

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED****30 June 2016**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 June 2016	Preceding Year Corresponding Quarter 30 June 2015	Current Year To Date 30 June 2016	Preceding Year Corresponding Period 30 June 2015
	RM'000	RM'000	RM'000	RM'000
Revenue	4,662	5,350	9,399	11,539
Other operating income	106	117	108	289
Operating expenses	(5,262)	(5,368)	(10,391)	(11,577)
Profit/ (Loss) from operations	(494)	99	(884)	251
Finance costs	(54)	(41)	(108)	(77)
Profit/ (Loss) before tax	(548)	58	(992)	174
Income tax expense	5	4	9	9
Profit/ (Loss) for the period	(543)	62	(983)	183
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	34	(8)	(50)	25
Total comprehensive profit/ (loss) for the period	(509)	54	(1,033)	208
Profit/ (Loss) attributable to:				
Owners of the parent	(543)	62	(982)	183
Non-controlling interests	-	-	(1)	-
Profit/ (Loss) for the period	(543)	62	(983)	183
Total comprehensive profit/ (loss) attributable to:				
Owners of the parent	(509)	54	(1,032)	208
Non-controlling interests	-	-	(1)	-
Total comprehensive profit/ (loss) for the period	(509)	54	(1,033)	208
Profit/ (Loss) per share (sen)				
Basic (note B11)	(0.25)	0.03	(0.46)	0.09
Diluted (note B11)	(0.25)	0.03	(0.46)	0.09

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2016**

	Unaudited As At 30 June 2016 RM'000	Audited As At 31 December 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,697	8,725
	<u>8,697</u>	<u>8,725</u>
Current assets		
Inventories	3,250	3,623
Trade receivables	5,701	5,258
Other receivables, deposits and prepayments	387	396
Amount due from contract customer	-	120
Tax recoverable	12	-
Fixed deposits	4,000	-
Cash and bank balances	1,380	6,934
	<u>14,730</u>	<u>16,331</u>
TOTAL ASSETS	<u>23,427</u>	<u>25,056</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	21,535	21,535
Share premium	7,251	7,251
Exchange translation reserve	(23)	27
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(16,465)	(15,511)
Revaluation reserve	3,854	3,882
Equity attributable to owners of the parent	<u>16,152</u>	<u>17,184</u>
Non-controlling interest	(6)	(5)
TOTAL EQUITY	<u>16,146</u>	<u>17,179</u>
Non-current liabilities		
Hire purchases payables	44	154
Deferred tax liabilities	780	789
	<u>824</u>	<u>943</u>
Current liabilities		
Trade payables	2,632	2,250
Other payables and accruals	266	566
Hire purchases payables	218	240
Bank overdraft	3,223	3,694
Taxation	118	184
	<u>6,457</u>	<u>6,934</u>
TOTAL LIABILITIES	<u>7,281</u>	<u>7,877</u>
TOTAL EQUITY AND LIABILITIES	<u>23,427</u>	<u>25,056</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.08	0.08

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED
30 June 2016**

(The figures have not been audited)

	Current Year To Date 30 June 2016	Preceding Year Corresponding Period 30 June 2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before tax	(992)	174
Adjustments for:-		
Non-cash items	438	231
Non-operating items	(37)	(2)
	<u>(591)</u>	<u>403</u>
Operating profit / (loss) before changes in working capital	(591)	403
Net changes in current assets	(23)	(1,033)
Net changes in current liabilities	82	(548)
	<u>(532)</u>	<u>(1,178)</u>
CASH (USED IN)/ FROM OPERATIONS	(532)	(1,178)
Income tax refunded	-	23
Interest paid	(88)	(55)
Tax paid	(78)	(10)
	<u>(698)</u>	<u>(1,220)</u>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	(698)	(1,220)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	37	2
Proceed from disposal of plant and equipment	35	8
Purchase of plant and equipment	(280)	(108)
	<u>(208)</u>	<u>(98)</u>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(208)	(98)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown/ (repayment) of other short-term bank borrowings	-	247
Increase in fixed deposit pledged	-	5,041
Proceed from issuance of share	-	-
Repayments of hire purchases payables	(132)	(146)
	<u>(132)</u>	<u>5,142</u>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(132)	5,142
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,037)	3,824
Effect of changes in exchange rates	(46)	18
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,240</u>	<u>3,233</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	<u>2,157</u>	<u>7,075</u>
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Fixed deposits	4,000	-
Cash and bank balances	1,380	7,697
Bank overdraft	(3,223)	(622)
	<u>2,157</u>	<u>7,075</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 2015 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 2016**

(The figures have not been audited)

	Non - distributable		Attributable to Owners of the Parent				Accumulated losses RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
	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 2016	21,535	7,251	27	3,882	7,692	(7,692)	(15,511)	17,184	(5)	17,179
Total comprehensive income for the period	-	-	(50)	-	-	-	(982)	(1,032)	(1)	(1,033)
Realisation of revaluation reserve	-	-	-	(28)	-	-	28	-	-	-
As at 30 June 2016	21,535	7,251	(23)	3,854	7,692	(7,692)	(16,465)	16,152	(6)	16,146
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	-	-	-	184	209	-	209
Realisation of revaluation reserve	-	-	-	(28)	-	-	28	-	-	-
As at 30 June 2015	21,535	7,251	(19)	3,910	7,692	(7,692)	(13,516)	19,161	-	19,161

(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 2015 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 2016 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 period ended 31 December 2015. 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 period ended 31 December 2015.

