

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED
30 JUNE 2020**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 JUNE 2020	Preceding Year Corresponding Quarter 30 JUNE 2019	Current Year To Date 30 JUNE 2020	Preceding Year Corresponding Period 30 JUNE 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	4,790	3,238	11,959	6,571
Cost of sales	(4,174)	(2,161)	(10,206)	(4,523)
Gross Profit	616	1,077	1,753	2,048
Other operating income	33	38	65	73
Operating expenses	(997)	(1,256)	(2,075)	(2,448)
(Loss) from operations	(348)	(141)	(257)	(327)
Finance costs	(2)	(10)	(4)	(19)
(Loss) before tax	(350)	(151)	(261)	(346)
Income tax expense	4	4	9	9
(Loss) for the period	(346)	(147)	(252)	(337)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(92)	79	(21)	99
Total comprehensive (loss) for the period	(438)	(68)	(273)	(238)
(Loss) attributable to: Owners of the parent	(346)	(147)	(252)	(337)
(Loss) for the period	(346)	(147)	(252)	(337)
Total comprehensive (Loss) attributable to: Owners of the parent	(438)	(68)	(273)	(238)
Total comprehensive Profit / (Loss) for the period	(438)	(68)	(273)	(238)
(Loss) per share (sen)				
Basic (note B10)	(0.16)	(0.07)	(0.12)	(0.16)
Diluted (note B10)	(0.16)	(0.07)	(0.12)	(0.16)

(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 2019 and the accompanying explanatory notes attached to the interim financial statements.)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2020**

	Unaudited As At 30 June 2020	Audited As At 31 December 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,915	7,075
Right of Use Asset	165	252
	7,080	7,327
Current assets		
Inventories	3,258	2,800
Trade receivables	4,994	4,186
Other receivables, deposits and prepayments	203	318
Tax recoverable	26	22
Cash and bank balances	2,689	5,496
	11,170	12,822
TOTAL ASSETS	18,250	20,149
EQUITY AND LIABILITIES		
Equity		
Share capital	12,786	12,786
Exchange translation reserve	277	256
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(835)	(611)
Revaluation reserve	3,164	3,192
Equity attributable to owners of the parent	15,392	15,623
TOTAL EQUITY	15,392	15,623
Non-current liabilities		
Lease Liability	44	26
Deferred tax liabilities	707	716
	751	742
Current liabilities		
Trade payables	1,478	2,646
Other payables and accruals	459	851
Lease Liability	74	186
Taxation	96	101
	2,107	3,784
TOTAL LIABILITIES	2,858	4,526
TOTAL EQUITY AND LIABILITIES	18,250	20,149
Net assets per ordinary share attributable to owners of the parent (RM)	0.07	0.07

(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 2019 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 2020**

	Current Year To Date 30 JUNE 2020	Preceding Year Corresponding Period 30 JUNE 2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before tax	(261)	(346)
Adjustments for:-		
Non-cash items	244	296
Non-operating items	(21)	(14)
	<u>(38)</u>	<u>(64)</u>
Operating profit / (loss) before changes in working capital	(38)	(64)
Net changes in current assets	(1,145)	1,151
Net changes in current liabilities	(1,562)	(698)
	<u>(2,745)</u>	<u>389</u>
CASH (USED IN)/ FROM OPERATIONS	(2,745)	389
Interest paid	(4)	(19)
Tax paid	(5)	(45)
	<u>(2,754)</u>	<u>325</u>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	(2,754)	325
NET CASH FOR INVESTING ACTIVITIES		
Interest received	31	33
Proceed from disposal of plant and equipment	-	3
Purchase of plant and equipment	(5)	(7)
	<u>26</u>	<u>29</u>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	26	29
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of finance lease	(95)	(70)
	<u>(95)</u>	<u>(70)</u>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(95)	(70)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,823)	284
Effect of changes in exchange rates	16	81
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,496	1,392
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	2,689	1,757
* 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	2,689	1,757
	<u>2,689</u>	<u>5,757</u>
Less : Fixed Deposit Pledged to License Bank	-	(4,000)
	<u>2,689</u>	<u>1,757</u>

