

Annual Report 2005



HEAD OFFICE & FACTORY
JOHOR BAHRU
28 Jalan Canggih 1
Taman Perindustrian Cemerlang
81800 Ulu Tiram
Johor, Malaysia
Tel : 07-861 1112/3 & 863 3112/9
Fax : 07-861 9261 & 863 3116
Website: www.sersoltech.com
E-mail: ssms@sersoltech.com

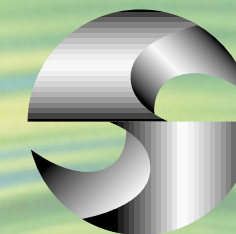
MARKETING OFFICES:
SELANGOR
1 Jalan Anggerik Mokara 31/59
Kota Kemuning, Sek.31
40460 Shah Alam
Selangor, Malaysia
Tel : 03-5124 6740 & 5122 2455
Fax : 03-5124 6741
E-mail: mskl@multisquare.com

KEDAH
127 Jalan Kemuning 4
Sungai Pasir Industrial Park
08000 Sungai Petani
Kedah Darul Aman, Malaysia
Tel : 04-431 1928
Fax : 04-431 8809
E-mail: mosp@multisquare.com

MULTI SQUARE (S) PTE. LTD.
Tel : 65-6241 3898
Fax : 65-6241 2633
E-mail: mssg@multisquare.com

P. T. MULTI SQUARE
Tel : (021)-8984 1081
Fax : (021)-8984 1082
E-mail: ptms@multisquare.com

珠海马品涂料有限公司
ZHUHAI MS COATING LTD.
Tel : 0086-756-7793533
Fax : 0086-756-7794300
E-mail: mschina@multisquare.com



SerSol
Technologies Berhad

(Company No.: 602062-X)

CONTENTS

1

Corporate Information	2
Corporate Calender	3
Chairman's Statement	4
Directors' Profile	5 - 6
Corporate Governance Statement	7 - 8
Report of Audit Committee	9 - 11
Additional Listing Requirements Compliance Information	12
Statement on Internal Control	13
Statement of Directors' Responsibility	14
Financial Statements	 15 - 54
List of Properties	55
Analysis of Shareholdings	56 - 57
Notice of Third Annual General Meeting	58
Statement Accompanying Notice of Third Annual General Meeting	59
Proxy Form	Enclosed

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Fie Ping
- *Chairman and Managing Director*

Tan Fie Jen
- *Executive Director*

Tan Bee Ngoh
- *Executive Director*

Tan Lay Beng
- *Independent Non-Executive Director*

Azahar bin Baharudin
- *Independent Non-Executive Director*

COMPANY SECRETARIES

Rokiah Binti Abdul Latiff (LS 0000194)

Ow Pee Juan (f) (MAICSA 7013304)

REGISTERED OFFICE

30-05 Level 30, Menara Landmark
Mail Box 172, 12 Jalan Ngee Heng
80000 Johor Bahru
Tel : 07 – 278 1260
Fax : 07 – 278 1238

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose
Capital Square, 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03 – 2721 2222
Fax : 03 – 2721 2530

AUDITORS

Horwath
30-04 Level 30, Menara Landmark
Mail Box 171, 12 Jalan Ngee Heng
80000 Johor Bahru
Tel : 07 – 278 1268
Fax : 07 – 278 1238

SPONSOR

Southern Investment Bank Berhad
16th Floor Wisma Genting
28, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03 – 2059 4188
Fax : 03 – 2078 0699

PRINCIPAL BANKERS

EON Bank Berhad
37 & 39 Jalan Johar 1
Taman Desa Cemerlang
81800 Ulu Tiram Johor
Tel : 07 – 861 7488

STOCK EXCHANGE LISTING

MESDAQ MARKET OF
BURSA MALAYSIA SECURITIES BERHAD

CORPORATE CALENDER

DATE	EVENTS
17 March 2005	<p>The Company announced its investment in Asset Capital Holdings Limited, a company incorporated in Hong Kong, by acquiring 8,000 ordinary shares of HKD1.00 each representing an equity interest of 80% for a share purchase consideration of RM358,650.</p> <p>The above acquisition was completed on 22 April 2005.</p>
1 April 2005	<p>The Company announced the subscription of the entire equity interest in Multi Square (S) Pte Ltd, a company incorporated in Singapore, comprising 100 ordinary shares of SGD1.00 each for a cash consideration of SGD100. Subsequently, the Company subscribed for 99,900 additional shares for a cash consideration of SGD99,900.</p>
28 July 2005	<p>The Company announced its investment in PT Multi Square ("PTMS"), a company incorporated in Republic of Indonesia, by subscribing 240,000 ordinary shares of PTMS, representing an equity interest of 60% with a cash consideration of USD 240,000.</p> <p>The investment was completed on 15 August 2005.</p>
28 July 2005	<p>The Company announced its investment in an associated company namely TN Industries Sdn. Bhd. ("TNISB"), by subscribing 150,000 ordinary shares of TNISB, representing an equity interest of 30% with a cash consideration of RM150,000.</p> <p>The investment was completed on 22 September 2005.</p>

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report of Sersol Technologies Berhad ("SerSol") for the financial year ended 31 December 2005.

