

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED****30 September 2015**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 30 September 2015	Preceding Year Corresponding Quarter 30 September 2014	Current Year To Date 30 September 2015	Preceding Year Corresponding Period 30 September 2014
	RM'000	RM'000	RM'000	RM'000
Revenue	5,083	5,507	16,622	13,511
Other operating income	2,415	60	2,704	110
Operating expenses	(7,669)	(7,923)	(19,246)	(17,288)
Profit / (Loss) from operations	(171)	(2,356)	80	(3,667)
Finance costs	(27)	(45)	(104)	(107)
Loss before tax	(198)	(2,401)	(24)	(3,774)
Income tax expense	5	5	14	14
Loss for the period	(193)	(2,396)	(10)	(3,760)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	100	3	125	128
Total comprehensive profit / (loss) for the period	(93)	(2,393)	115	(3,632)
Loss attributable to:				
Owners of the parent	(189)	(2,396)	(6)	(3,758)
Non-controlling interests	(4)	-	(4)	(2)
Loss for the period	(193)	(2,396)	(10)	(3,760)
Total comprehensive profit / (loss) attributable to:				
Owners of the parent	(89)	(2,393)	119	(3,670)
Non-controlling interests	(4)	-	(4)	38
Total comprehensive profit / (loss) for the period	(93)	(2,393)	115	(3,632)
Loss per share (sen)				
Basic (note B11)	(0.09)	(1.24)	-	(1.95)
Diluted (note B11)	(0.09)	(1.24)	-	(1.95)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 September 2015**

	Unaudited As At 30 September 2015	Audited As At 31 December 2014
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,748	9,026
	<u>8,748</u>	<u>9,026</u>
Current assets		
Inventories	3,906	3,198
Trade receivables	5,646	4,132
Other receivables, deposits and prepayments	229	227
Tax recoverable	204	98
Cash and bank balances	8,014	4,097
	<u>17,999</u>	<u>11,752</u>
TOTAL ASSETS	<u>26,747</u>	<u>20,778</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	21,535	19,527
Share premium	7,251	4,218
Exchange translation reserve	81	(44)
Warrants reserve	7,692	7,692
Other reserve	(7,692)	(7,692)
Accumulated losses	(13,692)	(13,728)
Revaluation reserve	3,896	3,938
Equity attributable to owners of the parent	<u>19,071</u>	<u>13,911</u>
Non-controlling interest	(4)	-
TOTAL EQUITY	<u>19,067</u>	<u>13,911</u>
Non-current liabilities		
Hire purchases payables	208	391
Bank borrowings	-	-
Deferred tax liabilities	765	779
	<u>973</u>	<u>1,170</u>
Current liabilities		
Trade payables	3,608	3,646
Other payables and accruals	709	891
Hire purchases payables	261	296
Bank borrowings	-	-
Bank overdraft	2,129	864
	<u>6,707</u>	<u>5,697</u>
TOTAL LIABILITIES	<u>7,680</u>	<u>6,867</u>
TOTAL EQUITY AND LIABILITIES	<u>26,747</u>	<u>20,778</u>
Net assets per ordinary share attributable to owners of the parent (RM)	0.09	0.07

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED
30 September 2015
(The figures have not been audited)

	Current Year To Date 30 September 2015	Preceding Year Corresponding Period 30 September 2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(24)	(3,774)
Adjustments for:-		
Non-cash items	237	2,349
Non-operating items	-	(35)
	<hr/>	<hr/>
Operating profit / (loss) before changes in working capital	213	(1,460)
Net changes in current assets	(2,000)	(917)
Net changes in current liabilities	(301)	548
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CASH (USED IN)/ FROM OPERATIONS	(2,088)	(1,829)
Income tax refunded	23	116
Interest paid	(74)	(83)
Tax paid	(47)	(24)
	<hr/>	<hr/>
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES	(2,186)	(1,820)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	18	35
Proceed from disposal of quoted investment	-	-
Proceed from disposal of plant and equipment	8	54
Proceed from disposal of an associate	-	-
Capital contribution by non-controlling interest	1	-
Net cash outflow from disposal of investment in subsidiary	-	(9)
Purchase of quoted investment	-	-
Purchase of plant and equipment	(121)	(148)
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NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(94)	(68)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown/ (repayment) of other short-term bank borrowings	-	(692)
Proceed from issuance of share	5,041	362
Repayments of hire purchases payables	(218)	(83)
Repayments of term loans	-	-
	<hr/>	<hr/>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	4,823	(413)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,543	(2,301)
Effect of changes in exchange rates	109	262
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,233	5,829
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	5,885	3,790
* Cash and cash equivalents included in the statement of cash flows comprise of the following:		
	RM'000	RM'000
Cash and bank balances	8,014	6,901
Bank overdraft	(2,129)	(3,111)
	<hr/>	<hr/>
	5,885	3,790

