

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED
30 June 2019**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 June 2019	Preceding Year Corresponding Quarter 30 June 2018	Current Year To Date 30 June 2019	Preceding Year Corresponding Period 30 June 2018
	RM'000	RM'000	RM'000	RM'000
Revenue	3,238	3,772	6,571	7,757
Cost of sales	(2,161)	(2,674)	(4,523)	(5,441)
Gross Profit	1,077	1,098	2,048	2,316
Other operating income	38	144	73	220
Operating expenses	(1,256)	(1,634)	(2,448)	(3,338)
(Loss) from operations	(141)	(392)	(327)	(802)
Finance costs	(10)	(11)	(19)	(24)
(Loss) before tax	(151)	(403)	(346)	(826)
Income tax expense	4	5	9	9
(Loss) for the period	(147)	(398)	(337)	(817)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	79	(4)	99	(29)
Total comprehensive (loss) profit for the period	(68)	(402)	(238)	(846)
(Loss) attributable to:				
Owners of the parent	(147)	(398)	(337)	(817)
Non-controlling interests	-	-	-	-
(Loss) for the period	(147)	(398)	(337)	(817)
Total comprehensive (Loss) attributable to:				
Owners of the parent	(68)	(402)	(238)	(846)
Non-controlling interests	-	-	-	-
Total comprehensive (Loss) for the period	(68)	(402)	(238)	(846)
(Loss) per share (sen)				
Basic (note B10)	(0.07)	(0.18)	(0.16)	(0.38)
Diluted (note B10)	(0.07)	(0.18)	(0.16)	(0.38)

(The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2019**

	Unaudited As At 30 June 2019 RM'000	Audited As At 31 December 2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,170	7,389
	<u>7,170</u>	<u>7,389</u>
Current assets		
Inventories	2,806	2,653
Trade receivables	3,077	4,265
Other receivables, deposits and prepayments	245	415
Tax recoverable	21	8
Fixed deposits	4,000	4,000
Cash and bank balances	1,757	1,392
	<u>11,906</u>	<u>12,733</u>
TOTAL ASSETS	<u>19,076</u>	<u>20,122</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	12,786	28,786
Exchange translation reserve	229	130
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(318)	(16,009)
Revaluation reserve	3,220	3,248
Equity attributable to owners of the parent	<u>15,917</u>	<u>16,155</u>
TOTAL EQUITY	<u>15,917</u>	<u>16,155</u>
Non-current liabilities		
Hire purchases payables	84	159
Deferred tax liabilities	701	710
	<u>785</u>	<u>869</u>
Current liabilities		
Trade payables	1,596	2,278
Other payables and accruals	537	541
Hire purchases payables	150	145
Taxation	91	134
	<u>2,374</u>	<u>3,098</u>
TOTAL LIABILITIES	<u>3,159</u>	<u>3,967</u>
TOTAL EQUITY AND LIABILITIES	<u>19,076</u>	<u>20,122</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.07	0.08

(The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED
30 June 2019**

	Current Year To Date 30 June 2019	Preceding Year Corresponding Period 30 June 2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before tax	(346)	(826)
Adjustments for:-		
Non-cash items	296	747
Non-operating items	(14)	(120)
Operating profit / (loss) before changes in working capital	(64)	(199)
Net changes in current assets	1,151	1,030
Net changes in current liabilities	(698)	(969)
CASH (USED IN)/ FROM OPERATIONS	389	(138)
Interest paid	(19)	(24)
Tax paid	(45)	(14)
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	325	(176)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	33	69
Proceed from disposal of plant and equipment	3	136
Purchase of plant and equipment	(7)	(236)
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	29	(31)
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of hire purchases payables	(70)	(53)
Withdraw from Fixed Deposit	-	2,500
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(70)	2,447
NET INCREASE IN CASH AND CASH EQUIVALENTS	284	2,240
Effect of changes in exchange rates	81	(42)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,392	1,473
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	1,757	3,671
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Fixed deposits	4,000	1,500
Cash and bank balances	1,757	3,671
	5,757	5,171
Less : Fixed Deposit Pledged to License Bank	(4,000)	(1,500)
	1,757	3,671

