

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED****31 December 2015**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2015	Preceding Year Corresponding Quarter 31 December 2014	Current Year To Date 31 December 2015	Preceding Year Corresponding Period 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Revenue	4,671	3,414	21,293	16,925
Other operating income	41	318	2,745	428
Operating expenses	(6,076)	(4,378)	(25,322)	(21,666)
Loss from operations	(1,364)	(646)	(1,284)	(4,313)
Finance costs	(58)	(36)	(162)	(143)
Loss before tax	(1,422)	(682)	(1,446)	(4,456)
Income tax expense	(383)	(4)	(369)	10
Loss for the period	(1,805)	(686)	(1,815)	(4,446)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(54)	14	71	142
Total comprehensive loss for the period	(1,859)	(672)	(1,744)	(4,304)
Loss attributable to:				
Owners of the parent	(1,804)	(686)	(1,810)	(4,444)
Non-controlling interests	(1)	-	(5)	(2)
Loss for the period	(1,805)	(686)	(1,815)	(4,446)
Total comprehensive loss attributable to:				
Owners of the parent	(1,858)	(672)	(1,739)	(4,342)
Non-controlling interests	(1)	-	(5)	38
Total comprehensive loss for the period	(1,859)	(672)	(1,744)	(4,304)
Loss per share (sen)				
Basic (note B11)	(0.84)	(0.35)	(0.86)	(2.30)
Diluted (note B11)	(0.83)	(0.35)	(0.78)	(2.30)

(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 31 December 2015**

	Unaudited As At 31 December 2015 RM'000	Audited As At 31 December 2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,725	9,026
	<u>8,725</u>	<u>9,026</u>
Current assets		
Inventories	3,623	3,198
Trade receivables	5,258	4,132
Other receivables, deposits and prepayments	356	227
Amount due from contract customer	120	-
Tax recoverable	-	98
Cash and bank balances	6,934	4,097
	<u>16,291</u>	<u>11,752</u>
TOTAL ASSETS	<u>25,016</u>	<u>20,778</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	21,535	19,527
Share premium	7,251	4,218
Exchange translation reserve	27	(44)
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(15,482)	(13,728)
Revaluation reserve	3,882	3,938
Equity attributable to owners of the parent	<u>17,213</u>	<u>13,911</u>
Non-controlling interest	(5)	-
TOTAL EQUITY	<u>17,208</u>	<u>13,911</u>
Non-current liabilities		
Hire purchases payables	154	391
Deferred tax liabilities	761	779
	<u>915</u>	<u>1,170</u>
Current liabilities		
Trade payables	1,862	3,646
Other payables and accruals	914	891
Hire purchases payables	239	296
Bank overdraft	3,694	864
Taxation	184	-
	<u>6,893</u>	<u>5,697</u>
TOTAL LIABILITIES	<u>7,808</u>	<u>6,867</u>
TOTAL EQUITY AND LIABILITIES	<u>25,016</u>	<u>20,778</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.08	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 FOURTH QUARTER ENDED
31 December 2015**
(The figures have not been audited)

	Current Year To Date 31 December 2015	Preceding Year Corresponding Period 31 December 2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,446)	(4,456)
Adjustments for:-		
Non-cash items	957	2,218
Non-operating items	<u>(62)</u>	<u>(35)</u>
Operating profit / (loss) before changes in working capital	(551)	(2,273)
Net changes in current assets	(2,093)	(1,286)
Net changes in current liabilities	<u>(1,639)</u>	<u>965</u>
CASH (USED IN)/ FROM OPERATIONS	(4,283)	(2,594)
Income tax refunded	23	116
Interest paid	(121)	(110)
Tax paid	<u>(250)</u>	<u>(24)</u>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	<u>(4,631)</u>	<u>(2,612)</u>
NET CASH FOR INVESTING ACTIVITIES		
Interest received	62	35
Proceed from disposal of plant and equipment	8	66
Capital contribution by non-controlling interest	1	
Net cash outflow from disposal of investment in subsidiary	-	(9)
Purchase of plant and equipment	<u>(238)</u>	<u>(181)</u>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	<u>(167)</u>	<u>(89)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown/ (repayment) of other short-term bank borrowings	-	(692)
Proceed from issuance of share	5,041	687
Repayments of hire purchases payables	<u>(293)</u>	<u>(150)</u>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	<u>4,748</u>	<u>(155)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(51)	(2,856)
Effect of changes in exchange rates	58	261
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,233</u>	<u>5,828</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	<u>3,240</u>	<u>3,233</u>
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Cash and bank balances	6,934	4,097
Bank overdraft	<u>(3,694)</u>	<u>(864)</u>
	<u>3,240</u>	<u>3,233</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 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 FOURTH QUARTER ENDED****31 December 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	-	-	71	-	-	-	(1,810)	(1,739)	(5)	(1,744)
Realisation of revaluation reserve	-	-	-	(56)	-	-	56	-	-	-
As at 31 December 2015	<u>21,535</u>	<u>7,251</u>	<u>27</u>	<u>3,882</u>	<u>7,692</u>	<u>(7,692)</u>	<u>(15,482)</u>	<u>17,213</u>	<u>(5)</u>	<u>17,208</u>
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 pursuant to SIS	237	451	-	-	-	-	-	688	-	688
Total comprehensive income for the period	-	-	102	-	-	-	(4,444)	(4,342)	38	(4,304)
Realisation of revaluation reserve	-	-	-	(56)	-	-	56	-	-	-
As at 31 December 2014	<u>19,527</u>	<u>4,218</u>	<u>(44)</u>	<u>3,938</u>	<u>7,692</u>	<u>(7,692)</u>	<u>(13,728)</u>	<u>13,911</u>	<u>-</u>	<u>13,911</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 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 fourth quarter ended 31 December 2015 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") 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.

