

SERSOL BERHAD

Company No. 200201034397 (602062-X)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31 DECEMBER 2020	Preceding Year Corresponding Quarter 31 DECEMBER 2019	Current Year To Date 31 DECEMBER 2020	Preceding Year Corresponding Period 31 DECEMBER 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	4,698	5,038	20,338	17,871
Cost of sales	(3,082)	(4,038)	(15,816)	(13,513)
Gross Profit	1,616	1,000	4,522	4,358
Other operating income	377	187	470	252
Operating expenses	(1,338)	(1,626)	(4,592)	(5,235)
Profit / (Loss) from operations	655	(439)	400	(625)
Finance costs	(1)	(5)	(6)	(15)
Profit / (Loss) before tax	654	(444)	394	(640)
Income tax expense	(208)	(32)	(194)	(18)
Profit / (Loss) for the period	446	(476)	200	(658)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(34)	(2)	35	126
Total comprehensive (loss) for the period	412	(478)	235	(532)
Profit / (Loss) attributable to: Owners of the parent	446	(476)	200	(658)
Profit / (Loss) for the period	446	(476)	200	(658)
Total comprehensive Profit / (Loss) attributable to: Owners of the parent	412	(478)	235	(532)
Total comprehensive Profit / (Loss) for the period	412	(478)	235	(532)
Profit / (Loss) per share (sen)				
Basic (note B10)	0.21	(0.22)	0.09	(0.31)
Diluted (note B10)	0.21	(0.22)	0.09	(0.31)

(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.)

SERSOL BERHAD

Company No. 200201034397 (602062-X)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Unaudited As At 31 December 2020	Audited As At 31 December 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,761	7,075
Right of Use Asset	136	252
	6,897	7,327
Current assets		
Inventories	3,211	2,800
Trade receivables	3,645	4,186
Other receivables, deposits and prepayments	262	318
Tax recoverable	40	22
Deposit, Cash and bank balances	6,586	5,496
	13,744	12,822
TOTAL ASSETS	20,641	20,149
EQUITY AND LIABILITIES		
Equity		
Share capital	12,786	12,786
Exchange translation reserve	221	256
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(355)	(611)
Revaluation reserve	3,136	3,192
Equity attributable to owners of the parent	15,788	15,623
TOTAL EQUITY	15,788	15,623
Non-current liabilities		
Lease Liability	35	26
Deferred tax liabilities	909	716
	944	742
Current liabilities		
Trade payables	2,881	2,646
Other payables and accruals	882	851
Lease Liability	50	186
Taxation	96	101
	3,909	3,784
TOTAL LIABILITIES	4,853	4,526
TOTAL EQUITY AND LIABILITIES	20,641	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.)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2020**

	Current Year To Date 31 DECEMBER 2020	Preceding Year Corresponding Period 31 DECEMBER 2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	394	(640)
Adjustments for:-		
Non-cash items	259	726
Non-operating items	(29)	(33)
Operating profit / (loss) before changes in working capital	624	53
Net changes in current assets	443	(215)
Net changes in current liabilities	248	671
CASH (USED IN) / FROM OPERATIONS	1,315	509
Interest paid	(6)	(15)
Tax paid	(5)	(53)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	1,304	441
NET CASH FOR INVESTING ACTIVITIES		
Interest received	41	49
Proceed from disposal of plant and equipment	-	262
Purchase of plant and equipment	(26)	(471)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	15	(160)
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of finance lease	(197)	(286)
Withdraw from fixed Deposit	-	4,000
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(197)	3,714
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,122	3,995
Effect of changes in exchange rates	(32)	109
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,496	1,392
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	6,586	5,496
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Fixed deposits	-	-
Cash and bank balances	6,586	5,496
	6,586	5,496
Less : Fixed Deposit Pledged to License Bank	-	-
	6,586	5,496

(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.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FOURTH QUARTER ENDED**31 DECEMBER 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						200	200
Other comprehensive income for the financial year:							
Realisation of revaluation reserve	-	-	(56)	-	-	56	-
Foreign exchange translation reserve	-	(35)	-	-	-	-	(35)
As at 31 December 2020	12,786	221	3,136	7,692	(7,692)	(355)	15,788
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	-	-	-	-	-	(658)	(658)
Other comprehensive income for the financial year:							
Realisation of revaluation reserve	-	-	(56)	-	-	56	-
Foreign exchange translation reserve	-	126	-	-	-	-	126
As at 31 December 2019	12,786	256	3,192	7,692	(7,692)	(611)	15,623

(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.)