(The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SECOND QUARTER ENDED****30 June 2019**

(The figures have not been audited)

	← Attributable to Owners of the Parent →						Total Equity RM'000
	Share capital 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 2019	28,786	130	3,248	7,692	(7,692)	(16,009)	16,155
Share capital reduction	(16,000)					16,000	-
Loss for the financial year						(337)	(337)
Other comprehensive income for the financial year:							
Realisation of revaluation reserve	-	-	(28)	-	-	28	-
Foreign exchange translation reserve	-	99	-	-	-	-	99
As at 30 June 2019	12,786	229	3,220	7,692	(7,692)	(318)	15,917
As at 1 January 2018	28,786	94	3,304	7,692	(7,692)	(15,185)	16,999
Adjustment of initial application of: MFRS 9						(114)	(114)
Loss for the financial year	-	-	-	-	-	(817)	(817)
Other comprehensive income for the financial year:							
Realisation of revaluation reserve	-	-	(28)	-	-	28	-
Foreign exchange translation reserve	-	(29)	-	-	-	-	(29)
Deferred tax liability for revaluation reserve	-	-	-	-	-	-	-
As at 30 June 2018	28,786	65	3,276	7,692	(7,692)	(16,088)	16,039

(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 2018 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 financial period as at 30 June 2019 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 Sersol Berhad (“the Company”) and its subsidiaries (collectively referred to as “the Group”) for the financial year ended 31 December 2018. 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 2018.

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 2020

- | | |
|----|---|
| 1. | Amendment to References to the Conceptual Framework in MFRS Standards |
| 2. | Amendments to MFRS 3 Definition of a Business |
| 3. | Amendments to MFRS 101 Definition of Material |
| 4. | MFRS 17 Insurance Contracts |
| 5. | Amendment to MFRS10 and Sales of Contribution of Assets between an investor and its
MFRS 128 Associates of Joint Venture |

The Group intends to adopt the above MFRS when they become effective.

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	
	No of shares	RM
	'000	'000
Total Number of Issued Shares as at 30.06.2019	<u>215,349</u>	<u>12,786</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 June 2019 RM'000	Preceding Year Corresponding Quarter 30 June 2018 RM'000	Current Year To Date 30 June 2019 RM'000	Preceding Year Corresponding Period 30 June 2018 RM'000
Revenue				
Malaysia	2,806	3,237	5,661	6,796
Thailand	821	958	1,879	2,239
Total including inter-segment sales	3,627	4,195	7,540	9,035
Eliminations of inter-segment sales	(389)	(423)	(969)	(1,278)
Total Revenue	3,238	3,772	6,571	7,757
(Loss) Before Tax				
Segment results				
Malaysia	(154)	(413)	(294)	(904)
Thailand	(29)	28	(17)	114
	(183)	(385)	(311)	(790)
Finance costs	(11)	(11)	(19)	(24)
Eliminations	43	(7)	(16)	(12)
Total (Loss) Before Tax	(151)	(403)	(346)	(826)
At 30 June 2019	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	36,199	1,922	(19,066)	19,055
Income tax assets	21	-	-	21
Total assets				19,076
Segment liabilities	17,093	156	(15,116)	2,133
Interest bearing - borrowings	201	33	-	234
Income tax liabilities	792	-	-	792
Total liabilities				3,159
Other segment information				
Capital expenditure	7	-	-	7
Depreciation of property, plant and equipment	207	36	-	243

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
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Revenue				
Investment Holdings	16	-	33	-
Coatings Manufacturing	3,493	4,108	7,387	8,667
Others	118	87	120	368
Eliminations	(389)	(423)	(969)	(1,278)
Total Revenue	3,238	3,772	6,571	7,757
(Loss) Before tax				
Segment results				
Investment Holdings	(159)	(192)	(222)	(415)
Coatings Manufacturing	(20)	155	(102)	33
Others	(4)	(348)	13	(408)
	(183)	(385)	(311)	(790)
Finance costs	(11)	(11)	(19)	(24)
Eliminations	43	(7)	(16)	(12)
Total (Loss) Before Tax	(151)	(403)	(346)	(826)

