

**SERSOL BERHAD**Company No. 602062-X  
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED  
30 September 2018**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 September 2018	Preceding Year Corresponding Quarter 30 September 2017	Current Year To Date 30 September 2018	Preceding Year Corresponding Period 30 September 2017
	RM'000	RM'000	RM'000	RM'000
Revenue	4,170	4,483	11,927	13,446
Other operating income	26	94	246	249
Operating expenses	(4,080)	(4,323)	(12,859)	(13,672)
<b>Profit / (Loss) from operations</b>	<b>116</b>	<b>254</b>	<b>(686)</b>	<b>23</b>
Finance costs	(9)	(11)	(33)	(40)
<b>Profit / (Loss) before tax</b>	<b>107</b>	<b>243</b>	<b>(719)</b>	<b>(17)</b>
Income tax expense	(2)	4	7	4
<b>Profit / (Loss) for the period</b>	<b>105</b>	<b>247</b>	<b>(712)</b>	<b>(13)</b>
<b>Other comprehensive income, net of tax</b>				
Exchange differences on translation of foreign subsidiaries	77	3	48	18
<b>Total comprehensive profit/ (loss) for the period</b>	<b>182</b>	<b>250</b>	<b>(664)</b>	<b>5</b>
Profit / (Loss) attributable to:				
Owners of the parent	105	247	(712)	(20)
Non-controlling interests	-	-	-	7
Profit / (Loss) for the period	105	247	(712)	(13)
Total comprehensive Profit / (Loss) attributable to:				
Owners of the parent	182	250	(664)	(2)
Non-controlling interests	-	-	-	7
Total comprehensive Profit / (Loss) for the period	182	250	(664)	5
Profit / (Loss) per share (sen)				
Basic (note B10)	0.05	0.11	(0.33)	(0.01)
Diluted (note B10)	0.05	0.11	(0.33)	(0.01)

(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 BERHAD**Company No. 602062-X  
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2018**

	<b>Unaudited As At 30 September 2018</b>	<b>Audited As At 31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,511	7,433
	<u>7,511</u>	<u>7,433</u>
<b>Current assets</b>		
Inventories	3,358	3,354
Trade receivables	3,662	4,919
Other receivables, deposits and prepayments	364	583
Tax recoverable	30	39
Fixed deposits	1,500	4,000
Cash and bank balances	4,019	1,995
	<u>12,933</u>	<u>14,890</u>
<b>TOTAL ASSETS</b>	<u>20,444</u>	<u>22,323</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	28,786	28,786
Exchange translation reserve	142	94
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(15,855)	(15,185)
Revaluation reserve	3,262	3,304
Equity attributable to owners of the parent	<u>16,335</u>	<u>16,999</u>
<b>TOTAL EQUITY</b>	<u>16,335</u>	<u>16,999</u>
<b>Non-current liabilities</b>		
Hire purchases payables	196	211
Deferred tax liabilities	715	729
	<u>911</u>	<u>940</u>
<b>Current liabilities</b>		
Trade payables	2,362	2,804
Other payables and accruals	592	835
Hire purchases payables	143	106
Bank overdraft	-	522
Taxation	101	117
	<u>3,198</u>	<u>4,384</u>
<b>TOTAL LIABILITIES</b>	<u>4,109</u>	<u>5,324</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>20,444</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 THIRD QUARTER ENDED  
30 September 2018**

(The figures have not been audited)

	<b>Current Year To Date 30 September 2018</b>	<b>Preceding Year Corresponding Period 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before tax	(719)	(17)
Adjustments for:-		
Non-cash items	882	600
Non-operating items	(120)	(133)
Operating profit / (loss) before changes in working capital	43	450
Net changes in current assets	937	2,138
Net changes in current liabilities	(681)	(643)
<b>CASH (USED IN)/ FROM OPERATIONS</b>	<b>299</b>	<b>1,945</b>
Income tax refunded	-	24
Interest paid	(33)	(40)
Tax paid	(16)	(117)
<b>NET CASH (USED IN)/ FROM OPERATING ACTIVITIES</b>	<b>250</b>	<b>1,812</b>
<b>NET CASH FOR INVESTING ACTIVITIES</b>		
Interest received	60	117
Proceed from disposal of plant and equipment	136	57
Purchase of plant and equipment	(363)	(30)
<b>NET CASH FROM/ (USED IN) INVESTING ACTIVITIES</b>	<b>(167)</b>	<b>144</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Repayment of hire purchases payables	(78)	(163)
Withdraw from Fixed Deposit	2,500	-
<b>NET CASH FROM/ (USED IN) FINANCING ACTIVITIES</b>	<b>2,422</b>	<b>(163)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,505</b>	<b>1,793</b>
Effect of changes in exchange rates	41	15
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,473</b>	<b>755</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD*</b>	<b>4,019</b>	<b>2,563</b>
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits	1,500	4,000
Cash and bank balances	4,019	2,563
Bank overdraft	-	-
	5,519	6,563
Less : Fixed Deposit Pledged to License Bank	(1,500)	(4,000)
	4,019	2,563