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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 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.

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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 31.12.2020	<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:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2020 RM'000	Preceding Year Corresponding Quarter 31 December 2019 RM'000	Current Year To Date 31 December 2020 RM'000	Preceding Year Corresponding Period 31 December 2019 RM'000
Revenue				
Malaysia	4,297	4,349	18,574	15,777
Thailand	1,258	986	3,422	3,731
Total including inter-segment sales	<u>5,555</u>	<u>5,335</u>	<u>21,996</u>	<u>19,508</u>
Eliminations of inter-segment sales	(857)	(297)	(1,658)	(1,637)
Total Revenue	<u>4,698</u>	<u>5,038</u>	<u>20,338</u>	<u>17,871</u>

Profit / (Loss) Before Tax

Segment results				
Malaysia	1,031	(11,882)	1,000	(12,085)
Thailand	19	(36)	(14)	(66)
	<u>1,050</u>	<u>(11,918)</u>	<u>986</u>	<u>(12,151)</u>
Finance costs	(1)	(5)	(6)	(15)
Eliminations	(395)	11,479	(586)	11,526
Total Profit / (Loss) Before Tax	<u>654</u>	<u>(444)</u>	<u>394</u>	<u>(640)</u>

At 31 December 2020

	Malaysia	Thailand	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Segment assets	24,636	2,847	(6,882)	20,601
Income tax assets	7	33	-	40
Total assets				<u>20,641</u>
Segment liabilities	17,264	1,161	(14,663)	3,762
Interest bearing-borrowings	27	58	-	85
Income tax liabilities	1,005	-	-	1,005
Total liabilities				<u>4,852</u>
Other segment information				
Capital expenditure	13	13	-	26
Depreciation of property, plant and equipment	286	51	-	337

A7. Segmental Reporting (Con't)

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		Preceding Year		Preceding Year
	Current Quarter	Corresponding	Current Year	Corresponding
	31 December	Quarter	To Date	Period
	2020	31 December	2020	31 December
	RM'000	2019	RM'000	2019
		RM'000	RM'000	RM'000
Revenue				
Investment Holdings	14	7	40	48
Coatings Manufacturing	5,633	4,413	15,747	15,893
Others	(92)	916	6,208	3,567
Eliminations	(857)	(298)	(1,657)	(1,637)
Total Revenue	4,698	5,038	20,338	17,871
Profit / (Loss) Before tax				
Segment results				
Investment Holdings	(84)	(11,577)	(131)	(11,864)
Coatings Manufacturing	822	(365)	687	63
Others	312	24	430	(350)
	1,050	(11,918)	986	(12,151)
Finance costs	(1)	(5)	(6)	(15)
Eliminations	(395)	11,479	(586)	11,526
Total Profit / (Loss) Before Tax	654	(444)	394	(640)

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.

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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
	31.12.20	31.12.19	31.12.20	31.12.19
	RM'000	RM'000	RM'000	RM'000
Revenue	4,698	5,038	20,338	17,871
Profit / (Loss) Before Interest and Tax ("PBIT" / "LBIT")	655	(439)	400	(625)
Profit / (Loss) Before Tax ("PBT" / "LBT")	654	(444)	394	(640)
Profit / (Loss) After Tax Profit / ("PAT" / "LAT")	446	(476)	200	(658)
Profit / (Loss) attributable to Ordinary Equity Holders of the Parent	446	(476)	200	(658)

Review of results for the current quarter

For the current quarter financial period ended 31 December 2020, the Group registered a revenue of RM4.70 million, PBIT of RM0.66 million and PBT of RM0.65 million as compared to a revenue of RM5.04 million, LBIT and LBT of RM0.44 million in the preceding financial year's corresponding quarter.