PERFORMANCE REVIEW

Overall, 2005 has turned out to be an exciting and challenging year for the Group. In line with the Group's strategy to expand its business to other countries outside of Malaysia, the Group has completed the acquisition of Asset Capital Holdings Limited ("ACHL"), a company incorporated in Hong Kong. The investment would open up business opportunities for our Group to penetrate into the market in The People's Republic of China. In addition to this acquisition, the Group has invested in Multi Square (S) Pte Ltd ("MSPL"), Singapore and formed a joint venture company in Indonesia by the name of PT Multi Square ("PTMS") of which it holds 60%. The Group has also invested a 30% stake in a local solvent and diluents manufacturing and trading company called TN Industries Sdn. Bhd.

For the financial year ended 31 December 2005, the Group's revenue increased from RM 26 million to RM 31 million as compared with proforma revenue in previous year 2004. The increase in turnover is contributed by the increase in revenue of plastics coating, price of chemical solvents and diluents coatings products and revenue contributed by Asset Capital Holdings Limited. The profit after tax and after minority interest was RM 181,000 as compared with proforma profit after tax and minority interest of RM 1.99 million in the previous year 2004. The decrease in the profit after tax and minority interest was mainly attributed by the high start up and teething costs incurred for the new expansion overseas. The volatility of petrochemicals related products coupled with the slowdown of Electrical and Electronic industries continued to affect Sersol's performance. Nevertheless, all core products under our belt maintained their market dominance despite the challenges of volatile raw materials cost and market demand.

PROSPECT

Continual development of new innovative products remains as the main driving force of the Group, whilst acquisition of plant and equipment will be made in view of the Group's intention of achieving exponential growth. In addition, the Group continues to focus on opportunities to invest in other Asian countries to increase demand for its products. The prospects of these acquisitions or investments are expected to contribute positively to the future long term earnings of the Group.

Barring any unforeseen circumstances, the Group is confident that the outlook for the financial year ending 31 December 2006 will remain positive.

DIVIDENDS

On 17 April 2006, the Board of Directors of the Company has proposed a final dividend of approximately 0.4 cents per ordinary share less income tax at 28% amounting to RM273,401 in respect of the current financial year ended 31 December 2005 subject to the approval of the members at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all shareholders, valued customers, business associates, vendors, bankers and regulatory authorities for your continued support, confidence and to our employees for their hard work and dedication to the Group.

TAN FIE PING

Age 44, Malaysian
(Chairman and Managing Director)

Tan Fie Ping, aged 44, began his career as a production supervisor in Daihwa (M) Sdn Bhd in 1986. He was appointed to the Board of SerSol Technologies Berhad on 1 September 2004. He is currently the Chairman and Managing Director of the Company.

He graduated with a Bachelor of Business Studies degree in 1985 from the University of Winnipeg, Canada. While serving in Daihwa, he was holding several key positions in the company during different period of time. These positions include Head of Department for the 2nd Process Department, Head of Secondary Sales and Marketing Department and Head of the Purchasing Department. He left Daihwa and joined Lea Tat (M) Sdn Bhd as Manager in 1991 before leaving the Company in 1992 to set up his own business. He is the pioneer of the Group and has vast working experience in the Electrical and Electronics and industrial coatings industries.

TAN FIE JEN

Aged 41, Malaysian
(Executive Director)

Mr Tan Fie Jen, was appointed to the Board on 1 September 2004. He is currently the Executive Director of the Company. He graduated from the Tunku Abdul Rahman College with a Diploma in Building in 1989. He began his career as Sales Executive in various companies such as Hunter Products (M) Sdn Bhd, Supermax Enterprise and Lea Tat (M) Sdn Bhd. He joined the Group of the Company as Sales Executive in 1992 and has been promoted as Assistant General Manager in 2001. He has fourteen (14) years of experience in the industrial coating industries.

TAN BEE NGOH

Aged 44, Malaysian
(Executive Director)

Ms Tan Bee Ngoh was appointed as an executive Director on 1 September 2004. She graduated with a Bachelor of Economics degree from the University of Winnipeg, Canada in 1986. She has started her career as a Purchaser in Claytan Industries Sdn Bhd for three years before she joined Fairwood Furniture (M) Sdn Bhd as a Personnel Officer. She then joined the Group in 1992 as a Director and the Administrator of the Company.

DIRECTORS' PROFILE

TAN LAY BENG

Aged, 52, Malaysian
(Independent Non-Executive Director)

Ms Tan Lay Beng was appointed as Independent Non-Executive Director of the Company on 1 September 2004. She obtained her certificate as a Certified & Chartered Accountants (ACCA) from the Association of Certified and Chartered Accountants United Kingdom in 1984 and was subsequently accredited with Fellow Certified and Chartered Accountant (FCCA). She is currently a Chartered Accountant of the Malaysian Institute of Accountants, Certified Financial Planner of the Financial Planning Association of Malaysia and a Fellow Member of the Malaysian Institute of Taxation.

She has started her career in the accounting and auditing field in 1973. After eight (8) years, she choose to specialize in taxation work whereby she became the Tax manager of a medium size firm and then continued her career in taxation work with Price Waterhouse in 1989. She left the firm to set-up her own consultancy firm.