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL BERHADCompany No. 802062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THIRD QUARTER ENDED****30 September 2015**

(The figures have not been audited)

	Non - distributable		Attributable to Owners of the Parent					Total	Non-controlling Interest	Total Equity
	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 2015	19,527	4,218	(44)	3,938	7,692	(7,692)	(13,728)	13,911	-	13,911
Issuance of Shares pursuant to SIS	55	104	-	-	-	-	-	159	-	159
Issuance of Shares pursuant to Private Placement	1,953	2,929	-	-	-	-	-	4,882	-	4,882
Total comprehensive income for the period	-	-	125	-	-	-	(6)	119	(4)	115
Realisation of revaluation reserve	-	-	-	(42)	-	-	42	-	-	-
As at 30 September 2015	21,535	7,251	81	3,896	7,692	(7,692)	(13,692)	19,071	(4)	19,067
As at 1 January 2014	19,290	3,767	(146)	3,994	7,692	(7,692)	(9,340)	17,565	(38)	17,527
Issuance of Shares pursuant to SIS	125	238	-	-	-	-	-	363	-	363
Total comprehensive income for the period	-	-	88	-	-	-	(3,758)	(3,670)	38	(3,632)
Realisation of revaluation reserve	-	-	-	(42)	-	-	42	-	-	-
As at 30 September 2014	19,415	4,005	(58)	3,952	7,692	(7,692)	(13,056)	14,258	-	14,258

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 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 2015 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") 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 2014. 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 2014.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, First Time Adoption of Malaysian Financial Reporting Standards has been applied.

As at the date of these interim financial statements, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretation effective for annual periods beginning on or after 1 January 2015

1. Amendments to MFRS 119, Defined Benefits Plans: Employee Contributions
2. Annual Improvements to MFRSs 2010 - 2012 Cycle
3. Annual Improvements to MFRSs 2011 - 2013 Cycle

MFRSs, Amendments to MFRSs and IC Interpretation effective for annual periods beginning on or after 1 January 2016

1. MFRS 14, Regulatory Deferral Accounts
2. Amendments to MFRS 11, Accounting for Acquisitions of Interests in Joint Operations
3. Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
4. Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
5. Amendments to MFRS 127, Equity Method in Separate Financial Statements
6. Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
7. Annual Improvements to MFRS s 2012 – 2014 Cycle
8. Amendments to MFRS 10, MFRS 12 and MFRS 128, Investment Entities : Applying the Consolidation Exception
9. MFRS 15, Revenue from Contracts with Customers
10. MFRS 9, Financial Instruments (IFRS 9 issued by IASB in July 2014)

The transition to MFRS framework does not have any significant effects 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 of RM0.10 each No of shares '000	RM'000
Share capital-issued and fully paid up as at 01.07.2015	215,349	21,535
Arising from exercise of Warrants	-	-
Arising from exercise of Share Issuance Scheme	-	-
Issuance of share pursuant to Private Placement	-	-
Share capital-issued and fully paid up as at 30.09.2015	<u>215,349</u>	<u>21,535</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 September 2015 RM'000	Preceding Year Corresponding Quarter 30 September 2014 RM'000	Current Year To Date 30 September 2015 RM'000	Preceding Year Corresponding Period 30 September 2014 RM'000
Revenue				
Malaysia	6,370	5,129	19,155	13,778
Thailand	1,096	828	4,364	2,343
Total including inter-segment sales	7,466	5,957	23,519	16,121
Eliminations of inter-segment sales	(2,383)	(450)	(6,897)	(2,610)
Total Revenue	5,083	5,507	16,622	13,511
Loss Before Tax				
Segment results				
Malaysia	(85)	(2,412)	(632)	(3,649)
Thailand	58	63	955	120
Others	-	-	-	(5)
	(27)	(2,349)	323	(3,534)
Finance costs	(27)	(45)	(104)	(107)
Eliminations	(144)	(7)	(243)	(133)
Total Loss Before Tax	(198)	(2,401)	(24)	(3,774)
At 30 September 2015	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	49,483	1,823	(24,763)	26,543
Income tax assets	204	-	-	204
Total assets				26,747
Segment liabilities	18,949	494	(15,126)	4,317
Interest bearing - borrowings	2,568	30	-	2,598
Income tax liabilities	765	-	-	765
Total liabilities				7,680
Other segment information				
Capital expenditure	97	24	-	121
Depreciation of property, plant and equipment	378	37	-	415

