

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED
30 June 2017**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 June 2017	Preceding Year Corresponding Quarter 30 June 2016	Current Year To Date 30 June 2017	Preceding Year Corresponding Period 30 June 2016
	RM'000	RM'000	RM'000	RM'000
Revenue	4,005	4,662	8,963	9,399
Other operating income	57	106	155	108
Operating expenses	(4,372)	(5,262)	(9,350)	(10,391)
Profit/ (Loss) from operations	(310)	(494)	(232)	(884)
Finance costs	(11)	(54)	(29)	(108)
Profit/ (Loss) before tax	(321)	(548)	(261)	(992)
Income tax expense	(4)	5	-	9
Profit/ (Loss) for the period	(325)	(543)	(261)	(983)
Other comprehensive Income, net of tax				
Exchange differences on translation of foreign subsidiaries	(28)	34	14	(50)
Total comprehensive profit/ (loss) for the period	(353)	(509)	(247)	(1,033)
Profit/ (Loss) attributable to:				
Owners of the parent	(333)	(543)	(268)	(982)
Non-controlling interests	8	-	7	(1)
Profit/ (Loss) for the period	(325)	(543)	(261)	(983)
Total comprehensive profit/ (loss) attributable to:				
Owners of the parent	(361)	(509)	(254)	(1,032)
Non-controlling interests	8	-	7	(1)
Total comprehensive profit/ (loss) for the period	(353)	(509)	(247)	(1,033)
Profit/ (Loss) per share (sen)				
Basic (note B11)	(0.15)	(0.25)	(0.12)	(0.46)
Diluted (note B11)	(0.15)	(0.25)	(0.12)	(0.46)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2016 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 JUNE 2017**

	Unaudited As At 30 June 2017	Audited As At 31 December 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,559	6,828
	<u>6,559</u>	<u>6,828</u>
Current assets		
Inventories	2,885	2,697
Trade receivables	4,225	6,435
Other receivables, deposits and prepayments	418	494
Amount due from contract customer	-	403
Tax recoverable	-	28
Fixed deposits	4,000	4,000
Cash and bank balances	2,159	1,491
	<u>13,687</u>	<u>15,546</u>
TOTAL ASSETS	<u>20,246</u>	<u>22,374</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	21,535	21,535
Share premium	7,251	7,251
Exchange translation reserve	120	105
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(15,751)	(15,510)
Revaluation reserve	2,626	2,653
Equity attributable to owners of the parent	<u>15,781</u>	<u>16,034</u>
Non-controlling Interest	-	(8)
TOTAL EQUITY	<u>15,781</u>	<u>16,026</u>
Non-current liabilities		
Hire purchases payables	52	61
Deferred tax liabilities	677	687
	<u>729</u>	<u>748</u>
Current liabilities		
Trade payables	2,900	4,018
Other payables and accruals	667	486
Hire purchases payables	63	173
Bank overdraft	6	736
Taxation	100	187
	<u>3,736</u>	<u>5,600</u>
TOTAL LIABILITIES	<u>4,465</u>	<u>6,348</u>
TOTAL EQUITY AND LIABILITIES	<u>20,246</u>	<u>22,374</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.07	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 2016 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED
30 June 2017
(The figures have not been audited)

	Current Year To Date 30 June 2017	Preceding Year Corresponding Period 30 June 2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before tax	(261)	(992)
Adjustments for:-		
Non-cash items	410	438
Non-operating items	(41)	(37)
	<u>108</u>	<u>(591)</u>
Operating profit / (loss) before changes in working capital	108	(591)
Net changes in current assets	2,377	(23)
Net changes in current liabilities	(1,016)	82
	<u>1,469</u>	<u>(532)</u>
CASH (USED IN)/ FROM OPERATIONS	1,469	(532)
Income tax refunded	24	-
Interest paid	(29)	(88)
Tax paid	(15)	(78)
	<u>1,449</u>	<u>(698)</u>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	1,449	(698)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	75	37
Proceed from disposal of plant and equipment	2	35
Purchase of plant and equipment	(16)	(280)
	<u>61</u>	<u>(208)</u>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	61	(208)
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayments of hire purchases payables	(119)	(132)
	<u>(119)</u>	<u>(132)</u>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(119)	(132)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,391	(1,037)
Effect of changes in exchange rates	7	(46)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,755	3,240
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	<u>6,153</u>	<u>2,157</u>
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Fixed deposits	4,000	4,000
Cash and bank balances	2,159	1,380
Bank overdraft	(6)	(3,223)
	<u>6,153</u>	<u>2,157</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 2016 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 2017**

(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 2017	21,535	7,251	105	2,653	7,692	(7,692)	(15,510)	16,034	(8)	16,026
Total comprehensive income for the period	-	-	15	-	-	-	(268)	(253)	8	(245)
Realisation of revaluation reserve	-	-	-	(27)	-	-	27	-	-	-
As at 30 June 2017	21,535	7,251	120	2,626	7,692	(7,692)	(15,751)	15,781	-	15,781
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	-	-	78	-	-	-	(1,228)	(1,150)	(3)	(1,153)
Realisation of revaluation reserve	-	-	-	(1,229)	-	-	1,229	-	-	-
As at 31 December 2016	21,535	7,251	105	2,653	7,692	(7,692)	(15,510)	16,034	(8)	16,026

(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 2016 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 2017 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 2016. 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 2016.

