

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED****31 December 2018**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2018	Preceding Year Corresponding Quarter 31 December 2017	Current Year To Date 31 December 2018	Preceding Year Corresponding Period 31 December 2017
	RM'000	RM'000	RM'000	RM'000
Revenue	6,093	4,620	18,020	18,066
Other operating income	19	57	265	306
Operating expenses	(6,099)	(4,357)	(18,958)	(18,029)
Profit / (Loss) from operations	13	320	(673)	343
Finance costs	(11)	(10)	(44)	(50)
Profit / (Loss) before tax	2	310	(717)	293
Income tax expense	(44)	(18)	(37)	(14)
(Loss) / Profit for the period	(42)	292	(754)	279
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(13)	(30)	35	(12)
Revaluation of land and building	-	705	-	705
Total comprehensive (loss) / profit for the period	(55)	967	(719)	972
(Loss) / Profit attributable to:				
Owners of the parent	(42)	292	(754)	272
Non-controlling interests	-	-	-	7
(Loss) / Profit for the period	(42)	292	(754)	279
Total comprehensive (Loss) / Profit attributable to:				
Owners of the parent	(55)	967	(719)	965
Non-controlling interests	-	-	-	7
Total comprehensive (Loss) / Profit for the period	(55)	967	(719)	972
(Loss) / Profit per share (sen)				
Basic (note B10)	(0.02)	0.14	(0.35)	0.13
Diluted (note B10)	(0.02)	0.14	(0.35)	0.13

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017 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 2018**

	Unaudited As At 31 December 2018 RM'000	Audited As At 31 December 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,389	7,433
	<u>7,389</u>	<u>7,433</u>
Current assets		
Inventories	2,652	3,354
Trade receivables	4,277	4,919
Other receivables, deposits and prepayments	293	583
Tax recoverable	8	39
Fixed deposits	4,000	4,000
Cash and bank balances	1,392	1,995
	<u>12,622</u>	<u>14,890</u>
TOTAL ASSETS	<u>20,011</u>	<u>22,323</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	28,786	28,786
Exchange translation reserve	129	94
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(15,997)	(15,185)
Revaluation reserve	3,248	3,304
Equity attributable to owners of the parent	<u>16,166</u>	<u>16,999</u>
TOTAL EQUITY	<u>16,166</u>	<u>16,999</u>
Non-current liabilities		
Hire purchases payables	159	211
Deferred tax liabilities	711	729
	<u>870</u>	<u>940</u>
Current liabilities		
Trade payables	2,103	2,804
Other payables and accruals	604	835
Hire purchases payables	145	106
Bank overdraft	-	522
Taxation	123	117
	<u>2,975</u>	<u>4,384</u>
TOTAL LIABILITIES	<u>3,845</u>	<u>5,324</u>
TOTAL EQUITY AND LIABILITIES	<u>20,011</u>	<u>22,323</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 2017 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED
31 December 2018**
(The figures have not been audited)

	Current Year To Date 31 December 2018	Preceding Year Corresponding Period 31 December 2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	(717)	293
Adjustments for:-		
Non-cash items	774	745
Non-operating items	(12)	(114)
	<hr/>	<hr/>
Operating profit / (loss) before changes in working capital	45	924
Net changes in current assets	1,122	875
Net changes in current liabilities	(900)	(858)
	<hr/>	<hr/>
CASH (USED IN)/ FROM OPERATIONS	267	941
Income tax refunded	-	24
Interest paid	(44)	(20)
Tax paid	(49)	(141)
	<hr/>	<hr/>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	174	804
NET CASH FOR INVESTING ACTIVITIES		
Interest received	56	134
Proceed from disposal of plant and equipment	137	157
Purchase of plant and equipment	(365)	(182)
	<hr/>	<hr/>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(172)	109
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of hire purchases payables	(113)	(187)
Placement from Fixed Deposit	-	-
	<hr/>	<hr/>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(113)	(187)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(111)	726
Effect of changes in exchange rates	30	(8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,473	755
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	1,392	1,473
	<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	4,000
Cash and bank balances	1,392	1,995
Bank overdraft	-	(522)
	<hr/>	<hr/>
	5,392	5,473
Less : Fixed Deposit Pledged to License Bank	(4,000)	(4,000)
	<hr/>	<hr/>
	1,392	1,473
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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 2017 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 2018**

(The figures have not been audited)

	Non - distributable		Attributable to Owners of the Parent					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	Accumulated losses RM'000			
As at 1 January 2018	28,786	-	94	3,304	7,692	(7,692)	(15,185)	16,999	-	16,999
Adjustment of initial application of: MFRS 9							(114)	(114)	-	(114)
Loss for the financial year							(754)	(754)		(754)
Other comprehensive income for the financial year:										
Realisation of revaluation reserve	-	-	-	(56)	-	-	56	-	-	-
Foreign exchange translation reserve	-	-	35	-	-	-	-	35	-	35
As at 31 December 2018	28,786	-	129	3,248	7,692	(7,692)	(15,997)	16,166	-	16,166
As at 1 January 2017	21,535	7,251	106	2,652	7,692	(7,692)	(15,510)	16,034	(7)	16,027
Profit for the financial year	-	-	-	-	-	-	272	272	7	279
Other comprehensive income for the financial year:										
Revaluation Surplus of land and building, net of tax				705			-	705		705
Realisation of revaluation reserve	-	-	-	(53)	-	-	53	-	-	-
Foreign exchange translation reserve	-	-	(12)	-	-	-	-	(12)	-	(12)
Deferred tax liability for revaluation reserve	7,251	(7,251)	-	-	-	-	-	-	-	-
As at 31 December 2017	28,786	-	94	3,304	7,692	(7,692)	(15,185)	16,999	-	16,999