(b) Secondary Reporting Format - Business Segments:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		Preceding Year		Preceding Year
	Current Quarter	Corresponding	Current Year	Corresponding
	30 September	Quarter	To Date	Period
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	276	345	810	1,003
Coatings Manufacturing	5,567	4,766	17,862	13,151
Others	1,623	846	4,847	1,967
Eliminations	(2,383)	(450)	(6,897)	(2,610)
Total Revenue	5,083	5,507	16,622	13,511
Loss Before tax				
Segment results				
Investment Holdings	39	(103)	(34)	(372)
Coatings Manufacturing	(28)	(1,802)	680	(2,433)
Others	(38)	(444)	(323)	(729)
	(27)	(2,349)	323	(3,534)
Finance costs	(27)	(45)	(104)	(107)
Eliminations	(144)	(7)	(243)	(133)
Total Loss Before Tax	(198)	(2,401)	(24)	(3,774)

A8. Material Events Subsequent to the End of the Quarter under Review

There was no material event 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

Incorporation of a Subsidiary

On 19 August 2015, the Group's wholly owned subsidiary, SerSol Coatings Sdn Bhd ("SCSB") incorporated a new subsidiary known as SerSol NCK Sdn Bhd ("SerSol NCK") with a registered capital of RM1,000 of which SCSB holds 51%. The remaining 49% of the issued and paid-up share capital of SerSol NCK is held by Roton Kimer Capital Sdn Bhd.

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. Review of Group's Results for the Current Quarter and Financial period-to-date Ended 30 September 2015

For the current quarter under review, our Group revenue is RM5.083 million, showing a decrease of RM424,000, representing a decrease of approximately 7.70% as compared to the preceding period's corresponding quarter ended 30 September 2014. Our Group recorded a loss after taxation of RM193,000 for the current quarter ended 30 September 2015 as compared to the loss after taxation of RM2.396 million for the preceding year's corresponding quarter ended 30 September 2014.

The decrease in revenue is mainly due to the reduced market demand in industrial coatings and the lower margin of the inter-company's sales. A newly incorporated subsidiary has also incurred a pre-operating loss.

The other operating income has increased significantly due to the reversal of the provision of doubtful debts and the writing off of the bad debts which were provided for in the second and third quarter of year 2014.

B2. Variation of Results for the Current Quarter Ended 30 September 2015 against Immediate Preceding Quarter

For the current quarter ended 30 September 2015, our Group revenue was RM5.083 million, showing a decrease of RM267,000, representing a slight decrease of approximately 4.99% as compared to the revenue of RM5.350 million in the preceding quarter ended 30 June 2015. Our Group recorded a loss after taxation of RM193,000 in the current quarter ended 30 September 2015, as compared to a profit after taxation of RM62,000 in the previous quarter ended 30 June 2015. The loss incurred in the current quarter is mainly due to the lower demand of decorative coatings and the decrease of Thailand subsidiary's sales.

B3. Prospects for 2015

In the light of current slow down in the economic climate, which is exacerbated by the falling oil prices, the depreciation of Ringgit Malaysia, the devaluation of Yuan and the imminent increase of interest rate by the U.S. Treasury, we are cautiously pessimistic of the outlook for the rest of the year. Despite the aforesaid challenges, our Group will still continue to strive to improve our revenue.

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 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Taxation	-	-	-	-
Deferred taxation	5	5	14	14
	5	5	14	14

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

(A) Status of Utilisation of Proceeds

(i) Proceeds from Rights Issue of Shares with Warrants

As at 28 October 2015, the Company has yet to fully utilise the proceeds. The Company had revised the utilisation of the proceeds amounting to RM355,000 allocated for the purchase of plant and machinery to working capital and an extension of time for full utilisation of the remaining proceeds in the manner as set out in the table below.

