

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

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2017	Preceding Year Corresponding Quarter 31 December 2016	Current Year To Date 31 December 2017	Preceding Year Corresponding Period 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Revenue	4,616	6,302	18,063	20,430
Other operating income	62	185	310	355
Operating expenses	(4,357)	(6,774)	(18,030)	(21,771)
Profit/ (Loss) from operations	321	(287)	343	(986)
Finance costs	(10)	(33)	(50)	(189)
Profit/ (Loss) before tax	311	(320)	293	(1,175)
Income tax expense	(22)	(70)	(18)	(56)
Profit/ (Loss) for the period	289	(390)	275	(1,231)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(27)	67	(10)	78
Total comprehensive profit/ (loss) for the period	262	(323)	265	(1,153)
Profit/ (Loss) attributable to:				
Owners of the parent	289	(390)	268	(1,228)
Non-controlling interests	-	-	7	(3)
Profit/ (Loss) for the period	289	(390)	275	(1,231)
Total comprehensive profit/ (loss) attributable to:				
Owners of the parent	262	(323)	258	(1,150)
Non-controlling interests	-	-	7	(3)
Total comprehensive profit/ (loss) for the period	262	(323)	265	(1,153)
Profit/ (Loss) per share (sen)				
Basic (note B11)	0.13	(0.18)	0.12	(0.57)
Diluted (note B11)	0.13	(0.18)	0.12	(0.57)

(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 31 DECEMBER 2017**

	Unaudited As At 31 December 2017 RM'000	Audited As At 31 December 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,433	6,828
	<u>7,433</u>	<u>6,828</u>
Current assets		
Inventories	3,355	2,697
Trade receivables	4,920	6,435
Other receivables, deposits and prepayments	379	494
Amount due from contract customer	-	403
Tax recoverable	-	26
Fixed deposits	4,000	4,000
Cash and bank balances	1,473	1,491
	<u>14,127</u>	<u>15,546</u>
TOTAL ASSETS	<u>21,560</u>	<u>22,374</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	21,535	21,535
Share premium	7,251	7,251
Exchange translation reserve	95	105
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(15,188)	(15,510)
Revaluation reserve	3,337	2,653
Equity attributable to owners of the parent	<u>17,030</u>	<u>16,034</u>
Non-controlling interest	-	(8)
TOTAL EQUITY	<u>17,030</u>	<u>16,026</u>
Non-current liabilities		
Hire purchases payables	211	61
Deferred tax liabilities	696	687
	<u>907</u>	<u>748</u>
Current liabilities		
Trade payables	2,805	4,018
Other payables and accruals	631	486
Hire purchases payables	106	173
Bank overdraft	-	736
Taxation	81	187
	<u>3,623</u>	<u>5,600</u>
TOTAL LIABILITIES	<u>4,530</u>	<u>6,348</u>
TOTAL EQUITY AND LIABILITIES	<u>21,560</u>	<u>22,374</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 2016 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED
31 December 2017**

(The figures have not been audited)

	Current Year To Date 31 December 2017	Preceding Year Corresponding Period 31 December 2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before tax	293	(855)
Adjustments for:-		
Non-cash items	709	575
Non-operating items	(78)	(84)
	<hr/>	<hr/>
Operating profit / (loss) before changes in working capital	924	(364)
Net changes in current assets	1,112	(395)
Net changes in current liabilities	(1,094)	265
	<hr/>	<hr/>
CASH (USED IN)/ FROM OPERATIONS	942	(494)
Income tax refunded	24	-
Interest paid	(50)	(130)
Tax paid	(114)	(85)
	<hr/>	<hr/>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	802	(709)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	134	84
Proceed from disposal of plant and equipment	159	35
Purchase of plant and equipment	(454)	(281)
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NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(161)	(162)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawn Down of hire purchases Loan	83	(185)
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NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	83	(185)
NET INCREASE IN CASH AND CASH EQUIVALENTS	724	(1,057)
Effect of changes in exchange rates	(6)	12
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,755	3,240
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CASH AND CASH EQUIVALENTS AT END OF PERIOD*	5,473	2,195
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* 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	1,473	1,720
Bank overdraft	-	(3,525)
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	5,473	2,195
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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 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 FOURTH QUARTER ENDED****31 December 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	(7)	16,027
Total comprehensive income for the period	-	-	(10)	-	-	-	268	258	7	265
Increase in Revaluation	-	-	-	766	-	-	-	766	-	766
Realisation of revaluation reserve	-	-	-	(54)	-	-	54	-	-	-
Deferred tax liability for revaluation reserve	-	-	-	(28)	-	-	-	(28)	-	(28)
As at 31 December 2017	21,535	7,251	95	3,337	7,692	(7,692)	(15,188)	17,030	-	17,030
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)	(2)	(1,152)
Realisation of revaluation reserve	-	-	-	(1,230)	-	-	1,230	-	-	-
As at 31 December 2016	21,535	7,251	105	2,652	7,692	(7,692)	(15,509)	16,034	(7)	16,027