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 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
No of shares
'000 **RM**
'000

Total Number of Issued Shares as at 30.06.2017 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 2017 RM'000	Preceding Year Corresponding Quarter 30 June 2016 RM'000	Current Year To Date 30 June 2017 RM'000	Preceding Year Corresponding Period 30 June 2016 RM'000
Revenue				
Malaysia	3,843	4,742	8,777	9,838
Thailand	1,021	982	2,239	1,989
Total including inter-segment sales	4,864	5,724	11,016	11,827
Eliminations of inter-segment sales	(859)	(1,062)	(2,053)	(2,428)
Total Revenue	4,005	4,662	8,963	9,399

Profit/ (Loss) Before Tax

Segment results				
Malaysia	(223)	(517)	(123)	(1,015)
Thailand	(207)	16	(95)	141
	(430)	(501)	(218)	(874)
Finance costs	(11)	(54)	(29)	(108)
Eliminations	120	7	(14)	(10)
Total Profit/ (Loss) Before Tax	(321)	(548)	(261)	(992)

At 30 June 2017	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	46,579	2,152	(28,485)	20,246
Income tax assets	-	-	-	-
Total assets				20,246
Segment liabilities	21,882	615	(18,931)	3,566
Interest bearing -borrowings	50	72	-	122
Income tax liabilities	778	-	-	778
Total liabilities				4,466
Other segment information				
Capital expenditure	10	5	-	15
Depreciation of property, plant and equipment	260	32	-	292

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter	Preceding Year	Current Year	Preceding Year
		Corresponding Quarter		Corresponding Period
	30 June	30 June	To Date	30 June
2017	2016	2017	2016	
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	301	240	601	483
Coatings Manufacturing	4,130	4,180	9,017	8,931
Others	433	1,304	1,398	2,413
Eliminations	(859)	(1,062)	(2,053)	(2,428)
Total Revenue	4,005	4,662	8,963	9,399
Profit/ (Loss) Before tax				
Segment results				
Investment Holdings	(15)	(57)	(34)	(257)
Coatings Manufacturing	(211)	(89)	194	(300)
Others	(204)	(355)	(378)	(317)
	(430)	(501)	(218)	(874)
Finance costs	(11)	(54)	(29)	(108)
Eliminations	120	7	(14)	(10)
Total Profit/(Loss) Before Tax	(321)	(548)	(261)	(992)

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.

A11. Related Party Transaction

The related party transaction of the Group for the Quarter and Period ended 30 June 2017 is as follows:

	Current Quarter 30 June 2017 RM'000
(I) A company which a director has financial interest	
Appasia Tech Sdn Bhd -System application & IT Consultancy Fee	184

The directors are of the opinion that the above transaction have been entered into in the normal course of business and have been established under terms that were mutually agreed between the parties.

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 2017

For the current quarter under review, our Group revenue is RM4.005 million, showing a decrease of RM0.657 million, representing approximately 14% as compared to the preceding period's corresponding quarter ended 30 June 2016. However Our Group still managed to control the losses after taxation at a lower level as compared to the preceding period's corresponding quarter ended 30 June 2016 due to the implementation of restructuring effort.

B2. Variation of Results for the Current Quarter Ended 30 June 2017 against Immediate Preceding Quarter

During the current quarter ended 30 June 2017, our Group revenue was RM4.005 million, showing a decrease of RM0.953 million, representing approximately 19% as compared to the revenue of RM4.958 million in the preceding quarter ended 31 March 2017. Our Group recorded a loss after taxation of RM321,000 in the current quarter ended 30 June 2017, as compared to a profit after taxation of RM64,000 in the previous quarter ended 31 March 2017. The decrease in revenue is due to seasonal holidays during the current quarter ended 30 June 2017.

B3. Prospects for 2017

Our Group is expecting the market for paint and coating industry in Malaysia to be very challenging. Hence, we have started to supply paints and coatings products to customers in Myanmar and Bangladesh and shall strive to increase the volume of our business therewith.

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 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	(9)	-	(9)	-
Deferred taxation	5	5	9	10
	<u>(4)</u>	<u>5</u>	<u>-</u>	<u>10</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	63	-	63
Bank Overdraft	6	-	6
	69	-	69
Long Term Borrowings			
Hire Purchase Payables	52	-	52
Total	121	-	121

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 June 2017	30 June 2016	30 June 2017	30 June 2016
Net Profit/ (Loss) attributed to owners of the parent for the period (RM'000)	(321)	(543)	(261)	(983)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	215,349
Basic profit/ (loss) per share (sen)	(0.15)	(0.25)	(0.12)	(0.46)

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 2016 was not qualified.

B12. Realised and unrealised losses disclosure

The accumulated losses may be analysed as follows:

	As at 31.03.2017	As at 31.12.2016
	RM'000	RM'000
Realised	(12,138)	(12,037)
Unrealised	(87)	33
	<u>(12,225)</u>	<u>(12,004)</u>
Less : Consolidation adjustments	(3,526)	(3,506)
Total	<u>(15,751)</u>	<u>(15,510)</u>

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 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	-	-	6	-
Depreciation and amortisation	(139)	(150)	(292)	(304)
Gain or (loss) on disposal of property, plant and equipment	-	35	1	35
Gain or (loss) on foreign exchange –Realised	(1)	(19)	(10)	(35)
Gain or (loss) on foreign exchange –Unrealised	(1)	2	(118)	(82)
Interest expense	(11)	(42)	(29)	(88)
Interest income	3	58	75	37