AZAHAR BIN BAHARUDIN

Aged 50, Malaysian
(Independent Non-Executive Director)

En Azahar was appointed as Independent Non-Executive Director of the Company on 1 September 2004. He graduated from MARA Institute of Technology in 1984. He began his career in 1977 in United Asian Bank and was subsequently promoted to an Officer in 1981. He left United Asian Bank in 1991 and joined Affin Bank Berhad as an Executive Officer. In 1992 he was promoted to Head of Credit and became a Deputy Branch Manager of Johor Bahru branch in 1993. In 1994 he has been promoted as Branch Manager and worked in various branch of the Bank in Johor. He served with the Bank until 2003. He is currently a financial consultant with the Royal Mint Exchange. Overall he has twenty six (26) years of experience in the banking industry.

CORPORATE GOVERNANCE STATEMENT

A. DIRECTORS

THE BOARD

The Board of Directors comprises five (5) Members, of whom three (3) are of Executive capacity and two (2) are Independent Non-Executive Directors. The Independent Directors fulfill their role by exercising of independent judgment and objective participation in the proceeding and decision making process of the Board.

BOARD MEETING

Five (5) Board meetings were held within the financial year ended 31 December 2005. Directors' attendance to the meeting can be found in the Statement Accompanying the Notice of the Third Annual General Meeting on page 59.

THE CHAIRMAN OF THE BOARD

The Chairman of the Board is Mr Tan Fie Ping, is the pioneer of the Group and has vast working experience in the coating industry. He is also the Managing Director of the Company.

DIRECTORS' TRAINING

All the Directors have attended various training as a continuous effort to enhance management skills. Stated below is the list of courses attended during financial year ended 31 December 2005:

Name of Directors	Name of courses	Date:
Tan Fie Ping	Directors Dilemma in the Boardroom	29, 30, 31 July 2005
Tan Bee Ngoh	Financial Management for Non-Finance Manager	14 - 15 July 2005
	Fraud Risk & Prevention And Business Continuity Planning Training	15 September 2005
	Malaysian Taxation & Maximize Corporate Tax Deduction	13 - 14 October 2005
Tan Fie Jen	Fraud Risk & Prevention And Business Continuity Planning Training	15 September 2005
Tan Lay Beng	Fraud Risk & Prevention And Business Continuity Planning Training	15 September 2005
Azahar Bin Baharudin	Fraud Threats & Abuse in Corporations – Controls & Law	22 - 23 November 2005

REMUNERATION COMMITTEE

The Committee was set up on 22 November 2004. Its responsibilities include assessing the size of the Board, relevant mixed skills and experience and other qualifications of Non-Executive Directors and effectiveness of the Board as a whole. The members of the Remuneration Committee are as follows:-

Tan Fie Ping
Tan Lay Beng
Azahar bin Baharudin

CORPORATE GOVERNANCE STATEMENT

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, one-third of the Directors for the time being shall retire from office at each Annual General Meeting ("AGM"). A retiring director shall be eligible for re-election.

Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next AGM held following their appointments.

Details of Directors seeking re-election at the Third Annual General Meeting are disclosed in the Statement Accompanying the Notice of AGM on page 59 in this Annual Report.

B. DIRECTORS' REMUNERATION

The Directors' fees are subject to the approval of shareholders at the Company's Annual General Meeting (AGM). The aggregate remuneration of Directors of the Company during the financial year are as follows:-

	Salaries & other Emoluments (RM)	Fees (RM)	Total (RM)
Executive Directors	465,296	-	465,296
Non-Executive Directors	-	36,000	36,000
	3,600		3,600

Range of remuneration per annum	Number of Directors	
	Executive	Non-Executive
Below RM100,000	1	2
RM100,000 to RM200,000	1	
RM200,000 to RM300,000	1	

C. ACCOUNTABILITY AND AUDIT

It is the Board's responsibility and commitment to provide a balanced and understandable assessment of the Group's operation and prospects in all the quarterly reports and annual financial statements to shareholders, investors and Regulatory Authorities.

The Board is assisted by the Audit Committee to review information for disclosure, the quality of the financial reporting and to ensure accuracy and completeness. The statement of Directors' Responsibility in respect of the Audited Financial Statements of Sersol Technologies Berhad is set out on pages 16 to 54 of this annual report.

D. OTHERS

AUDIT COMMITTEE

The composition and terms of reference of Audit Committee together with its report are presented on pages 9 to 11 of this annual report.

NON-AUDIT FEES

During the financial year under review, non-audit fees paid to the external auditors of the Group amounted to RM33,533

REPORT OF AUDIT COMMITTEE

1. COMPOSITION

The present Audit Committee comprises of 3 members of the Board. The Company has complied to the Bursa Securities Listing Requirements that came into effect on 1 June 2001, which require a majority of Audit Committee members to be independent Directors. In addition, the Audit Committee has one Director who is also member of the Malaysian Institute of Accountants ("MIA") and the Chairman of the Audit Committee is an Independent Director.

1.1 MEMBERS

Members of the Audit Committee are as follows:

Ms Tan Lay Beng	Independent Non-Executive Director (Appointed with effect from 01/09/2004)
En Azahar bin Baharudin	Independent Non-Executive Director (Appointed with effect from 01/09/2004)
Mr Tan Fie Jen	Executive Director (Appointed with effect from 01/09/2004)

1.2 CHAIRMAN OF AUDIT COMMITTEE

The Chairman of the Audit Committee is Ms Tan Lay Beng, an Independent Non-Executive Director.