	Purpose	Proceeds raised	Actual Utilisation as at 30 September 2015	Deviation	Balance Utilisation After Change	Expected Timeframe of Utilisation
		RM'000	RM'000	RM'000	RM'000	
i)	Research & development	900	900		-	-
ii)	Purchase of plant and machinery	500	145	355*	-	-
iii)	Repayment of bank borrowings	2,500	2,500		-	-
iv)	Working capital	5,235	5,235		355	31 December 2015
v)	Defray estimated expenses	500	500		-	-
	Total	9,635	9,280	355	355	

* The balance unutilised proceeds of RM355,000 allocated for the purpose of plant and machinery will be transferred to working capital.

All the proceeds under item (i), (iii), (iv) and (v) above have been fully utilised within the original time frame.

The rationale of the revision of unutilised proceeds allocated for the purpose of plant and machinery to working capital is because the Company has yet to identify suitable plant and machinery and intends to utilise the proceeds for its working capital for wages and staff benefits, sales and marketing expenses and other administration and operating expenses.

(ii) Proceeds from Private Placement

	Purpose	Proposed Utilisation	Actual Utilisation	Balance Utilisation	Timeframe of Utilisation (from the date of listing of Placement share)
		RM'000	RM'000	RM'000	
i)	Working capital	2,494	2,494	-	Within 12 months
ii)	Repayment of bank borrowings	2,000	1,500	500	Within 12 months
iii)	Setting up of new showroom and sales offices	322	37	285	Within 12 months
iv)	Defray estimated expenses	66	66	-	Within 2 weeks
	Total	4,882	4,097	785	

**Any variation in actual proceeds raised will be adjusted to/from the amount earmarked for the working capital of the Group.

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			
Trade Financing	-	-	-
Hire Purchase Payables	261	-	261
Bank Overdraft	2,129	-	2,129
	2,390	-	2,390
Long Term Borrowings			
Hire Purchase Payables	208	-	208
Total	2,598	-	2,598

B8. Changes in Material Litigation Since the Last Annual Statement of Financial Position Date

The Company's wholly-owned subsidiary, Multi Square Sdn Bhd ("MSSB"), had presented the winding petition against E W Plastic Sdn Bhd ("the Respondent") for the sum of RM1,973,149.36 on 10 October 2014 with Kuala Lumpur High Court and transferred to the Johor Bahru High Court.

The Board had announced that the E W Plastic Sdn Bhd had wound up on 15 September 2015 by the order of the Johor Bahru High Court based on the Winding up Petition.

MSSB had filed a suit for the sum of RM1,973,149.36 against Lee Chee Meng ("LCM"), guarantor for the Respondent which is fixed for hearing on 15 January 2015. The High Court awarded judgement against LCM in the sum of RM1,973,149.36 with interests at 5% per annum. The said LCM being dissatisfied with the outcome has filed an appeal to the Court of Appeal and has subsequently failed in his appeal. The High Court judgement dated 15 January 2015 remains valid and enforceable against LCM.

B9. Dividend Proposed

No dividend has been proposed during the quarter under review.

B10. Loss Per Share

Basic loss per share

	Current quarter ended		Cumulative quarter ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Net Loss attributed to owners of the parent for the period (RM'000)	(189)	(2,396)	(6)	(3,758)
Weighted Average Number of shares in issue ('000)	215,349	193,319	208,805	193,041
Basic loss per share (sen)	(0.09)	(1.24)	-	(1.95)

Diluted loss per share

Diluted loss per share is equal to the basic 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 2014 was not qualified.

B12. Realised and unrealised losses disclosure

The accumulated losses may be analysed as follows:

	As at 30.09.2015	As at 31.12.2014
	RM'000	RM'000
Realised	(10,194)	(10,491)
Unrealised	108	131
	<u>(10,086)</u>	<u>(10,360)</u>
Less : Consolidation adjustments	(3,606)	(3,368)
Total	<u>(13,692)</u>	<u>(13,728)</u>

B13. Loss Before Tax

The following items have been included in arriving at loss before tax:

	Current quarter ended		Cumulative quarter ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Allowance for and write off of receivables	1,972	(1,675)	2,103	(2,104)
Allowance for and write off of inventories	-	(5)	-	(10)
Bad debts recovered	-	-	1	1
Bad debts written off	(1,973)	-	(1,973)	-
Depreciation and amortisation	(138)	(120)	(415)	(319)
Gain or (loss) on disposal of property, plant and equipment	-	42	8	54
Gain or (loss) on foreign exchange –Realised	112	(14)	248	(12)
Gain or (loss) on foreign exchange –Unrealised	131	(4)	94	(20)
Loss on disposal of subsidiary	-	(131)	-	(131)
Interest expense	(19)	(36)	(74)	(83)
Interest income	16	5	18	35