During the financial year, the Group has adopted the following amendments to MFRSs issued by MASB that are mandatory for current financial year:

MFRSs, Amendments to MFRSs and IC Interpretation effective for financial 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

Adoption of the above amendments to MFRSs did not have any significant impact on the financial statements of the Group.

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

MFRSs, Amendments to MFRSs and IC Interpretation effective for financial 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 101, Disclosure Initiative
4. Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
5. Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
6. Amendments to MFRS 127, Equity Method in Separate Financial Statements
7. Annual Improvements to MFRSs 2012-2014 Cycle
8. Amendments to MFRS 10, MFRS 12 and MFRS 128, Investment Entities: Applying the Consolidation Exception
9. MFRS 9, Financial Instruments (IFRS 9 issued by IASB in July 2014)
10. MFRS 15, Revenue from Contracts with Customers
11. Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on these interim financial statements.

A2. Seasonality or Cyclicity 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

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

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

	Ordinary share of RM0.10 each No of shares '000	RM'000
Share capital-issued and fully paid up as at 31.12.2015	<u>215,349</u>	<u>21,535</u>

A6. Dividend Paid

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

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 31 December 2015 RM'000	Preceding Year Corresponding Quarter 31 December 2014 RM'000	Current Year To Date 31 December 2015 RM'000	Preceding Year Corresponding Period 31 December 2014 RM'000
Revenue				
Malaysia	4,542	4,910	23,697	18,688
Thailand	953	1,021	5,317	3,364
Total including inter-segment sales	5,495	5,931	29,014	22,052
Eliminations of inter-segment sales	(824)	(2,517)	(7,721)	(5,127)
Total Revenue	4,671	3,414	21,293	16,925
Loss Before Tax				
Segment results				
Malaysia	(1,475)	(821)	(2,107)	(4,471)
Thailand	1	139	956	259
Others	-	-	-	(5)
	(1,474)	(682)	(1,151)	(4,217)
Finance costs	(58)	(36)	(162)	(143)
Eliminations	110	36	(133)	(96)
Total Loss Before Tax	(1,422)	(682)	(1,446)	(4,456)
At 31 December 2015	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	47,961	1,543	(24,488)	25,016
Total assets				25,016
Segment liabilities	17,463	273	(14,960)	2,776
Interest bearing - borrowings	4,069	18	-	4,087
Income tax liabilities	909	36	-	945
Total liabilities				7,808
Other segment information				
Capital expenditure	215	23	-	238
Depreciation of property, plant and equipment	502	50	-	552

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		Preceding Year		Preceding Year
	Current Quarter	Corresponding	Current Year	Corresponding
	31 December	Quarter	To Date	Period
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	276	494	1,086	1,497
Coatings Manufacturing	3,843	4,413	21,705	17,564
Others	1,376	1,024	6,223	2,991
Eliminations	(824)	(2,517)	(7,721)	(5,127)
Total Revenue	4,671	3,414	21,293	16,925
Loss Before tax				
Segment results				
Investment Holdings	(29)	24	(63)	(348)
Coatings Manufacturing	(652)	(255)	28	(2,689)
Others	(793)	(451)	(1,116)	(1,180)
	(1,474)	(682)	(1,151)	(4,217)
Finance costs	(58)	(36)	(162)	(143)
Eliminations	110	36	(133)	(96)
Total Loss Before Tax	(1,422)	(682)	(1,446)	(4,456)

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.

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.

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 2015

For the current quarter under review, our Group revenue is RM4.671 million, showing an increase of RM1.257 million, representing an improvement of approximately 36.82% as compared to the preceding year's corresponding quarter ended 31 December 2014. Our Group recorded a loss after taxation of RM1.805 million for the current quarter ended 31 December 2015 as compared to the loss after taxation of RM686,000 for the preceding year's corresponding quarter ended 31 December 2014.