1.3 CONSTITUTION

The Audit Committee of Sersol Technologies Berhad ("Sersol") was established by the Board of Directors ("the Board") in 2004. The terms of Reference of Audit Committee are set out in this page of this Annual Report.

2. TERMS OF REFERENCE

2.1 COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee shall be appointed by the Board of Directors from amongst its members, which fulfills the following requirements:-

- a. The Audit Committee must comprise at least 3 members.
- b. A majority of the Audit Committee must be Independent Directors.
- c. No Alternate Director shall be appointed as a member of the Audit Committee.

The Members of Audit Committee shall then elect a Chairman from among themselves who shall be an Independent Director. All members of Audit Committee, including the Chairman, will hold office only so long they serve as Directors of Sersol Technologies Berhad. The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee has carried out its duties in accordance with its terms of reference.

REPORT OF AUDIT COMMITTEE

2.2 SECRETARIES OF THE AUDIT COMMITTEE

The Company Secretaries of Sersol Technologies Berhad shall be the Secretaries of the Audit Committee.

2.3 OBJECTIVE OF THE AUDIT COMMITTEE

The objective of the Audit Committee is to assist the Board to discharge its responsibilities by reviewing the adequacy and integrity of the Company and the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

Audit Committee is also to reinforce the independence of the external auditors and thereby helps assure that they will have rein in the audit process and to provide, by way of regular meetings, a line of communication between the Board and the external auditors.

3 DUTIES AND RESPONSIBILITIES OF AUDIT COMMITTEE

The following are the main duties and responsibilities of the Audit Committee:

- 3.1 To recommend to the Board on the appointment and annual reappointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and cost effectiveness.
- 3.2 Discuss with the external auditors before the audit commences the nature and scope of the audit, the audit plan and ensure co-ordination where more than one audit firm is involved.
- 3.3 To review the quarterly interim results, half year and annual financial statements of the Company and the Group prior to the approval by the Board whilst ensuring that they are prepared in a timely and accurate manner complying with all accounting and regulatory requirements and are promptly published.
- 3.4 Discuss problems arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the management where necessary.
- 3.5 Review the external auditor's management letter and management's response.
- 3.6 Evaluate the standards of internal controls and financial reporting of the Sersol Group of Companies.
- 3.7 Consider the major findings of internal investigations and management's response.
- 3.8 Review any related party transactions and conflict of interest situation that may arise within Sersol Group, including any transaction, procedure or source of conduct that raises questions of management integrity.
- 3.9 Consider other issues as defined by the Board.

REPORT OF AUDIT COMMITTEE

4 POWER OF THE AUDIT COMMITTEE

- 4.1 Have explicit authority to investigate any matter within its terms of reference.
- 4.2 Have the resources required to perform its duties.
- 4.3 Have full and unrestricted access to any information, records, properties and personnel of Sersol and any of other companies within the Group.
- 4.4 Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any)
- 4.5 Be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Audit Committee's meeting (if required) and to brief the Audit Committee;
- 4.6 Be able to convene meetings with external auditors without the presence of the executive board members, whenever deemed necessary.

5 FREQUENCY OF MEETINGS

The Audit Committee shall hold a minimum of at least four (4) meetings in a financial year. The number of Committee meetings held during a financial year and the details of attendance of each individual member in respect of meetings held shall be disclosed annually.

The meeting shall be chaired by the Chairman of Audit Committee or in the absence of the Chairman, another committee member who is an Independent Director nominated by the committee members. The quorum of the meeting shall consist of at least 3 members, the majority of whom shall be Independent Directors. The Chairman also has the discretion to call for additional meetings at any time.

The Committee Secretaries shall attend each Audit Committee Meeting and record the proceedings of the meeting.

MEETINGS

Four (4) Audit Committee meetings were held within the financial year ended 31 December 2005 during the tenure of the present Audit Committee. Details of the attendance of the members at the Audit Committee meeting are as follows:

Name of Audit Committee Member	No. of Meeting attended
Ms Tan Lay Beng	4/4
En Azahar bin Baharudin	4/4
Mr Tan Fie Jen	4/4

The Managing Director of the Company and the representatives from the External Auditors have attended the Audit Committee meetings conducted during the financial year under review.

ACTIVITIES

During the financial year, the Audit Committee has conducted its activities in accordance with its existing Terms of Reference, which include quarterly meetings to review the quarterly results, discussions on the Internal Audit reports to assess the effectiveness of the system of internal controls in the areas audited. The Audit Committee also discussed the annual audited financial statements with the external auditors as well as their findings and recommendations.

ADDITIONAL LISTING REQUIREMENTS COMPLIANCE INFORMATION

The information set out in the Annual Report is made up to a date not earlier than 6 weeks from the date of Annual General Meeting of the Company.

To comply with the Listing Requirements of Bursa Securities, the following additional information is provided:

RECURRENT RELATED PARTIES TRANSACTIONS

Significant related parties transactions are as follows:

Name of related parties	Nature of transactions	2005	2004
Tan Fie Ping and Tan Fie Jen	Rental of premises	6000	-

In the opinion of the directors, the above transaction has been entered into in the ordinary course of business and has been established under terms that were mutually agreed between the parties.