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

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 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	RM'000
	'000	
Share capital-issued and fully paid up as at 30.06.2016	<u>215,349</u>	<u>21,535</u>

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:-

Total including inter-segment sales	5,724	7,448	11,827	16,053
Eliminations of inter-segment sales	(1,062)	(2,098)	(2,428)	(4,514)
Total Revenue	4,662	5,350	9,399	11,539

Profit/ (Loss) Before Tax

Segment results				
Malaysia	(517)	(256)	(1,015)	(547)
Thailand	16	313	141	897
	(501)	57	(874)	350
Finance costs	(54)	(40)	(108)	(77)
Eliminations	7	41	(10)	(99)
Total Profit/ (Loss) Before Tax	(548)	58	(992)	174

At 30 June 2016

	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	50,904	1,770	(29,258)	23,416
Income tax assets	11	-	-	11
Total assets				23,427
Segment liabilities	22,189	429	(19,720)	2,898
Interest bearing -borrowings	3,485	-	-	3,485
Income tax liabilities	861	37	-	898
Total liabilities				7,281
Other segment information				
Capital expenditure	265	15	-	280
Depreciation of property, plant and equipment	282	22	-	304

(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 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Revenue				
Investment Holdings	240	281	483	534
Coatings Manufacturing	4,180	5,499	8,931	12,295
Others	1,304	1,668	2,413	3,224
Eliminations	(1,062)	(2,098)	(2,428)	(4,514)
Total Revenue	4,662	5,350	9,399	11,539
Profit/ (Loss) Before tax				
Segment results				
Investment Holdings	(57)	(58)	(257)	(73)
Coatings Manufacturing	(89)	171	(300)	708
Others	(355)	(56)	(317)	(285)
	(501)	57	(874)	350
Finance costs	(54)	(40)	(108)	(77)
Eliminations	7	41	(10)	(99)
Total Profit/(Loss) Before Tax	(548)	58	(992)	174

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 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 2016

For the current quarter under review, our Group revenue is RM4.662 million, showing a decrease of RM688,000, representing approximately 12.86% as compared to the preceding period's corresponding quarter ended 30 June 2015. Our Group recorded a loss after taxation of RM543,000 for the current quarter ended 30 June 2016 as compared to a profit after taxation of RM62,000 for the preceding period's corresponding quarter ended 30 June 2015.

The decrease in revenue is mainly due to the decline in businesses in Thailand and Malaysia.

B2. Variation of Results for the Current Quarter Ended 30 June 2016 against Immediate Preceding Quarter

During the current quarter ended 30 June 2016, our Group revenue is RM4.662 million, showing a decrease of RM76,000, representing approximately 1.60% as compared to the revenue of RM4.738 million in the preceding quarter ended 31 March 2016. Our Group recorded a loss after taxation of RM543,000 in the current quarter ended 30 June 2016, as compared to a loss after taxation of RM439,000 in the previous quarter ended 31 March 2016. The increase of loss after taxation is mainly due to the economic downturn in the architectural coatings market.

B3. Prospects for 2016

Our Group is expecting the market for the paint and coatings industry for the period ahead to be very challenging. The Group remains cautious on the outlook for its financial performance and is looking at cost optimisation in its resources.

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 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	-	-	-
Deferred taxation	5	5	10	10
	<u>5</u>	<u>5</u>	<u>10</u>	<u>10</u>

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

B6. Status of Corporate Proposal Announced

There were no corporate proposals announced.

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	218	-	218
Bank Overdraft	3,223	-	3,223
	<u>3,441</u>	<u>-</u>	<u>3,441</u>
Long Term Borrowings			
Hire Purchase Payables	44	-	44
Total	<u>3,485</u>	<u>-</u>	<u>3,485</u>

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

There were no changes in material litigation since the date of issue of the last report.

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 2016	30 June 2015	30 June 2016	30 June 2015
Net Profit/ (Loss) attributed to owners of the parent for the period (RM'000)	(543)	62	(983)	183
Weighted Average Number of shares in issue ('000)	215,349	215,166	215,349	205,219
Basic profit/ (loss) per share (sen)	(0.25)	0.03	(0.46)	0.09

Diluted profit/ (loss) per share

Diluted 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 2015 was not qualified.

B12. Realised and unrealised losses disclosure

The accumulated losses may be analysed as follows:

	As at 30.06.2016	As at 31.12.2015
	RM'000	RM'000
Realised	(12,901)	(12,048)
Unrealised	(59)	33
	<hr/>	<hr/>
	(12,960)	(12,015)
Less : Consolidation adjustments	(3,505)	(3,496)
Total	<hr/>	<hr/>
	(16,465)	(15,511)
	<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 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Allowance for and write off of receivables	-	131	-	131
Bad debts recovered	-	-	-	1
Depreciation and amortisation	(150)	(136)	(304)	(277)
Gain or (loss) on disposal of property, plant and equipment	35	-	35	8
Gain or (loss) on foreign exchange –Realised	(19)	44	(35)	136
Gain or (loss) on foreign exchange –Unrealised	2	(46)	(82)	(37)
Interest expense	(42)	(30)	(88)	(55)
Interest income	58	1	37	2