventories	-	(5)	-	(5)
Bad debts recovered	-	-	1	1
Depreciation and amortisation	(136)	(100)	(277)	(199)
Gain or (loss) on disposal of property, plant and equipment	-	-	8	12
Gain or (loss) on foreign exchange – Realised	44	-	136	2
Gain or (loss) on foreign exchange – Unrealised	(46)	(31)	(37)	(16)
Loss on disposal of subsidiary	-	(131)	-	(131)
Interest expense	(30)	(26)	(55)	(47)
Interest income	1	19	2	30