(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 BERHAD**Company No. 602062-X  
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THIRD QUARTER ENDED****30 September 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
Total comprehensive income for the period	-	-	48	-	-	-	(712)	(664)	-	(664)
Realisation of revaluation reserve	-	-	-	(42)	-	-	42	-	-	-
As at 30 September 2018	28,786	-	142	3,262	7,692	(7,692)	(15,855)	16,335	-	16,335
As at 1 January 2017	21,535	7,251	105	2,653	7,692	(7,692)	(15,510)	16,034	(8)	16,026
Total comprehensive income for the period	-	-	18	-	-	-	(20)	(2)	8	6
Realisation of revaluation reserve	-	-	-	(40)	-	-	40	-	-	-
As at 30 September 2017	21,535	7,251	123	2,613	7,692	(7,692)	(15,490)	16,032	-	16,032

\* 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 30 September 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.

**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**  
**'000** **RM**  
**'000**

Total Number of Issued Shares as at 30.09.2018	215,349	21,535
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**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 September 2018 RM'000	Preceding Year Corresponding Quarter 30 September 2017 RM'000	Current Year To Date 30 September 2018 RM'000	Preceding Year Corresponding Period 30 September 2017 RM'000
Revenue				
Malaysia	3,616	4,817	10,412	13,594
Thailand	1,110	1,158	3,349	3,398
Total including inter-segment sales	4,726	5,975	13,761	16,992
Eliminations of inter-segment sales	(556)	(1,492)	(1,834)	(3,545)
<b>Total Revenue</b>	4,170	4,483	11,927	13,447

**Profit/ (Loss) Before Tax**

Segment results				
Malaysia	78	303	(827)	180
Thailand	31	38	145	(57)
	109	341	(682)	123
Finance costs	(9)	(11)	(33)	(40)
Eliminations	7	(87)	(4)	(100)
<b>Total (Loss) / Profit Before Tax</b>	107	243	(719)	(17)

**At 30 September 2018**

	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	46,228	2,110	(27,924)	20,414
Income tax assets	8	22		30
<b>Total assets</b>				20,444
Segment liabilities	20,893	424	(18,363)	2,954
Interest bearing -borrowings	292	47	-	339
Income tax liabilities	816	-	-	816
<b>Total liabilities</b>				4,109
Other segment information				
Capital expenditure	280	183	-	463
Depreciation of property, plant and equipment	298	50	-	348

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter	Preceding Year	Current Year	Preceding Year
		Corresponding	To Date	Corresponding
	30 September	Quarter	30 September	Period
	2018	30 September	2018	30 September
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Investment Holdings	-	301	-	901
Coatings Manufacturing	4,693	4,130	13,360	14,115
Others	33	433	401	1,976
Eliminations	(556)	(859)	(1,834)	(3,545)
<b>Total Revenue</b>	<b>4,170</b>	<b>4,005</b>	<b>11,927</b>	<b>13,447</b>
<b>(Loss)/Profit Before tax</b>				
Segment results				
Investment Holdings	(216)	(12)	(631)	(45)
Coatings Manufacturing	294	426	326	620
Others	31	(73)	(377)	(452)
	109	341	(682)	123
Finance costs	(9)	(11)	(33)	(40)
Eliminations	7	(87)	(4)	(100)
<b>Total (Loss)/Profit Before Tax</b>	<b>107</b>	<b>243</b>	<b>(719)</b>	<b>(17)</b>

**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 (3 <sup>rd</sup> Quarter)		Changes (%)	Cumulative Period (3 <sup>rd</sup> Quarter)		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	30.09.18	30.09.17		30.09.18	30.09.17	
	RM'000	RM'000		RM'000	RM'000	
Revenue	4,170	4,483	(7)	11,927	13,446	(11)
Profit/(Loss) Before Interest and Tax ("PBIT/LBIT")	116	254	(54)	(686)	23	(3083)
Profit/(Loss) Before Tax ("PBT/LBT")	107	243	(56)	(719)	(17)	(4129)
Profit/(Loss) After Tax ("PAT/LAT")	105	247	(57)	(712)	(13)	(5377)
Profit/(Loss) attributable to Ordinary Equity Holders of the Parent	105	247	(57)	(712)	(20)	(3460)

**Review of results for the current quarter**

For the current quarter financial period ended 30 September 2018, the Group registered a revenue of RM4.170 million, PBIT of RM0.116 million and PBT of RM0.107 million as compared to a revenue of RM4.483 million, PBIT of RM0.254 million and PBT of RM0.243 million in the preceding financial year's corresponding quarter.

