

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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2019	Preceding Year Corresponding Quarter 31 December 2018	Current Year To Date 31 December 2019	Preceding Year Corresponding Period 31 December 2018
	RM'000	RM'000	RM'000	RM'000
Revenue	5,049	6,089	17,882	18,016
Cost of sales	(4,047)	(4,512)	(13,522)	(12,929)
Gross Profit	1,002	1,577	4,360	5,087
Other operating income	71	18	136	264
Operating expenses	(1,511)	(1,621)	(5,120)	(6,063)
Loss from operations	(438)	(26)	(624)	(712)
Finance costs	(3)	16	(13)	(17)
Loss before tax	(441)	(10)	(637)	(729)
Income tax expense	(32)	(45)	(18)	(38)
Loss for the period	(473)	(55)	(655)	(767)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(3)	(12)	125	36
Total comprehensive loss for the period	(476)	(67)	(530)	(731)
Loss attributable to:				
Owners of the parent	(473)	(55)	(655)	(767)
Loss for the period	(473)	(55)	(655)	(767)
Total comprehensive Loss attributable to:				
Owners of the parent	(476)	(67)	(530)	(731)
Total comprehensive Loss for the period	(476)	(67)	(530)	(731)
Loss per share (sen)				
Basic (note B10)	(0.22)	(0.03)	(0.30)	(0.36)
Diluted (note B10)	(0.22)	(0.03)	(0.30)	(0.36)

(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.)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2019**

	Unaudited As At 31 December 2019	Audited As At 31 December 2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,197	7,389
	<u>7,197</u>	<u>7,389</u>
Current assets		
Inventories	2,800	2,653
Trade receivables	4,178	4,265
Other receivables, deposits and prepayments	251	415
Right of use asset	131	-
Tax recoverable	22	8
Fixed deposits	-	4,000
Cash and bank balances	5,495	1,392
	<u>12,877</u>	<u>12,733</u>
TOTAL ASSETS	<u>20,074</u>	<u>20,122</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	12,786	28,786
Exchange translation reserve	255	130
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(608)	(16,009)
Revaluation reserve	3,192	3,248
Equity attributable to owners of the parent	<u>15,625</u>	<u>16,155</u>
TOTAL EQUITY	<u>15,625</u>	<u>16,155</u>
Non-current liabilities		
Hire purchases payables	27	159
Deferred tax liabilities	716	710
	<u>743</u>	<u>869</u>
Current liabilities		
Trade payables	2,571	2,278
Other payables and accruals	847	541
Hire purchases payables	55	145
Lease Liability	132	-
Taxation	101	134
	<u>3,706</u>	<u>3,098</u>
TOTAL LIABILITIES	<u>4,449</u>	<u>3,967</u>
TOTAL EQUITY AND LIABILITIES	<u>20,074</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 FORTH QUARTER ENDED
31 December 2019**

	Current Year To Date 31 December 2019	Preceding Year Corresponding Period 31 December 2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(637)	(729)
Adjustments for:-		
Non-cash items	748	1,195
Non-operating items	(56)	(39)
Operating profit / (loss) before changes in working capital	55	427
Net changes in current assets	(140)	638
Net changes in current liabilities	593	(819)
CASH (USED IN)/ FROM OPERATIONS	508	246
Interest paid	(13)	(17)
Tax paid	(53)	(8)
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	442	221
NET CASH FOR INVESTING ACTIVITIES		
Interest received	49	56
Repayment of finance lease	(65)	-
Proceed from disposal of PPE & Motor Vehicle	262	139
Purchase of plant and equipment	(471)	(368)
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(225)	(173)
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of hire purchases payables	(222)	(113)
Withdraw from Fixed Deposit	4,000	-
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	3,778	(113)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,995	(65)
Effect of changes in exchange rates	108	(16)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,392	1,473
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	5,495	1,392
* 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	5,495	1,392
	5,495	5,392
Less : Fixed Deposit Pledged to License Bank	-	(4,000)
	5,495	1,392

(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 BERHAD

Company No. 602062-X
(Incorporated In Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FORTH QUARTER ENDED**31 December 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						(655)	(655)
Other comprehensive income for the financial year:							
Realisation of revaluation reserve	-	-	(56)	-	-	56	-
Foreign exchange translation reserve	-	125	-	-	-	-	125
As at 31 December 2019	<u>12,786</u>	<u>255</u>	<u>3,192</u>	<u>7,692</u>	<u>(7,692)</u>	<u>(608)</u>	<u>15,625</u>
As at 1 January 2018	28,786	94	3,304	7,692	(7,692)	(15,184)	17,000
Adjustment of initial application of: MFRS 9						(114)	(114)
Loss for the financial year	-	-	-	-	-	(767)	(767)
Other comprehensive income for the financial year:							
Realisation of revaluation reserve	-	-	(56)	-	-	56	-
Foreign exchange translation reserve	-	36	-	-	-	-	36
As at 31 December 2018	<u>28,786</u>	<u>130</u>	<u>3,248</u>	<u>7,692</u>	<u>(7,692)</u>	<u>(16,009)</u>	<u>16,155</u>

(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 31 December 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 MFRS 128 | Sales of Contribution of Assets between an investor and its Associates of Joint Venture |

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

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 31.12.2019	<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

(a) Primary Reporting Format - Geographical Segment:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2019 RM'000	Preceding Year Corresponding Quarter 31 December 2018 RM'000	Current Year To Date 31 December 2019 RM'000	Preceding Year Corresponding Period 31 December 2018 RM'000
Revenue				
Malaysia	4,349	5,187	15,778	15,599
Thailand	997	1,964	3,742	5,314
Total including inter-segment sales	5,346	7,151	19,520	20,913
Eliminations of inter-segment sales	(297)	(1,062)	(1,638)	(2,897)
Total Revenue	5,049	6,089	17,882	18,016