The relationship between the Group and the related parties are as follows:

Name of related parties	Relationship with the Group
Tan Fie Ping	Director
Tan Fie Jen	Director

SHARE BUYBACKS

There were no share buy backs during the financial year ended 31 December 2005.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company has not issued any options, warrants or convertible securities in respect of the financial year ended 31 December 2005.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 December 2005.

SANCTIONS AND / OR PENALTIES

The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/or penalties by any regulatory bodies.

PROFIT GUARANTEE

No profit guarantee was given by the Company in respect of the financial year ended 31 December 2005.

MATERIAL CONTRACTS

There were no material contracts by the Company and its subsidiaries involving Directors' and major shareholders' interest.

REVALUATION OF LANDED PROPERTIES

The Company does not have a revaluation policy on landed properties.

CONTRACT RELATED TO LOAN BY THE COMPANY

There were no contracts relating to loan by the Company.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance requires that the Board of a listed company should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires directors of public listed companies to include a statement of the state of the Group's internal controls in the annual report. The Board is pleased to include such a statement in compliance with the Bursa Securities' requirements.

BOARD RESPONSIBILITY

The Board of Sersol Technologies Berhad ("STB") recognizes the importance of a sound system of internal controls and risk management framework and is dedicated to affirm its overall responsibility for the Group's system of internal controls. The Board's responsibility includes the establishment of appropriate control environment and framework and at the same time conduct regular review on its adequacy and integrity. Due to the inherent limitations to the internal control systems, it should be noted that the controls established are designed to manage rather than to eliminate altogether the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board is dedicated at strengthening the Group's control environment and processes through an ongoing process of identifying, evaluating and managing significant risks faced by the Group. The responsibility of managing risks of each department lies with the respective Head of Department and internal controls implemented corresponding to the risks identified are communicated to the Senior Management through regular management meeting.

During the financial year, Management with the assistance of an external consulting firm has finalized the development of the key risk profile together with an Internal Audit plan of the Group addressing to the risks identified. The process prioritizes risks identified based on the possibility of risk occurring and the impact to the Group in the event the risk takes place.

The control environment and processes are periodically reviewed by the internal auditors who report to the audit committee to ensure the adequacy and effectiveness of the risk management procedures throughout the Group.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements of the Group's existing internal control systems are:

- Clearly defined and structured lines of reporting, responsibilities and delegation of authority within the Group.
- Clearly documented internal policies and procedures set out in a series of the Standard Operating Procedural ("SOP") manuals implemented through an International Organization for Standardization (ISO) accreditation programme. Furthermore, ISO audits are conducted internally by a committee established and by external parties during the financial year.
- Monthly management meetings held among the various heads of department and the executive directors to address operational issues and monitor the performance of operating units.
- Close involvement of the executive directors in daily operations and decision making.

CONCLUSION

The Board is committed towards maintaining a sound system of internal controls throughout the Group. The Board recognizes the fact that the system of internal controls and the risk management practices must continuously evolve with the ever changing and challenging business environment in order to support the Group's operations. As and when necessary, the Board will put in place appropriate action plans to rectify potential weaknesses and improve the system of internal control.

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

Directors are legally required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

In preparing those financial statements, the Directors of the Company have:

- adopted suitable accounting policies and then applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statement on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards. The Directors are also responsible for the assets of the Group and of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FINANCIAL STATEMENTS

15

Directors' Report	16 -19
Statement by Directors	20
Statutory Declaration	20
Report of the Auditors	21
Balance Sheets	22
Income Statements	23
Statements of Changes in Equity	24 - 25
Cash Flow Statements	26 - 27
Notes to the Financial Statements	28 - 54

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company and provider of management services. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	103,071	268,260
Minority interest	77,978	–
Profit attributable to shareholders	181,049	268,260

DIVIDENDS

Since the end of the previous financial year, the Company declared and paid a final dividend of approximately 0.2 sen per ordinary share (tax-exempt) amounting to RM190,000 in respect of the previous financial year.

On 17 April 2006, the Board of Directors of the Company has proposed a final dividend of 0.4 sen per ordinary share, less 28% tax, amounting to RM273,401 in respect of the financial year ended 31 December 2005 subject to the approval of the members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised and issued and paid-up capital of the company; and
- (b) there were no issues of debentures by the company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Company are disclosed in Note 43 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

HOLDING COMPANY

The holding company is Sersol Holdings Sdn. Bhd., a company incorporated in Malaysia, which the directors also regard as the ultimate holding company.