**Commentary on revenue**

The Group recorded a lower revenue for the current quarter, mainly due to lower revenue contribution from the decorative coating business which relies heavily on the construction industry which is suffering a major slowdown.

**Commentary on PBIT and PBT**

The Group recorded a lower PBIT and PBT for the current quarter financial period ended 30 September 2018 compared to the preceding financial year's corresponding quarter, mainly due to lower volume of revenue.

**Review of results for the financial period ended 30 September 2018**

The Group registered a revenue of RM11.927 million, LBIT of RM0.686 million and LBT of RM0.719 million for the financial period ended 30 September 2018 as compared to a revenue of RM13.446 million, PBIT of RM0.023 million and LBT of RM0.017 million in the preceding financial year's corresponding period.

**Commentary on revenue**

The Group recorded lower revenue for the current quarter financial period ended 30 September 2018, mainly due to lower revenue contributed from the declined in the decorative coating business.

Commentary on LBIT/ LBT

The Group recorded a higher LBIT and LBT for the current quarter financial period ended 30 September 2018 compared to the preceding financial year's corresponding period. This was mainly due to the adoption of MFRS 9: Prepayment Features with Negative Compensation. The Group had also recognized a general provision of bad debts amounting to RM0.148 million and a specific provision of bad debts amounting to RM0.345 million.

**B2. COMMENTS ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30.09.18	30.06.18	
	RM'000	RM'000	
Revenue	4,170	3,771	11
Profit/(loss) From Operations	116	(392)	130
Profit Before Tax	107	(403)	127
Profit After Tax	105	(398)	126
Profit/Loss attributable to Ordinary Equity Holders of the Parent	105	(398)	126

The profit before taxation is approximately RM0.107 million for the current quarter financial period ended 30 September 2018 as compared to a loss before taxation approximately RM0.403 million for the immediate preceding quarter financial period ended 30 June 2018. This was due to the increase in the revenue for current quarter by 11% compared to the immediate preceding quarter.

**B3. Prospects for 2018**

The coatings industry is facing very challenging time and management will continue to be very cautious and prudent to meet these challenges. The management will continue to seek new opportunity to secure more revenue while internally cost cutting and streamlining the operation 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	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	(7)	-	(7)	(9)
Deferred taxation	5	4	14	13
	<u>(2)</u>	<u>4</u>	<u>7</u>	<u>4</u>

No provision for taxation for current quarter as most of the subsidiaries have recorded losses and there are available unutilised tax losses for profit making subsidiaries.

**B6. Status of Corporate Proposal Announced**

The company has obtained the approval from shareholders for the capital reduction exercise at the Extraordinary General Meeting on 11 Oct 2018.

Save for the above, there was no corporate proposal announced.

**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
<b>Short Term Borrowings</b>			
Hire Purchase Payables	143	-	143
Bank Overdraft	-	-	-
	<u>143</u>	<u>-</u>	<u>143</u>
<b>Long Term Borrowings</b>			
Hire Purchase Payables	196	-	196
<b>Total</b>	<u>339</u>	<u>-</u>	<u>339</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 September 2018	30 September 2017	30 September 2018	30 September 2017
Net Profit/ (Loss) attributed to owners of the parent for the period (RM'000)	105	247	(712)	(20)
Weighted Average Number of shares in issue ('000)	215,349	215,349	215,349	215,349
Basic profit/ (loss) per share (sen)	0.05	0.11	(0.33)	(0.01)

**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. Realised and unrealised losses disclosure**

The accumulated losses may be analysed as follows:

	<b>As at 30.09.2018</b>	<b>As at 31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Realised	(12,415)	(11,412)
Unrealised	95	(243)
	<hr/>	<hr/>
	(12,320)	(11,655)
Less : Consolidation adjustments	(3,535)	(3,530)
<b>Total</b>	<hr/> <hr/>	<hr/> <hr/>
	(15,855)	(15,185)

**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 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Provision for bad debt	1	-	(492)	-
Bad debt recovery	-	-	-	6
Depreciation and amortisation	(118)	(127)	(348)	(419)
Gain or (loss) on disposal of property, plant and equipment	18	54	93	55
Gain or (loss) on foreign exchange –Realised	(3)	(3)	(43)	(13)
Gain or (loss) on foreign exchange –Unrealised	(18)	(57)	(42)	(175)
Interest expense	(9)	(11)	(33)	(40)
Interest income	9	42	60	117

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.