

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

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 September 2016	Preceding Year Corresponding Quarter 30 September 2015	Current Year To Date 30 September 2016	Preceding Year Corresponding Period 30 September 2015
	RM'000	RM'000	RM'000	RM'000
Revenue	4,728	5,083	14,127	16,622
Other operating income	63	2,415	172	2,704
Operating expenses	(4,607)	(7,669)	(14,998)	(19,246)
Profit/ (Loss) from operations	184	(171)	(700)	80
Finance costs	(48)	(27)	(155)	(104)
Profit/ (Loss) before tax	136	(198)	(855)	(24)
Income tax expense	5	5	14	14
Profit/ (Loss) for the period	141	(193)	(841)	(10)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	62	100	115	125
Total comprehensive profit/ (loss) for the period	203	(93)	(726)	115
Profit/ (Loss) attributable to:				
Owners of the parent	141	(189)	(839)	(6)
Non-controlling interests	-	(4)	(2)	(4)
Profit/ (Loss) for the period	141	(193)	(841)	(10)
Total comprehensive profit/ (loss) attributable to:				
Owners of the parent	203	(89)	(724)	119
Non-controlling interests	-	(4)	(2)	(4)
Total comprehensive profit/ (loss) for the period	203	(93)	(726)	115
Profit/ (Loss) per share (sen)				
Basic (note B11)	0.07	(0.09)	(0.39)	-
Diluted (note B11)	0.07	(0.09)	(0.39)	-

(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.)

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 September 2016**

	Unaudited As At 30 September 2016 RM'000	Audited As At 31 December 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,552	8,725
	<u>8,552</u>	<u>8,725</u>
Current assets		
Inventories	2,849	3,623
Trade receivables	6,484	5,258
Other receivables, deposits and prepayments	433	396
Amount due from contract customer	-	120
Tax recoverable	19	-
Fixed deposits	4,000	-
Cash and bank balances	1,720	6,934
	<u>15,505</u>	<u>16,331</u>
TOTAL ASSETS	<u>24,057</u>	<u>25,056</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	21,535	21,535
Share premium	7,251	7,251
Exchange translation reserve	39	27
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(16,309)	(15,511)
Revaluation reserve	3,840	3,882
Equity attributable to owners of the parent	<u>16,356</u>	<u>17,184</u>
Non-controlling interest	(6)	(5)
TOTAL EQUITY	<u>16,350</u>	<u>17,179</u>
Non-current liabilities		
Hire purchases payables	4	154
Deferred tax liabilities	775	789
	<u>779</u>	<u>943</u>
Current liabilities		
Trade payables	2,722	2,250
Other payables and accruals	450	566
Hire purchases payables	204	240
Bank overdraft	3,525	3,694
Taxation	27	184
	<u>6,928</u>	<u>6,934</u>
TOTAL LIABILITIES	<u>7,707</u>	<u>7,877</u>
TOTAL EQUITY AND LIABILITIES	<u>24,057</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 THIRD QUARTER ENDED
30 September 2016**
(The figures have not been audited)

	Current Year To Date 30 September 2016	Preceding Year Corresponding Period 30 September 2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before tax	(855)	(24)
Adjustments for:-		
Non-cash items	575	237
Non-operating items	(84)	-
	<u>(364)</u>	<u>213</u>
Operating profit / (loss) before changes in working capital	(364)	213
Net changes in current assets	(395)	(2,000)
Net changes in current liabilities	265	(301)
	<u>(494)</u>	<u>(2,088)</u>
CASH (USED IN)/ FROM OPERATIONS	(494)	(2,088)
Income tax refunded	-	23
Interest paid	(130)	(74)
Tax paid	(85)	(47)
	<u>(709)</u>	<u>(2,186)</u>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	(709)	(2,186)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	84	18
Proceed from disposal of plant and equipment	35	8
Proceeds received from issuance of subsidiary's share capital	-	1
Purchase of plant and equipment	(281)	(121)
	<u>(162)</u>	<u>(94)</u>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(162)	(94)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown/ (repayment) of other short-term bank borrowings	-	-
Increase in fixed deposit pledged	-	-
Proceed from issuance of share	-	5,041
Repayments of hire purchases payables	(185)	(218)
	<u>(185)</u>	<u>4,823</u>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(185)	4,823
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,057)	2,543
Effect of changes in exchange rates	12	109
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>2,195</u>	<u>5,885</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	1,720	8,014
Bank overdraft	(3,525)	(2,129)
	<u>2,195</u>	<u>5,885</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 THIRD QUARTER ENDED****30 September 2016**

(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 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	-	-	12	-	-	-	(840)	(828)	(1)	(829)
Realisation of revaluation reserve	-	-	-	(42)	-	-	42	-	-	-
As at 30 September 2016	21,535	7,251	39	3,840	7,692	(7,692)	(16,309)	16,356	(6)	16,350
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	-	-	125	-	-	-	(6)	119	(4)	115
Realisation of revaluation reserve	-	-	-	(42)	-	-	42	-	-	-
As at 30 September 2015	21,535	7,251	81	3,896	7,692	(7,692)	(13,692)	19,071	(4)	19,067