Loss Before Tax

Segment results				
Malaysia	(384)	(5,700)	(587)	(6,527)
Thailand	(37)	48	(66)	193
	(421)	(5,652)	(653)	(6,334)
Finance costs	(3)	16	(13)	(17)
Eliminations	(17)	5,626	29	5,622
Total Loss Before Tax	(441)	(10)	(637)	(729)

At 31 December 2019

	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	36,706	2,407	(19,061)	20,052
Income tax assets	6	16	-	22
Total assets				20,074
Segment liabilities	18,015	692	(15,156)	3,551
Interest bearing -borrowings	60	21	-	81
Income tax liabilities	817	-	-	817
Total liabilities				4,449
Other segment information				
Capital expenditure	465	6	-	471
Depreciation of property, plant and equipment	365	73	-	438

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 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	7	11	48	11
Coatings Manufacturing	4,424	5,624	15,904	18,984
Others	916	1,516	3,567	1,917
Eliminations	(298)	(1,062)	(1,637)	(2,896)
Total Revenue	5,049	6,089	17,882	18,016
Loss Before tax				
Segment results				
Investment Holdings	(81)	(201)	(367)	(832)
Coatings Manufacturing	23	(5,442)	63	(5,115)
Others	(363)	(9)	(349)	(387)
	(421)	(5,652)	(653)	(6,334)
Finance costs	(3)	16	(13)	(17)
Eliminations	(17)	5,626	29	5,622
Total Loss Before Tax	(441)	(10)	(637)	(729)

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		Cumulative Period	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31.12.19	31.12.18	31.12.19	31.12.18
	RM'000	RM'000	RM'000	RM'000
Revenue	5,049	6,089	17,882	18,016
(Loss) Before Interest and Tax ("LBIT")	(438)	(26)	(624)	(712)
(Loss) Before Tax ("LBT")	(441)	(10)	(637)	(729)
(Loss) After Tax ("LAT")	(473)	(55)	(655)	(767)
(Loss) attributable to Ordinary Equity Holders of the Parent	(473)	(55)	(655)	(767)

Review of results for the current quarter

For the current quarter financial period ended 31 December 2019, the Group registered a revenue of RM5.05 million, LBIT of RM0.44 million and LBT of RM0.44 million as compared to a revenue of RM6.09 million, LBIT of RM0.03 million and LBT of RM0.01 million in the preceding financial year's corresponding quarter.

Commentary on revenue

The Group's revenue decreased 17.1% to RM5.05 million was mainly due to the softer market condition, both in Thailand and Malaysia's market.

Commentary on LBIT and LBT

The Group recorded a higher LBIT and LBT for the current quarter 31 December 2019 compared to the preceding financial year's corresponding quarter, mainly due to the decrease in revenue.

Review of results for the financial period ended 31 December 2019

The Group recorded a revenue of RM17.88 million, LBIT of RM0.62 million and LBT of RM0.64 million for the financial period ended 31 December 2019 as compared to a revenue of RM18.02 million, LBIT of RM0.71 million and LBT of RM0.73 million in the financial period ended 31 December 2018.

Commentary on revenue

The Group's revenue had remained at the same level compared to last year. This is mainly due to the decrease in coatings manufacturing segment which has been offset by the increase of another segment.

B1. PERFORMANCE REVIEW (CONT'D)

Commentary on LBIT/ LBT

The Group recorded an improvement in LBIT and LBT which declined 12.4% and 12.6% respectively. This was mainly due to the lower operating expenses compared to last year.

B2. COMMENTS ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter
	31.12.19	30.09.19
	RM'000	RM'000
Revenue	5,049	6,262
(Loss) / Profit From Operations	(438)	141
(Loss) / Profit Before Tax	(441)	150
(Loss) / Profit After Tax	(473)	155
(Loss) / Profit attributable to Ordinary Equity Holders of the Parent	(473)	155

The Group recorded LBT of RM0.44 million for the current quarter financial period ended 31 December 2019 as compared to PBT of RM0.15 for the immediate preceding quarter financial period ended 30 September 2019. The loss was mainly due to the decrease in revenue.

B3. Prospects of the Group

Although the coating industry remains very challenging and the negative economic outlook, the Group is optimistic of the new business opportunity in the export sector as well as for the Thailand and the domestic market.

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 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	(12)	(49)	(12)	(56)
Deferred taxation	(20)	4	(6)	18
	<u>(32)</u>	<u>(45)</u>	<u>(18)</u>	<u>(38)</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	55	-	55
Bank Overdraft	-	-	-
	55	-	55
Long Term Borrowings			
Hire Purchase Payables	27	-	27
Total	82	-	82

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 2019	31 December 2018	31 December 2019	31 December 2018
Net Loss attributed to owners of the parent for the period (RM'000)	(473)	(55)	(655)	(767)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	215,349
Basic loss per share (sen)	(0.22)	(0.03)	(0.30)	(0.36)

Diluted profit/ (loss) per share

Diluted Profit / (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 31 December 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	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Depreciation	(89)	(130)	(438)	(478)
Decrease or (increase) in provision for bad debt	(285)	128	(281)	(364)
Gain or (loss) on disposal of property, plant and equipment	19	-	20	93
Gain or (loss) on foreign exchange –Unrealised	31	(5)	(33)	(47)
Interest expense	3	16	(13)	(17)
Interest income	(5)	(4)	49	46
Amortization of right of use asset & lease liability interest	(66)	-	(66)	-
Reversal of impairment loss of inventories	70	(407)	70	(407)

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.