* The new companies Act 2016 (the "Act"), which come into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to credit of the share premium account of RM7.251 million become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM7.251 million for purposes as set out in Sections 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition

(The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 31 December 2018 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 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 2017. 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 2017.

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 2019

1. MFRS 16, Lease
2. IC Interpretation 23, Uncertainty over Income Tax Treatments
3. Amendments to MFRS 9, Prepayment Features with Negative Compensation
4. Amendments to MFRS 119, Plan Amendments, Curtailment or Settlement
5. Amendments to MFRS 128, Long-term interests in Associates and Joint Venture
6. Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3
 - Amendments to MFRS 11
 - Amendments to MFRS 112
 - Amendments to MFRS 123
7. MFRS 17, Insurance Contracts
8. 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 except as mentioned below:

(a) MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

- classification and measurement;
- impairment; and
- hedge accounting.

With the exception of hedge accounting, the Group has applied MFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

The adoption of MFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing MFRS 139’s incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

A1. Basis of Preparation (Con't)

(a) MFRS 9: Financial Instruments (Con't)

The Group does not have other financial assets other than Contract assets and Trade and other receivables, for which the Group has applied the standard's simplified approach and calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in which the business is operating in.

The impact upon application of the new impairment model is as follow:

Impact on Statement of Financial Position decrease as at 31 December 2017:

	RM '000
Current Assets	(114)
Trade & other receivables	<u>(114)</u>
TOTAL ASSETS	
Equity attributable to equity holders of the Company	
Retained losses	<u>(114)</u>
TOTAL EQUITY AND LIABILITIES	<u><u>(114)</u></u>

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	RM
	'000	'000
Total Number of Issued Shares as at 31.12.2018	<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:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31 December 2018 RM'000	Preceding Year Corresponding Quarter 31 December 2017 RM'000	Current Year To Date 31 December 2018 RM'000	Preceding Year Corresponding Period 31 December 2017 RM'000
Revenue				
Malaysia	5,187	4,395	15,599	17,990
Thailand	1,968	1,409	5,318	4,807
Total including inter-segment sales	7,155	5,804	20,917	22,797
Eliminations of inter-segment sales	(1,062)	(1,184)	(2,897)	(4,731)
Total Revenue	6,093	4,620	18,020	18,066

Profit/ (Loss) Before Tax

Segment results				
Malaysia	(5,674)	237	(6,501)	418
Thailand	60	-	205	(58)
	(5,614)	237	(6,296)	360
Finance costs	(11)	(10)	(44)	(50)
Eliminations	5,627	83	5,623	(17)
Total Profit/(Loss) Before Tax	2	310	(717)	293

At 31 December 2018

	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	37,522	2,535	(19,743)	20,314
Income tax assets	8	-	-	8
Total assets				20,322
Segment liabilities	17,708	809	(15,809)	2,708
Interest bearing -borrowings	262	42	-	304
Income tax liabilities	813	20	-	833
Total liabilities				3,845
Other segment information				
Capital expenditure	280	185	-	465
Depreciation of property, plant and equipment	403	68	-	471

A7. Segmental Reporting (Con't)

(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
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	11	300	11	1,201
Coatings Manufacturing	5,628	5,101	18,988	19,216
Others	1,516	404	1,917	2,379
Eliminations	(1,062)	(1,185)	(2,896)	(4,730)
Total Revenue	6,093	4,620	18,020	18,066
Profit/(Loss) Before tax				
Segment results				
Investment Holdings	(202)	8	(832)	(38)
Coatings Manufacturing	(5,403)	155	(5,077)	775
Others	(9)	74	(387)	(377)
	(5,614)	237	(6,296)	360
Finance costs	(11)	(10)	(44)	(50)
Eliminations	5,627	83	5,623	(17)
Total Profit/(Loss) Before Tax	2	310	(717)	293

A8. Material Events Subsequent to the End of the Quarter under Review

There were no material events 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	
	31.12.18	31.12.17		31.12.18	31.12.17	
	RM'000	RM'000		RM'000	RM'000	
Revenue	6,093	4,620	32	18,020	18,066	0
Profit/(Loss) Before Interest and Tax ("PBIT/LBIT")	13	320	(96)	(673)	343	(296)
Profit/(Loss) Before Tax ("PBT/LBT")	2	310	(99)	(717)	293	(357)
(Loss)/Profit After Tax ("LAT/PAT")	(42)	292	(114)	(754)	279	(370)
Profit/(Loss) attributable to Ordinary Equity Holders of the Parent	(42)	292	(114)	(754)	272	(377)

Review of results for the current quarter

For the current quarter financial period ended 31 December 2018, the Group registered a revenue of RM6.09 million, PBIT of RM0.01 million and PBT of RM0.002 million as compared to a revenue of RM4.62 million, PBIT of RM0.32 million and PBT of RM0.31 million in the preceding financial year's corresponding quarter.