(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 fourth quarter ended 31 December 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.

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 2017 RM'000	Preceding Year Corresponding Quarter 31 December 2016 RM'000	Current Year To Date 31 December 2017 RM'000	Preceding Year Corresponding Period 31 December 2016 RM'000
Revenue				
Malaysia	4,395	6,267	17,989	20,933
Thailand	1,406	1,228	4,804	4,360
Total including inter-segment sales	5,801	7,495	22,793	25,293
Eliminations of inter-segment sales	(1,185)	(1,193)	(4,730)	(4,863)
Total Revenue	4,616	6,302	18,063	20,430
Profit/ (Loss) Before Tax				
Segment results				
Malaysia	238	(325)	417	(1,305)
Thailand	(1)	53	(58)	330
	237	(272)	359	(975)
Finance costs	(10)	(33)	(50)	(188)
Eliminations	84	(4)	(16)	(12)
Total Profit/ (Loss) Before Tax	311	(309)	293	(1,175)
At 31 December 2017	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	47,922	2,402	(28,764)	21,560
Income tax assets	-	-	-	-
Total assets				21,560
Segment liabilities	21,766	878	(19,208)	3,436
Interest bearing -borrowings	256	61	-	317
Income tax liabilities	788	(11)	-	777
Total liabilities				4,530
Other segment information				
Capital expenditure	439	14	-	453
Depreciation of property, plant and equipment	493	64	-	557

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>		
	Current Quarter	Preceding Year		Preceding Year	
		Corresponding Quarter	Current Year To Date	Corresponding Period	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000	
Revenue					
Investment Holdings	300	240	1,201	963	
Coatings Manufacturing	5,098	4,807	19,213	18,314	
Others	403	2,448	2,379	6,016	
Eliminations	(1,185)	(1,193)	(4,730)	(4,863)	
Total Revenue	4,616	6,302	18,063	20,430	
Profit/ (Loss) Before tax					
Segment results					
Investment Holdings	8	(102)	(38)	(411)	
Coatings Manufacturing	155	420	775	483	
Others	74	(601)	(378)	(1,046)	
	237	(283)	359	(974)	
Finance costs	(10)	(4)	(50)	(189)	
Eliminations	84	(33)	(16)	(12)	
Total Profit/(Loss) Before Tax	311	(320)	293	(1,175)	

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. PERFORMANCE REVIEW

	Individual Period (4 th Quarter)		Changes (%)	Cumulative Period (4 th Quarter)		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31.12.17	31.12.16		31.12.17	31.12.16	
	RM'000	RM'000		RM'000	RM'000	
Revenue	4,616	6,302	(27)	18,063	20,430	(12)
Profit /(Loss) Before Interest and Tax ("PBIT")	321	(287)	(112)	343	(986)	(35)
Profit/(Loss) Before Tax ("PBT")	311	(320)	(97)	293	(1,175)	(25)
Profit/(Loss) After Tax ("PAT")	289	(390)	(74)	275	(1,231)	(22)
Profit/ (Loss) attributable to Ordinary Equity Holders of the Parent	289	(390)	(74)	268	(1,128)	(24)

Review of results for the current quarter

For the current quarter financial period ended 31 December 2017, the Group's registered a revenue of RM4.616 million, PBIT of RM 321 million and PBT of RM 0.311 million as compared to a revenue of RM6.302 million, LBIT of RM 0.287 million and LBT of RM 0.32 million in the preceding quarter financial period ended 31 December 2016.

