

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

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2016	Preceding Year Corresponding Quarter 31 December 2015	Current Year To Date 31 December 2016	Preceding Year Corresponding Period 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Revenue	6,304	4,671	20,431	21,293
Other operating income	299	41	471	2,745
Operating expenses	(6,879)	(6,076)	(21,877)	(25,322)
Profit/ (Loss) from operations	(276)	(1,364)	(975)	(1,284)
Finance costs	(33)	(58)	(189)	(162)
Profit/ (Loss) before tax	(309)	(1,422)	(1,164)	(1,446)
Income tax expense	(83)	(383)	(69)	(369)
Profit/ (Loss) for the period	(392)	(1,805)	(1,233)	(1,815)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	70	(54)	82	71
Total comprehensive profit/ (loss) for the period	(322)	(1,859)	(1,151)	(1,744)
Profit/ (Loss) attributable to:				
Owners of the parent	(392)	(1,804)	(1,231)	(1,810)
Non-controlling interests	-	(1)	(2)	(5)
Profit/ (Loss) for the period	(392)	(1,805)	(1,233)	(1,815)
Total comprehensive profit/ (loss) attributable to:				
Owners of the parent	(322)	(1,858)	(1,149)	(1,739)
Non-controlling interests	-	(1)	(2)	(5)
Total comprehensive profit/ (loss) for the period	(322)	(1,859)	(1,151)	(1,744)
Profit/ (Loss) per share (sen)				
Basic (note B11)	(0.18)	(0.84)	(0.57)	(0.86)
Diluted (note B11)	(0.18)	(0.83)	(0.57)	(0.78)

(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 31 December 2016**

	Unaudited As At 31 December 2016	Audited As At 31 December 2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,836	8,725
	<u>6,836</u>	<u>8,725</u>
Current assets		
Inventories	2,697	3,623
Trade receivables	6,458	5,258
Other receivables, deposits and prepayments	564	356
Amount due from contract customer	378	120
Tax recoverable	-	-
Fixed deposits	4,000	-
Cash and bank balances	1,491	6,934
	<u>15,588</u>	<u>16,291</u>
TOTAL ASSETS	<u>22,424</u>	<u>25,016</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	21,535	21,535
Share premium	7,251	7,251
Exchange translation reserve	109	27
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(15,512)	(15,482)
Revaluation reserve	2,652	3,882
Equity attributable to owners of the parent	<u>16,035</u>	<u>17,213</u>
Non-controlling interest	(7)	(5)
TOTAL EQUITY	<u>16,028</u>	<u>17,208</u>
Non-current liabilities		
Hire purchases payables	61	154
Deferred tax liabilities	771	761
	<u>832</u>	<u>915</u>
Current liabilities		
Trade payables	3,926	1,862
Other payables and accruals	644	914
Hire purchases payables	173	239
Bank overdraft	736	3,694
Taxation	85	184
	<u>5,564</u>	<u>6,893</u>
TOTAL LIABILITIES	<u>6,396</u>	<u>7,808</u>
TOTAL EQUITY AND LIABILITIES	<u>22,424</u>	<u>25,016</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.07	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 FOURTH QUARTER ENDED
31 December 2016**

(The figures have not been audited)

	Current Year To Date 31 December 2016	Preceding Year Corresponding Period 31 December 2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before tax	(1,164)	(1,446)
Adjustments for:-		
Non-cash items	891	957
Non-operating items	47	(62)
	<hr/>	<hr/>
Operating profit / (loss) before changes in working capital	(226)	(551)
Net changes in current assets	(1,113)	(2,093)
Net changes in current liabilities	1,654	(1,639)
	<hr/>	<hr/>
CASH (USED IN)/ FROM OPERATIONS	315	(4,283)
Income tax refunded	-	23
Interest paid	(157)	(121)
Tax paid	(86)	(250)
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NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	72	(4,631)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	110	62
Proceed from disposal of plant and equipment	1,786	8
Capital contribution by non-controlling interest	-	1
Purchase of plant and equipment	(373)	(238)
	<hr/>	<hr/>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	1,523	(167)
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	(159)	(293)
	<hr/>	<hr/>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(159)	4,748
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,436	(51)
Effect of changes in exchange rates	79	58
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<hr/>	<hr/>
	3,240	3,233
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	<hr/>	<hr/>
	4,755	3,240
	<hr/>	<hr/>
* 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	1,491	6,934
Bank overdraft	(736)	(3,694)
	<hr/>	<hr/>
	4,755	3,240
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(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 FOURTH QUARTER ENDED****31 December 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	-	-	82	-	-	-	(1,231)	(1,149)	(2)	(1,151)
Realisation of revaluation reserve	-	-	-	(1,230)	-	-	1,230	-	-	-
As at 31 December 2016	21,535	7,251	109	2,652	7,692	(7,692)	(15,512)	16,035	(7)	16,028
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	21,535	7,251	27	3,882	7,692	(7,692)	(15,482)	17,213	(5)	17,208