Commentary on revenue

The Group recorded a higher revenue for the current quarter, mainly due to higher revenue contribution from the industry coating business and also decorative coating business.

Commentary on PBIT and PBT

The Group recorded a lower PBIT and PBT for the current quarter financial period ended 31 December 2018 compared to the preceding financial year's corresponding quarter, mainly due to the written down value of slow moving inventories which amounted to RM0.31 million.

Review of results for the financial period ended 31 December 2018

The Group registered a revenue of RM18.02 million, LBIT of RM0.67 million and LBT of RM0.72 million for the financial period ended 31 December 2018 as compared to a revenue of RM18.07 million, PBIT of RM0.34 million and PBT of RM0.29 million in the preceding financial year's corresponding period.

Commentary on revenue

The Group recorded lower revenue for the current quarter financial period ended 31 December 2018, mainly due to lower revenue contributed from the declined in the decorative coating business.

B1. PERFORMANCE REVIEW (Con't)

Review of results for the financial period ended 31 December 2018 (Con't)

Commentary on LBIT/ LBT

The Group recorded a higher LBIT and LBT for the financial period ended 31 December 2018 compared to the preceding financial year's corresponding period. This was mainly due to a specific provision of bad debts which amounted to RM0.35 million, written down value of slow moving inventories which amounted to RM0.31 million and also an unusual upkeep of factory which amounted to RM0.16 million.

B2. COMMENTS ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31.12.18	30.09.18	
	RM'000	RM'000	
Revenue	6,093	4,170	46
Profit From Operations	13	116	(89)
Profit Before Tax	2	107	(98)
(Loss)/Profit After Tax	(42)	105	(140)
(Loss)/Profit attributable to Ordinary Equity Holders of the Parent	(42)	105	(140)

The profit before taxation is approximately RM0.002 million for the current quarter financial period ended 31 December 2018 as compared to a profit before taxation approximately RM0.11 million for the immediate preceding quarter financial period ended 30 September 2018. This was due to the written down value of inventories which amounted to RM0.31 million.

B3. Prospects for 2019

The coatings industry is facing a challenging time and the management will continue to be cautious and prudent to meet these challenges. The management will continue to seek opportunities to secure more revenue while implementing internal cost cutting measures, tightening our credit control policy and streamlining of operations to achieve better output and efficiency.

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 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	(48)	(23)	(55)	(32)
Deferred taxation	4	5	18	18
	<u>(44)</u>	<u>(18)</u>	<u>(37)</u>	<u>(14)</u>

B6. Status of Corporate Proposal Announced

On 29 August 2018, TA Securities Holdings Berhad on behalf of the Board of Directors of the Company announced that the Company is proposing to undertake a capital reduction pursuant to Section 116 of the Companies Act 2016 ("Proposed Capital Reduction").

On 11 October 2018 at an Extraordinary General Meeting, the Company had obtained approval from the shareholders in relation to the Proposed Capital Reduction.

The hearing date for the petition for the Proposed Capital Reduction has been fixed on 5 March 2019.

Save for the above, there is no corporate proposal announced but not completed as at the date 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	145	-	145
Bank Overdraft	-	-	-
	<u>145</u>	<u>-</u>	<u>145</u>
Long Term Borrowings			
Hire Purchase Payables	159	-	159
Total	<u>159</u>	<u>-</u>	<u>159</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. (Loss)/ Profit Per Share

Basic (loss)/ profit per share

	Current quarter ended		Cumulative quarter ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Net Profit/ (Loss) attributed to owners of the parent for the period (RM'000)	(42)	292	(754)	272
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	215,349
Basic profit/ (loss) per share (sen)	(0.02)	0.14	(0.35)	0.13

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 2017 was not qualified.

B12. Derivative Financial Instruments

(a) Disclosure of derivative financial instruments

As at 31 December 2018, the Group does not hold any derivative financial instruments.

(b) Disclosure of gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities reported by the Group during the financial period under review.

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 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Provision for bad debt	144	(23)	(348)	(23)
Written down value of slow moving inventories	(311)	-	(311)	-
Bad debt recovery	-	-	-	6
Depreciation and amortisation	(123)	(138)	(471)	(557)
Gain or (loss) on disposal of property, plant and equipment	-	46	93	101
Gain or (loss) on foreign exchange –Realised	62	7	19	(6)
Gain or (loss) on foreign exchange –Unrealised	(6)	(91)	(48)	(266)
Interest expense	(11)	(10)	(44)	(50)
Interest income	(4)	17	56	134

Saved as disclosed above and in the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income, the other items under Appendix 9B, Part A (16) of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market are not applicable.