Commentary on revenue

The Group recorded lower revenue for the current quarter predominantly due to lower contribution from the other segment. However, the contribution from coatings manufacturing segment had increased 27.6% and mitigated the drop in revenue from general trading in the "Others" segment.

Commentary on PBIT / LBIT and PBT / LBT

The Group recorded a PBIT of RM0.66 million and PBT of RM0.65 million for the current quarter 31 December 2020 compared to the preceding financial year's corresponding quarter of PBIT and PBT of RM0.44 million. This was mainly due to the higher contribution from the coatings manufacturing segment and a reversal of provision for doubtful debt which amounted to RM0.36 million.

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PERFORMANCE REVIEW (CONT'D)**Review of results for the financial period ended 31 December 2020**

The Group recorded revenue of RM20.34 million, PBIT of RM0.40 million and PBT of RM0.39 million for the financial period ended 31 December 2020 as compared to revenue of RM17.87 million, LBIT of RM0.63 million and LBT of RM0.64 million for the financial period ended 31 December 2019.

Commentary on revenue

The Group's revenue increased to RM20.34 million representing an increase of 13.8% compared to the preceding financial period mainly due to higher contribution from general trading in the "Others" segment.

Commentary on PBIT/ LBIT and PBT/ LBT

The Group recorded a PBIT and PBT mainly due to the higher contribution from general trading in the "Others" segment and a reversal of provision for doubtful debt which amounted to RM0.36 million.

B2. COMMENTS ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter
	31.12.20	30.09.20
	RM'000	RM'000
Revenue	4,698	3,681
Profit / (Loss) From Operations	655	2
Profit / (Loss) Before Tax	654	1
Profit / (Loss) After Tax	446	6
Profit / (Loss) attributable to Ordinary Equity Holders of the Parent	446	6

The Group recorded a higher PBT of RM0.65 million for the current quarter financial period ended 31 December 2020 as compared to PBT of approximately RM1,000 for the immediate preceding quarter financial period ended 30 September 2020. This was mainly due to higher contribution from the coatings manufacturing segment.

B3. Prospects of the Group

With the opening up of more business sectors despite the Covid-19 pandemic, the Group shares the same optimism with the government in expectation of an economic recovery and is thus sanguine of its business prospect especially in the paint and coatings industry in Malaysia and Thailand.

B4. Variance of Profit Forecast

Not applicable as no profit forecast has been issued.

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B5. Tax Expense

Tax expense comprises the following:

	Individual quarter ended		Cumulative quarter ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	(12)	-	(12)
Deferred taxation	(208)	(20)	(194)	(6)
	<u>(208)</u>	<u>(32)</u>	<u>(194)</u>	<u>(18)</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	35	-	35
Bank Overdraft	-	-	-
	<u>35</u>	<u>-</u>	<u>35</u>
Long Term Borrowings			
Lease Liability	50	-	50
Total	<u>85</u>	<u>-</u>	<u>85</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.

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B10. Profit / (Loss) Per Share**Basic Profit / (Loss) per share**

	Current quarter ended		Cumulative quarter ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Net Profit / Loss attributed to owners of the parent for the period (RM'000)	446	(476)	200	(658)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	215,349
Basic Profit / loss per share (sen)	0.21	(0.22)	0.09	(0.31)

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 31 December 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.

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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 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Depreciation	(85)	(45)	(337)	(394)
Gain or (loss) on disposal of property, plant and equipment	-	19	-	20
Decrease or (increase) in provision for bad debt	-	78	-	82
Gain or (loss) on foreign exchange –Unrealised	(89)	59	(94)	(5)
Interest expense	(1)	(5)	(6)	(15)
Interest income	(1)	45	41	99
Amortization of right of use asset	(59)	(107)	(185)	(107)
Bad debt recovered	-	-	7	-
Bad debts written off	-	(29)	-	(29)
Inventories written down	-	(1)	-	(1)
Impairment losses on trade receivables	-	(362)	-	(362)
Reversal of provision for doubtful debt	358	-	358	-
Reversal of inventories written down	-	70	-	70

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.