DIRECTORS

The directors who served since the date of the last report are as follows:-

AZAHAR BIN BAHARUDIN
TAN BEE NGOH
TAN FIE PING
TAN FIE JEN
TAN LAY BENG

Pursuant to Article 101 and 102 of the Articles of Association of the Company, Tan Bee Ngoh retires by rotation at the forthcoming annual general meeting and, being eligible, offers herself for re-election.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

COMPANY	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			AT 31.12.2005
	AT 1.1.2005	BOUGHT	SOLD	
<i>Direct Interest</i>				
AZAHAR BIN BAHARUDIN	100,000	-	(70,000)	30,000
TAN BEE NGOH	3,385,489	-	(2,000,000)	1,385,489
TAN FIE JEN	3,372,824	-	(3,000,000)	372,824
TAN FIE PING	547,448	-	-	547,448
TAN LAY BENG	100,000	-	(100,000)	-
<i>Indirect Interest</i>				
TAN FIE JEN	49,838,949	90,000	-	49,928,949
TAN FIE PING	49,838,949	90,000	-	49,928,949

DIRECTORS' REPORT

SERSOL HOLDINGS SDN. BHD., HOLDING COMPANY	NUMBER OF ORDINARY SHARES OF RM1.00 EACH			AT 31.12.2005
	AT 1.1.2005	BOUGHT	SOLD	

Direct Interest

TAN FIE JEN	725	–	–	725
TAN FIE PING	1,195	–	–	1,195

By virtue of their interests in the Company, Tan Fie Jen and Tan Fie Ping are deemed to have interests in shares in its subsidiary to the extent of the Company's interest in accordance with Section 6A of the Companies Act, 1965.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with certain directors as disclosed in Note 40 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 41 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO BALANCE SHEET DATE

The significant event subsequent to the balance sheet date are disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

Signed In Accordance With A Resolution Of The Directors Dated 22 April 2006

Tan Fie Ping

Tan Bee Ngoh

22 April 2006

STATEMENT BY DIRECTORS

We, Tan Fie Ping and Tan Bee Ngoh, being two of the directors of Sersol Technologies Berhad, state that, in the opinion of the directors, the financial statements set out on pages 22 to 54 are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of their results and cash flows for the financial year ended on that date.

Signed In Accordance With A Resolution Of The Directors Dated 22 April 2006

Tan Fie Ping

Tan Bee Ngoh

22 APRIL 2006

STATUTORY DECLARATION

I, Tan Fie Ping, I/C No.:620824-01-5799, being the director primarily responsible for the financial management of Sersol Technologies Berhad, do solemnly and sincerely declare that the financial statements set out on pages 22 to 54 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by Tan Fie Ping, I/C No:620824-01-5799,
at Johor Bahru in the state of Johor.

22 APRIL 2006

Before me

Tan Fie Ping

REPORT OF THE AUDITORS

TO THE MEMBERS OF **SERSOL TECHNOLOGIES BERHAD**
(COMPANY NO.: 602062-X)

We have audited the financial statements set out on pages 22 to 54. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2005 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required under Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors, as indicated in Note 7 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under Subsection (3) of Section 174 of the Companies Act, 1965.

Horwath
Firm No.: AF 1018
Chartered Accountants

Johor Bahru

22 April 2006

Wong Tak Keong
Approval No: 1966/7/07 (J)
Partner

BALANCE SHEETS

AT 31 DECEMBER 2005

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Investment in subsidiaries	7	–	–	8,814,984	7,119,859
Investment in an associate	8	154,643	–	150,000	–
Property, plant and equipment	9	10,840,550	8,299,191	–	–
Development expenditure	10	1,274,780	785,472	–	–
Goodwill on consolidation	11	374,573	–	–	–
Negative goodwill	12	(1,329,804)	(1,401,044)	–	–
		11,314,742	7,683,619	8,964,984	7,119,859
CURRENT ASSETS					
Inventories	13	3,860,275	3,467,073	–	–
Trade receivables	14	7,946,059	7,755,444	–	–
Other receivables, deposits and prepayments	15	1,425,676	833,010	35,507	11,328
Amounts owing by subsidiaries	16	–	–	4,227,508	3,873,441
Fixed deposits with licensed banks	17	187,966	2,054,757	150,000	1,500,000
Cash and bank balances		2,058,571	1,143,935	75,665	753,582
		15,478,547	15,254,219	4,488,680	6,138,351
CURRENT LIABILITIES					
Trade payables	18	5,767,950	4,415,409	–	–
Other payables and accruals	19	783,047	354,976	131,071	13,877
Short term borrowings	20	3,907,788	3,077,428	–	–
Bank overdrafts	23	16,230	–	–	–
		10,475,015	7,847,813	131,071	13,877
NET CURRENT ASSETS					
		5,003,532	7,406,406	4,357,609	6,124,474
		16,318,274	15,090,025	13,322,593	13,244,333
FINANCED BY:-					
Share capital	24	9,493,100	9,493,100	9,493,100	9,493,100
Share premium	25	3,538,387	3,538,387	3,538,387	3,538,387
Retained profits		124,839	217,191	17,705	22,846
Dividends		273,401	190,000	273,401	190,000
Exchange translation reserve		(82,945)	–	–	–
SHAREHOLDERS' EQUITY		13,346,782	13,438,678	13,322,593	13,244,333
MINORITY INTEREST		520,062	–	–	–
NON-CURRENT LIABILITIES					
Long term borrowings	26	1,756,283	987,347	–	–
Deferred taxation	27	695,147	664,000	–	–
		2,451,430	1,651,347	–	–
		16,318,274	15,090,025	13,322,593	13,244,333
Net assets per share	28	14.06 sen	14.16 sen		

The annexed notes form an integral part of these financial statements.