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 (2 nd Quarter)		Cumulative Period (2 nd Quarter)	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30.06.19	30.06.18	30.06.19	30.06.18
	RM'000	RM'000	RM'000	RM'000
Revenue	3,238	3,772	6,571	7,757
(Loss) Before Interest and Tax ("LBIT")	(141)	(392)	(327)	(802)
(Loss) Before Tax ("LBT")	(151)	(403)	(346)	(826)
(Loss) After Tax ("LAT")	(147)	(398)	(337)	(817)
(Loss) attributable to Ordinary Equity Holders of the Parent	(147)	(398)	(337)	(817)

Review of results for the current quarter

For the current quarter financial period ended 30 June 2019, the Group registered a revenue of RM3.24 million, LBIT of RM0.14 million and LBT of RM0.15 million as compared to a revenue of RM3.77 million, LBIT of RM0.39 million and LBT of RM0.40 million in the preceding financial year's corresponding quarter.

Commentary on revenue

The Group recorded a lower revenue for the current quarter due to lower contribution from the coatings manufacturing segment which resulted from softer market in Malaysia and Thailand.

Commentary on LBIT and LBT

The Group recorded a lower LBIT and LBT for the current quarter 30 June 2019 compared to the preceding financial year's corresponding quarter, mainly due to decrease in operating expenses by 23.1% to RM1.26 million.

B1. PERFORMANCE REVIEW (CONT'D)

Review of results for the financial period ended 30 June 2019

The Group recorded a revenue of RM6.57 million, LBIT of RM0.33 million and LBT of RM0.35 million for the financial period ended 30 June 2019 as compared to a revenue of RM7.76 million, LBIT of RM0.80 million and LBT of RM0.83 million in the financial period ended 30 June 2018.

Commentary on revenue

The weak economic environment had affected the Coatings Manufacturing segment which resulted in a decline by RM1.28 million compared to the preceding year corresponding period.

Commentary on LBIT/ LBT

The Group recorded an improvement in LBIT and LBT which declined 59.2% and 58.1% respectively. This was largely due to lower operation cost. Operation cost declined 26.7% for the first six months.

B2. COMMENTS ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter
	30.06.19	31.03.19
	RM'000	RM'000
Revenue	3,238	3,333
(Loss) / Profit From Operations	(141)	(186)
(Loss) Before Tax	(151)	(195)
(Loss) After Tax	(147)	(190)
(Loss) attributable to Ordinary Equity Holders of the Parent	(147)	(190)

The loss before taxation is approximately RM0.15 million for the current quarter financial period ended 30 June 2019 as compared to a loss before taxation approximately RM0.20 million for the immediate preceding quarter financial period ended 31 March 2019. The decrease in loss before tax was mainly due to products sold in 2nd quarter which had a higher margin compared with those sold in the 1st quarter.

B3. Prospects of the Group

The coating industry is still facing a challenging time and the management will continue to be cautious and prudent to meet these challenges. The management shall explore opportunities to enhance business revenue while implementing internal cost cutting measures, tightening our credit control and streamlining of operations with the view to achieve better results.

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 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	-	-	-
Deferred taxation	4	5	9	9
	4	5	9	9

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	150	-	150
Bank Overdraft	-	-	-
	150	-	150
Long Term Borrowings			
Hire Purchase Payables	84	-	84
Total	234	-	234

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	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Net (Loss) attributed to owners of the parent for the period (RM'000)	(147)	(398)	(337)	(817)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	215,349
Basic profit/ (loss) per share (sen)	(0.07)	(0.18)	(0.16)	(0.38)

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 2018 was not qualified.

B12. Derivative Financial Instruments

(a) Disclosure of derivative financial instruments

As at 30 June 2019, 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	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	(121)	(112)	(243)	(230)
Decrease or (increase) in provision for bad debt	4	(292)	4	(493)
Gain or (loss) on disposal of property, plant and equipment	-	74	1	74
Gain or (loss) on foreign exchange –Realised	7	(13)	8	(40)
Gain or (loss) on foreign exchange –Unrealised	(40)	33	(58)	(23)
Interest expense	(11)	(11)	(19)	(24)
Interest income	(5)	22	33	69

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.