(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 2019 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 SECOND QUARTER ENDED
30 JUNE 2020**

(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 2020	12,786	256	3,192	7,692	(7,692)	(611)	15,623
Share capital reduction	-					-	-
Profit for the financial year						(252)	(252)
Other comprehensive income for the financial year:							
Realisation of revaluation reserve	-	-	(28)	-	-	28	-
Foreign exchange translation reserve	-	21	-	-	-	-	21
As at 30 June 2020	12,786	277	3,164	7,692	(7,692)	(835)	15,392
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

(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 2019 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHAD

Company No. 200201034397
(Incorporated in Malaysia)

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 March 2020 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 2019. 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 2019.

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 2021

- | | | |
|----|--|--|
| 1. | MFRS 17 | Insurance Contracts |
| 2. | Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current |
| 3. | Amendments to MFRS 3 | Reference to Conceptual Framework |
| 4. | Amendments to MFRS 116 | Property, Plant and Equipment – Proceeds before Intended Use |
| 5. | Amendments to MFRS 137 | Onerous Contracts – Cost of Fulfilling a Contract |
| 6. | Annual Improvements to MFRSs Standards 2018 – 2020 | |
| | | <ul style="list-style-type: none">• Amendments to MFRS 1• Amendments to MFRS 9• Amendments to MFRS 16• Amendments to MFRS 141 |
| 7. | 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	RM
	No of shares	'000
	'000	'000
Total Number of Issued Shares as at 30.06.2020	<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:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 30 June 2020 RM'000	Preceding Year Corresponding Quarter 30 June 2019 RM'000	Current Year To Date 30 June 2020 RM'000	Preceding Year Corresponding Period 30 June 2019 RM'000
Revenue				
Malaysia	4,260	2,806	10,983	5,661
Thailand	540	821	1,477	1,879
Total including inter-segment sales	4,800	3,627	12,460	7,540
Eliminations of inter-segment sales	(10)	(389)	(501)	(969)
Total Revenue	<u>4,790</u>	<u>3,238</u>	<u>11,959</u>	<u>6,571</u>

(Loss) Before Tax

Segment results				
Malaysia	(471)	(154)	(44)	(294)
Thailand	(52)	(29)	(13)	(17)
	(523)	(183)	(57)	(311)
Finance costs	(2)	(11)	(4)	(19)
Eliminations	175	43	(200)	(16)
Total (Loss) Before Tax	<u>(350)</u>	<u>(151)</u>	<u>(261)</u>	<u>(346)</u>

At 30 June 2020	Malaysia	Thailand	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Segment assets	24,855	1,836	(8,467)	18,224
Income tax assets	7	19	-	26
Total assets				<u>18,250</u>
Segment liabilities	18,508	129	(16,700)	1,937
Interest bearing -borrowings	44	9	65	118
Income tax liabilities	803	-	-	803
Total liabilities				<u>2,858</u>
Other segment information				
Capital expenditure	-	-	-	-
Depreciation of property, plant and equipment	143	26	-	169

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 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Revenue				
Investment Holdings	4	16	18	33
Coatings Manufacturing	1,916	3,493	6,143	7,387
Others	2,880	118	6,299	120
Eliminations	(10)	(389)	(501)	(969)
Total Revenue	4,790	3,238	11,959	6,571
(Loss) Before tax				
Segment results				
Investment Holdings	(83)	(159)	44	(222)
Coatings Manufacturing	(485)	(20)	(220)	(102)
Others	45	(4)	119	13
	(523)	(183)	(57)	(311)
Finance costs	(2)	(11)	(4)	(19)
Eliminations	175	43	(200)	(16)
Total (Loss) Before Tax	(350)	(151)	(261)	(346)

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
	30.06.20	30.06.19	30.06.20	30.06.19
	RM'000	RM'000	RM'000	RM'000
Revenue	4,790	3,238	11,959	6,571
(Loss) Before Interest and Tax ("LBIT")	(348)	(141)	(257)	(327)
(Loss) Before Tax ("LBT")	(350)	(151)	(261)	(346)
(Loss) After Tax ("LAT")	(346)	(147)	(252)	(337)
(Loss) attributable to Ordinary Equity Holders of the Parent	(346)	(147)	(252)	(337)

Review of results for the current quarter

For the current quarter financial period ended 30 June 2020, the Group registered a revenue of RM4.79 million, LBIT of RM0.35 million and LBT of RM0.35 million as compared to a revenue of RM3.24 million, LBIT of RM0.14 million and LBT of RM0.15 million in the preceding financial year's corresponding quarter.