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	*2004 RM	2005 RM	2004 RM
REVENUE	29	31,169,179	8,876,581	734,000	286,000
COST OF SALES		(24,838,407)	(6,796,262)	-	-
GROSS PROFIT		6,330,772	2,080,319	734,000	286,000
OTHER INCOME		288,052	73,079	18,338	1,539
ADMINISTRATIVE AND GENERAL EXPENSES		(4,551,275)	(1,101,215)	(333,717)	(57,552)
SELLING AND DISTRIBUTION EXPENSES		(1,574,444)	(401,788)	-	-
PROFIT FROM OPERATIONS		493,105	650,395	418,621	229,987
FINANCE COSTS		(299,590)	(115,843)	(301)	(571)
SHARE OF PROFIT OF AN ASSOCIATE		193,515 4,643	534,552 -	418,320 -	229,416 -
PROFIT BEFORE TAXATION	30	198,158	534,552	418,320	229,416
TAXATION	31	(95,087)	(110,791)	(150,060)	-
PROFIT AFTER TAXATION		103,071	423,761	268,260	229,416
MINORITY INTEREST		77,978	-	-	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS FOR THE FINANCIAL YEAR		181,049	423,761	268,260	229,416
Earnings per share - basic	32	0.19 sen	1.48 sen		
Earnings per share - diluted		Not applicable	Not applicable		

* The results of the Group in 2004 is for a period from 1 September 2004 to 31 December 2004

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

THE GROUP	NOTE	Share Capital RM	Non Distributable Reserve		Distributable Reserve	Dividend RM	Total RM
			Share Premium RM	Exchange Translation Reserve RM	Retained Profits/ (Accumulated Losses) RM		
Balance at 1.1.2004		1	-	-	(16,570)	-	(16,569)
Allotments during the financial year		9,493,099	4,746,509	-	-	-	14,239,608
Listing expenses		-	*(1,208,122)	-	-	-	(1,208,122)
Profit after taxation for the financial year		-	-	-	423,761	-	423,761
Dividend proposed	33	-	-	-	(190,000)	190,000	-
Balance at 31.12.2004/1.1.2005		9,493,100	3,538,387	-	217,191	190,000	13,438,678
Dividend paid		-	-	-	-	(190,000)	(190,000)
Exchange translation differences		-	-	(82,945)	-	-	(82,945)
Profit after taxation for the financial year		-	-	-	181,049	-	181,049
Dividend proposed	33	-	-	-	(273,401)	273,401	-
Balance at 31.12.2005		9,493,100	3,538,387	(82,945)	124,839	273,401	13,346,782

* Represents loss not recognised in the income statements

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

THE COMPANY	NOTE	Non Distributable Reserve			Distributable Reserve	Dividend RM	Total RM
		Share Capital RM	Share Premium RM	Exchange Translation Reserve RM	Retained Profits/ (Accumulated Losses) RM		
Balance at 1.1.2004		1	-	-	(16,570)	-	(16,569)
Allotments during the financial year		9,493,099	4,746,509	-	-	-	14,239,608
Listing expenses		-	*(1,208,122)	-	-	-	(1,208,122)
Profit after taxation for the financial year		-	-	-	229,416	-	229,416
Dividend proposed	33	-	-	-	(190,000)	190,000	-
Balance at 31.12.2004/1.1.2005		9,493,100	3,538,387	-	22,846	190,000	13,244,333
Dividend paid		-	-	-	-	(190,000)	(190,000)
Profit after taxation for the financial year		-	-	-	268,260	-	268,260
Dividend proposed	33	-	-	-	(273,401)	273,401	-
Balance at 31.12.2005		9,493,100	3,538,387	-	17,705	273,401	13,322,593

* Represents loss not recognised in the income statements

The annexed notes form an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation		198,158	534,552	418,320	229,416
Adjustments for:-					
Amortisation of development expenditure		76,423	17,652	-	-
Amortisation of goodwill		9,180	-	-	-
Bad debts written off		32,126	-	-	-
Depreciation of property, plant and equipment		1,127,219	283,583	-	-
Gain on disposal of plant and equipment		(58,872)	(13,749)	-	-
Loss on foreign exchange - unrealised		16,919	-	-	-
Interest expenses		261,374	106,165	-	-
Interest income		(44,257)	(20,789)	(18,338)	(1,539)
Negative goodwill released to income		(71,240)	(23,747)	-	-
Plant and equipment written off		3,363	-	-	-
Share of profits of an associate		(4,643)	-	-	-
Operating profit before working capital changes		1,545,750	883,667	399,982	227,877
Increase in inventories		(234,972)	(365,888)	-	-
Decrease in trade and other receivables		292,914	2,052,107	6,821	350,604
Increase in amount owing by a subsidiary		-	-	(354,067)	(3,873,441)
Increase/(decrease) in trade and other payables		472,753	(2,151,510)	117,194	(364,625)
CASH FROM/(FOR) OPERATIONS		2,076,445	418,376	169,930	(3,659,585)
Interest paid		(261,374)	(106,165)	-	-
Tax paid		(338,684)	(180,000)	(181,060)	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES/BALANCE CARRIED FORWARD		1,476,387	132,211	(11,130)	(3,659,585)