(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 fourth quarter ended 31 December 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 31.12.2016	<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 31 December 2016 RM'000	Preceding Year Corresponding Quarter 31 December 2015 RM'000	Current Year To Date 31 December 2016 RM'000	Preceding Year Corresponding Period 31 December 2015 RM'000
Revenue				
Malaysia	6,266	4,542	20,932	23,697
Thailand	1,231	953	4,363	5,317
Total including inter-segment sales	7,497	5,495	25,295	29,014
Eliminations of inter-segment sales	(1,193)	(824)	(4,864)	(7,721)
Total Revenue	6,304	4,671	20,431	21,293
Profit/ (Loss) Before Tax				
Segment results				
Malaysia	(325)	(1,475)	(1,294)	(2,107)
Thailand	53	1	331	956
	(272)	(1,474)	(963)	(1,151)
Finance costs	(33)	(58)	(189)	(162)
Eliminations	(4)	110	(12)	(133)
Total Profit/ (Loss) Before Tax	(309)	(1,422)	(1,164)	(1,446)
At 31 December 2016	Malaysia	Thailand	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Segment assets	49,707	2,140	(29,423)	22,424
Income tax assets	-	-	-	-
Total assets				22,424
Segment liabilities	23,959	494	(19,883)	4,570
Interest bearing -borrowings	890	80	-	970
Income tax liabilities	914	(58)	-	856
Total liabilities				6,396
Other segment information				
Capital expenditure	265	15	-	280
Depreciation of property, plant and equipment	557	23	-	580

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		Preceding Year		Preceding Year
	Current Quarter	Corresponding	Current Year	Corresponding
		Quarter	To Date	Period
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	240	276	963	1,086
Coatings Manufacturing	4,811	3,843	18,317	21,705
Others	2,447	1,376	6,014	6,223
Eliminations	(1,194)	(824)	(4,863)	(7,721)
Total Revenue	6,304	4,671	20,431	21,293
Profit/ (Loss) Before tax				
Segment results				
Investment Holdings	(102)	(29)	(411)	(63)
Coatings Manufacturing	428	(652)	491	28
Others	(598)	(793)	(1,043)	(1,116)
	(272)	(1,474)	(963)	(1,151)
Finance costs	(33)	(58)	(189)	(162)
Eliminations	(4)	110	(12)	(133)
Total Profit/(Loss) Before Tax	(309)	(1,422)	(1,164)	(1,446)

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 31 December 2016

For the current quarter under review, our Group revenue is RM6.304 million, showing an increase of RM1.633 million, representing approximately 35% as compared to the preceding period's corresponding quarter ended 31 December 2015. Our Group recorded a loss after taxation of RM392,000 for the current quarter ended 31 December 2016 as compared to a loss after taxation of RM1.805 million for the preceding period's corresponding quarter ended 31 December 2015.

B2. Variation of Results for the Current Quarter Ended 31 December 2016 against Immediate Preceding Quarter

During the current quarter ended 31 December 2016, our Group revenue was RM6.304 million, showing an increase of RM1.576 million, representing approximately 33% as compared to the revenue of RM4.728 million in the preceding quarter ended 30 September 2016. Our Group recorded a loss after taxation of RM392,000 in the current quarter ended 31 December 2016, as compared to a profit after taxation of RM141,000 in the previous quarter ended 30 September 2016.

B3. Prospects for 2017

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	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	(87)	(135)	(87)	(135)
Deferred taxation	4	5	18	19
	<u>(83)</u>	<u>(130)</u>	<u>(69)</u>	<u>(116)</u>
Under provision in previous financial years:-				
Taxation	-	(253)	-	(253)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(83)</u>	<u>(383)</u>	<u>(69)</u>	<u>(369)</u>

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	173	-	173
Bank Overdraft	736	-	736
	<u>909</u>	<u>-</u>	<u>909</u>
Long Term Borrowings			
Hire Purchase Payables	61	-	61
Total	<u>970</u>	<u>-</u>	<u>970</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	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Net Profit/ (Loss) attributed to owners of the parent for the period (RM'000)	(392)	(1,805)	(1,231)	(1,810)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	210,454
Basic profit/ (loss) per share (sen)	(0.18)	(0.84)	(0.57)	(0.86)

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 31.12.2016	As at 31.12.2015
	RM'000	RM'000
Realised	(12,055)	(12,048)
Unrealised	49	33
	<hr/>	<hr/>
	(12,006)	(12,015)
Less : Consolidation adjustments	(3,506)	(3,496)
Total	<hr/>	<hr/>
	(15,512)	(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	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Allowance for and write off of receivables	420	1,972	420	2,103
Bad debts recovered	-	-	-	1
Bad debts written off		(1,973)		(1,973)
Depreciation and amortisation	(151)	(138)	(605)	(415)
Gain or (loss) on disposal of property, plant and equipment	91	-	126	8
Gain or (loss) on foreign exchange –Realised	2	112	(30)	248
Gain or (loss) on foreign exchange –Unrealised	35	131	8	94
Interest expense	(69)	(19)	(157)	(74)
Interest income	(73)	16	(110)	18