Commentary on revenue

The Group's revenue increased 47.9% to RM4.79 million mainly due to the increased order from the existing customer from the Others segment.

Commentary on LBIT and LBT

The Group recorded a LBIT and LBT of RM0.35 million for the current quarter 30 June 2020 compared to the preceding financial year's corresponding quarter of LBIT and LBT of RM0.14 million and RM0.15 million, respectively. The increase of LBIT and LBT mainly due to the decrease in revenue contributed by the coatings manufacturing segment which has a higher profit margin.

PERFORMANCE REVIEW (CONT'D)

Review of results for the financial period ended 30 June 2020

The Group recorded a revenue of RM11.96 million, LBIT of RM0.26 million and LBT of RM0.26 million for the financial period ended 30 June 2020 as compared to a revenue of RM6.57 million, LBIT of RM0.33 million and LBT of RM0.35 million in the financial period ended 30 June 2019.

Commentary on revenue

The Group's revenue increased 82.0% to RM11.96 million mainly due to the increased order from the existing customer from the Others segment.

Commentary on LBIT/ LBT

The Group recorded an improvement in LBIT and LBT which declined 21.4% and 24.6% respectively. This was largely due to lower operation cost. Operation cost declined 15.2% for the first six months.

B2. COMMENTS ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter
	30.06.20	31.03.20
	RM'000	RM'000
Revenue	4,790	7,169
(Loss) / Profit From Operations	(348)	91
(Loss) / Profit Before Tax	(350)	89
(Loss) / Profit After Tax	(346)	94
(Loss) / Profit attributable to Ordinary Equity Holders of the Parent	(346)	94

The Group recorded LBT of RM0.35 million for the current quarter financial period ended 30 June 2020 as compared to PBT of RM0.09 million for the immediate preceding quarter financial period ended 31 March 2020 which was mainly due to the decrease in revenue generated by the coatings manufacturing segment which has a higher profit margin.

B3. Prospects of the Group

The Group is expecting the paint and coatings industry in Malaysia and Thailand to be challenging in view of the COVID-19 pandemic spread throughout the world, resulting in major economic slowdown, which would in turn impact the demand for our coating products.

Moving forward, the Group will tighten its control on the operating expenses and focus on developing new customer base. Besides that, we will also focus on developing innovative products, such as anti-bacteria coatings, disinfectants and hand sanitizers which we expect to be in demand due to the COVID-19 pandemic.

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 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	-	-	-
Deferred taxation	4	4	9	9
	<u>4</u>	<u>4</u>	<u>9</u>	<u>9</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			
Lease Liability	74	-	74
Bank Overdraft	-	-	-
	<u>74</u>	<u>-</u>	<u>74</u>
Long Term Borrowings			
Lease Liability	44	-	44
Total	<u>118</u>	<u>-</u>	<u>118</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	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Net Profit / Loss attributed to owners of the parent for the period (RM'000)	(346)	(147)	(252)	(337)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	215,349
Basic Profit / loss per share (sen)	(0.16)	(0.07)	(0.12)	(0.16)

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 2019 was not qualified.

B12. Derivative Financial Instruments

(a) Disclosure of derivative financial instruments

As at 30 June 2020, 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 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Depreciation	(85)	(121)	(169)	(243)
Gain or (loss) on disposal of property, plant and equipment	-	-	-	1
Decrease or (increase) in provision for bad debt	-	4	-	4
Gain or (loss) on foreign exchange –Unrealised	9	(40)	(13)	(58)
Interest expense	(2)	(11)	(4)	(19)
Interest income	15	(5)	31	33
Amortization of right of use asset	(46)	-	(88)	-
Bad debt recovered	-	-	7	-

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.