(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 third quarter ended 30 September 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 '000	RM'000
Share capital-issued and fully paid up as at 30.09.2016	<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:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 September 2016 RM'000	Preceding Year Corresponding Quarter 30 September 2015 RM'000	Current Year To Date 30 September 2016 RM'000	Preceding Year Corresponding Period 30 September 2015 RM'000
Revenue				
Malaysia	4,828	6,370	14,666	19,155
Thailand	1,142	1,096	3,131	4,364
Total including inter-segment sales	5,970	7,466	17,797	23,519
Eliminations of inter-segment sales	(1,242)	(2,383)	(3,670)	(6,897)
Total Revenue	4,728	5,083	14,127	16,622
Profit/ (Loss) Before Tax				
Segment results				
Malaysia	47	(85)	(968)	(632)
Thailand	136	58	277	955
	183	(27)	(691)	323
Finance costs	(48)	(28)	(156)	(105)
Eliminations	1	(143)	(8)	(242)
Total Profit/ (Loss) Before Tax	136	(198)	(855)	(24)
At 30 September 2016	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	51,607	2,122	(29,691)	24,038
Income tax assets	19	-	-	19
Total assets				24,057
Segment liabilities	23,636	674	(19,720)	4,590
Interest bearing -borrowings	3,525	-	-	3,525
Income tax liabilities	81	(55)	-	26
Total liabilities				8,141
Other segment information				
Capital expenditure	265	15	-	280
Depreciation of property, plant and equipment	421	22	-	443

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		Preceding Year		Preceding Year
	Current Quarter	Corresponding Quarter	Current Year To Date	Corresponding Period
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Revenue				
Investment Holdings	240	275	723	810
Coatings Manufacturing	4,575	5,567	13,506	17,862
Others	1,155	1,624	3,568	4,848
Eliminations	(1,242)	(2,383)	(3,670)	(6,897)
Total Revenue	4,728	5,083	14,127	16,623
Profit/ (Loss) Before tax				
Segment results				
Investment Holdings	(53)	38	(309)	(34)
Coatings Manufacturing	364	(28)	63	679
Others	(128)	(38)	(445)	(323)
	183	(28)	(691)	322
Finance costs	(48)	(27)	(156)	(104)
Eliminations	1	(143)	(8)	(242)
Total Profit/(Loss) Before Tax	136	(198)	(855)	(24)

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 September 2016

For the current quarter under review, our Group revenue is RM4.728 million, showing a decrease of RM355,000, representing approximately 7% as compared to the preceding period's corresponding quarter ended 30 September 2015. Our Group recorded a profit after taxation of RM141,000 for the current quarter ended 30 September 2016 as compared to a loss after taxation of RM193,000 for the preceding period's corresponding quarter ended 30 September 2015.

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

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

During the current quarter ended 30 September 2016, our Group revenue was RM4.728 million, showing an increase of RM66,000, representing approximately 1.4% as compared to the revenue of RM4.662 million in the preceding quarter ended 30 June 2016. Our Group recorded a profit after taxation of RM141,000 in the current quarter ended 30 September 2016, as compared to a loss after taxation of RM544,000 in the previous quarter ended 30 June 2016. The positive result was primarily attributable to the Company's restructuring during the quarter under review for the financial year ending 31 December 2016 to optimize the company resources.

B3. Prospects for 2016

Our Group is expecting the market for paint and coating industry in Malaysia for the period ahead to be challenging. The Group has recently established business contacts with potential customers in Myanmar and Bangladesh and is now striving to commence trade in those countries which will help to increase revenue. On the domestic front, the group is actively embarking on securing contracts for the supply of coatings in the building and construction 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 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	-	-	-
Deferred taxation	5	5	14	14
	<u>5</u>	<u>5</u>	<u>14</u>	<u>14</u>

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

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

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	204	-	204
Bank Overdraft	3,525	-	3,525
	<u>3,729</u>	<u>-</u>	<u>3,729</u>
Long Term Borrowings			
Hire Purchase Payables	4	-	4
Total	<u>3,733</u>	<u>-</u>	<u>3,733</u>

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. Profit/ (Loss) Per Share

Basic profit/ (loss) per share

	Current quarter ended		Cumulative quarter ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Net Profit/ (Loss) attributed to owners of the parent for the period (RM'000)	141	(189)	(841)	(6)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	208,596
Basic profit/ (loss) per share (sen)	0.07	(0.09)	(0.39)	-

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 30.09.2016	As at 31.12.2015
	RM'000	RM'000
Realised	(12,816)	(12,048)
Unrealised	10	33
	<hr/>	<hr/>
	(12,806)	(12,015)
Less : Consolidation adjustments	(3,503)	(3,496)
Total	<hr/> <hr/>	<hr/> <hr/>
	(16,309)	(15,511)

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 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Allowance for and write off of receivables	-	1,972	-	2103
Bad debts recovered	-	-	-	1
Bad debts written off		(1,973)		(1,973)
Depreciation and amortisation	(149)	(138)	(454)	(415)
Gain or (loss) on disposal of property, plant and equipment	-	-	35	8
Gain or (loss) on foreign exchange –Realised	3	112	(32)	248
Gain or (loss) on foreign exchange –Unrealised	55	131	(27)	94
Interest expense	(42)	(19)	(130)	(74)
Interest income	(47)	16	(84)	18