For the current financial year-to-date under review, our Group revenue is RM21.293 million, showing an increase of RM4.368 million, representing an improvement of approximately 25.81% as compared to the preceding year ended 31 December 2014. Our Group recorded a loss after taxation of RM1.815 million for the current financial year-to-date ended 31 December 2015 as compared to the loss after taxation of RM4.446 million for the preceding year ended 31 December 2014.

The increase in revenue is mainly due to the increase in decorative coatings business in Malaysia. The other operating income has increased for the financial year-to-date ended 31 December 2015 due to reversal of the provision of doubtful debts.

B2. Variation of Results for the Current Quarter Ended 31 December 2015 against Immediate Preceding Quarter

During the current quarter ended 31 December 2015, our Group revenue was RM4.671 million, showing a decrease of RM412,000, representing a decrease of approximately 8.11% as compared to the revenue of RM5.083 million in the preceding quarter ended 30 September 2015. Our Group recorded a loss after taxation of RM1.805 million in the current quarter ended 31 December 2015, as compared to a loss after taxation of RM193,000 in the previous quarter ended 30 September 2015. The increase of loss in the current quarter is mainly due to the lower demand of plastic coatings and provision of doubtful debts.

B3. Prospects for 2016

Our Group is expecting the market for paint and coating industry for the year ahead to be challenging. The Group remain cautious on outlook for its financial performance and looking at cost optimization in its resources. At the same time, Management is looking at expanding its revenue base in Malaysia and Thailand.

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	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
In respect of the current year:-				
Taxation	(135)	(9)	(135)	(9)
Deferred taxation	5	5	19	19
	<u>(130)</u>	<u>(4)</u>	<u>(116)</u>	<u>10</u>
Under provision in previous financial years:-				
Taxation	(253)	-	(253)	-
	<u>(253)</u>	<u>-</u>	<u>(253)</u>	<u>-</u>
	<u>(383)</u>	<u>(4)</u>	<u>(369)</u>	<u>10</u>

B6. Status of Corporate Proposal Announced

(A) Corporate Proposal

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

(B) Status of Utilisation of Proceeds

(i) Proceeds from Rights Issue of Shares with Warrants

The proceeds from Rights Issue of Shares with Warrants have been fully utilised within the expected timeframe of utilisation.

(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	-	-
ii)	Repayment of bank borrowings	2,000	2,000	-	-
iii)	Setting up of new showroom and sales offices, renovation of new office	322	313	9	Within 12 months
iv)	Defray estimated expenses	66	66	-	-
	Total	4,882	4,873	9	

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			
Hire Purchase Payables	239	-	239
Bank Overdraft	3,694	-	3,694
	3,933	-	3,933
Long Term Borrowings			
Hire Purchase Payables	154	-	154
Total	4,087	-	4,087

B8. Changes in Material Litigation Since the Last Quarterly 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. Loss Per Share

Basic loss per share

	Current quarter ended		Cumulative quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Net Loss attributed to owners of the parent for the year (RM'000)	(1,804)	(686)	(1,810)	(4,444)
Weighted Average Number of shares in issue ('000)	215,349	195,272	210,454	193,599
Basic loss per share (sen)	(0.84)	(0.35)	(0.86)	(2.30)

Diluted loss per share

	Current quarter ended		Cumulative quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Net Loss attributed to owners of the parent for the year (RM'000)	(1,804)	(686)	(1,810)	(4,444)
Weighted Average Number of shares in issue ('000)	217,097	195,272	233,347	193,599
Diluted loss per share (sen)	(0.83)	(0.35)	(0.78)	(2.30)

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 31.12.2015	As at 31.12.2014
	RM'000	RM'000
Realised	(12,015)	(10,491)
Unrealised	29	131
	<hr/>	<hr/>
	(11,986)	(10,360)
Less : Consolidation adjustments	(3,496)	(3,368)
Total	<hr/> (15,482) <hr/>	<hr/> (13,728) <hr/>

B13. Loss Before Tax

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

	Current quarter ended		Cumulative quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Allowance for and write off of receivables	(421)	-	(421)	(2,104)
Allowance for and write off of inventories	(12)	13	(12)	13
Bad debts recovered	-	7	1	8
Bad debts written off	-	-	(1,973)	-
Depreciation and amortisation	(137)	(138)	(552)	(457)
Gain or (loss) on disposal of property, plant and equipment	-	3	8	57
Gain or (loss) on foreign exchange –Realised	46	(43)	294	(55)
Gain or (loss) on foreign exchange –Unrealised	(84)	253	10	233
Loss on disposal of subsidiary	-	-	-	(131)
Interest expense	(47)	(27)	(121)	(110)
Interest income	44	-	62	35
Reversal of provision for doubtful debts	-	-	2,103	-