Commentary on revenue

The Group recorded a lower revenue for the current quarter, mainly due to revenue contributed from others segment of business was lower compared to the preceding quarter financial period ended 31 December 2016

Commentary on LBIT/ LBT

The Group recorded a PBIT and PBT for the current quarter financial period compared to the preceding quarter financial period. This was mainly due to lower operating cost compared to preceding quarter financial period ended 31 December 2017.

Review of results for the financial period ended 31 December 2017

The Group's registered a revenue of RM 18.063 million, PBIT of RM 0.343 million and PBT of RM 0.293 million for the financial period ended 31 December 2017 as compared to a revenue of RM 20.43 million, LBIT of RM 0.986 million and LBT of RM 1.175 million in the preceding financial period ended 31 December 2016.

Commentary on revenue

The Group recorded lower revenue for the current quarter, mainly due to revenue contributed from others segment of business was lower compared to the preceding quarter financial period ended 31 December 2016.

Commentary on LBIT/ LBT

The Group recorded a PBIT and PBT for the current quarter financial period compared to the preceding quarter financial period. This was mainly due to lower operating cost compared to preceding quarter financial period ended 31 December 2016.

B2. COMMENTS ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate	Changes (%)
	31.12.17	Preceding Quarter	
	RM'000	RM'000	
Revenue	4,616	4,483	3
Profit/(loss) From Operations	321	254	26
Profit Before Tax	311	243	28
Profit After Tax	289	247	17
Profit/Loss attributable to Ordinary Equity Holders of the Parent	289	247	17

The profit before taxation is approximately RM 0.311 million for the current quarter as compared to a profit before taxation approximately RM 0.243 million for the preceding quarter financial period ended 30 September 2017. The increase of profit before tax is mainly due to the increase of revenue.

B3. Prospects for 2018

The local market is expected to remain modest in year 2018. However, the Group will continue to retain the existing customers by providing the best coating solutions. Meanwhile, the Group will also continue to market aggressively in the local market to increase our product market share.

Since year 2017, the Group successfully penetrated into the overseas markets, such as Myanmar and Bangladesh. This achievement had generated a significant improvement in the Group's revenue. The Group believes that there are opportunity and potential customers in overseas market and will continue to explore the Group's business in this segment.

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 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	(42)	(158)	(51)	(158)
Deferred taxation	20	88	33	102
	<u>(22)</u>	<u>(70)</u>	<u>(18)</u>	<u>(56)</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	106	-	106
Bank Overdraft	-	-	-
	<u>106</u>	<u>-</u>	<u>106</u>
Long Term Borrowings			
Hire Purchase Payables	211	-	211
Total	<u>317</u>	<u>-</u>	<u>317</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 2017	31 December 2016	31 December 2017	31 December 2016
Net Profit/ (Loss) attributed to owners of the parent for the period (RM'000)	289	(390)	268	(1,228)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	215,349
Basic profit/ (loss) per share (sen)	0.13	(0.18)	0.12	(0.57)

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 31.12.2017	As at 31.12.2016
	RM'000	RM'000
Realised	(11,453)	(12,037)
Unrealised	(206)	33
	<hr/>	<hr/>
	(11,659)	(12,004)
Less : Consolidation adjustments	(3,529)	(3,506)
Total	<hr/> <hr/>	<hr/> <hr/>
	(15,188)	(15,510)

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 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Provision for bad debt	-	420		420
Bad debts recovered	-	-	6	-
Depreciation and amortisation	(138)	(151)	(557)	(605)
Gain or (loss) on disposal of property, plant and equipment	104	91	105	126
Gain or (loss) on foreign exchange –Realised	(6)	2	(20)	(31)
Gain or (loss) on foreign exchange –Unrealised	(82)	36	(257)	9
Interest expense	(10)	(27)	(50)	(157)
Interest income	17	26	134	110