The annexed notes form an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
BALANCE BROUGHT FORWARD		1,476,387	132,211	(11,130)	(3,659,585)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of subsidiary, net of cash acquired	34	(219,054)	325,646	-	-
Interest received		44,257	20,789	18,338	1,539
Investment in subsidiaries		-	-	(1,695,125)	-
Investment in an associate		(150,000)	-	(150,000)	-
Increase in development expenditure		(565,731)	(170,266)	-	-
Proceeds from disposal of plant and equipment		63,520	13,749	-	-
Purchases of plant and equipment	35	(2,854,078)	(332,366)	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(3,681,086)	(142,448)	(1,826,787)	1,539
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividends paid		(190,000)	-	(190,000)	-
Drawdown of term loans		1,273,000	-	-	-
Issuance of share capital to minority shareholders		654,080	-	-	-
Net drawdown/(repayments) of bankers' acceptances		418,052	(901,000)	-	-
Payment of listing expenses		-	(1,208,122)	-	(1,208,122)
Proceeds from public issue		-	7,119,750	-	7,119,750
Repayments of hire purchase obligation		(325,290)	(156,684)	-	-
Repayments of term loans		(437,166)	(1,645,015)	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		1,392,676	3,208,929	(190,000)	5,911,628
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(812,023)	3,198,692	(2,027,917)	2,253,582
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		3,198,692	*1	2,253,582	*1
Effect of changes in exchange rates		(156,362)	-	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	36	2,230,307	3,198,692	225,665	2,253,582

* This represents RM0.20.

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Malaysian Companies Act, 1965. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	30-05, Level 30, Menara Landmark Mail Box 172, No. 12, Jalan Ngee Heng 80000 Johor Bahru, Johor.
Principal place of business	:	No. 28, Jalan Canggih 1 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Bahru, Johor.

The financial statements were authorised for issue by the board of directors in accordance with a resolution of the directors dated 22 April 2006.

2. PRINCIPAL ACTIVITIES

The Company is an investment holding company and provider of management services. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANY

The holding company is Sersol Holdings Sdn. Bhd., a company incorporated in Malaysia, which the directors also regard as the ultimate holding company.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its currency, interest rate, market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(A) FOREIGN CURRENCY RISK

The Group is exposed to foreign exchange risk on sales and purchases that are denominated in foreign currencies as detailed in Note 14, 15, 18, 36 and 47 to the financial statements. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

(B) INTEREST RATE RISK

The Group obtains financing through banking and hire purchase facilities. Its policy is to obtain the most favourable interest rates available.

Surplus funds are placed with licensed financial institutions at the most favourable interest rates.

(C) MARKET RISK

The Group does not have any quoted investments and hence is not exposed to market risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(D) CREDIT RISK

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group does not have any major concentration of credit risks related to any individual customer or counterparty.

(E) LIQUIDITY AND CASH FLOW RISKS

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risks management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

5. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The MASB Standards nomenclature has been changed to Financial Reporting Standards ("FRS") nomenclature for financial periods beginning on or after 1 January 2005. This change to the new nomenclature did not result in any significant change in the accounting policies adopted by the Group and the Company and has no financial effects on the financial statements for the financial year ended 31 December 2005.

6. SIGNIFICANT ACCOUNTING POLICIES

(A) FINANCIAL INSTRUMENTS

Financial instruments are recognised in the balance sheets when the Group and the Company have become a party to the contractual provision of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holder of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group and the Company have a legally enforceable right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheets are disclosed in the individual policy statement associated with each item.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(B) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2005.

A subsidiary is defined as an enterprise in which the Group has the power, directly or indirectly to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair value of the subsidiaries' net assets is determined and these values are reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests are measured at their shares of the net assets of the subsidiaries.

(C) GOODWILL OR NEGATIVE GOODWILL ON CONSOLIDATION

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition. Negative goodwill represents the excess of the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition over the fair value of the purchase consideration.

Goodwill or negative goodwill is amortised or released to income on a straight line basis over a period of twenty years and goodwill is written down for impairment where it is considered necessary. The impairment value of goodwill, if any, is taken to the consolidated income statement.

(D) INVESTMENTS

Investments in subsidiaries and associate are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

(E) ASSOCIATE

An associate is one in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in associate in the consolidated financial statements is accounted for under the equity method, based on the financial statements of the associate made up to 31 December 2005. The Group's share of the post acquisition profits of the associate is included in the consolidated income statement and the Group's interest in associate is stated at cost plus the Group's share of the post-acquisition retained profits and reserves.

Unrealised gains or transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at cost less impairment loss, if any, and is not depreciated. Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Buildings	2%
Factory equipment	10%
Motor vehicles	20%
Furniture, fittings and office equipment	10%
Renovation and electrical installation	10%

(G) IMPAIRMENT OF ASSETS

The carrying amounts of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statements immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as income in the income statements.

(H) RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised as an expense when incurred. Costs incurred on developing new products are recognised as development expenditure to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in any subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight-line basis over the period of their expected benefit, but not exceeding 5 years.

In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow moving items.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the cost of material and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods includes the cost of materials, labour and an appropriate proportion of production overheads.

(J) RECEIVABLES

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(K) PAYABLES

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(L) EQUITY INSTRUMENTS

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with licensed banks, bank overdrafts and short term, highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(N) ASSETS UNDER HIRE PURCHASE

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in note 6(f) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statements over the periods of the respective hire purchase agreements.

(O) TAXATION

Taxation for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(O) TAXATION (CONT'D)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(P) REVENUE RECOGNITION

(i) Sales of Goods

Revenue are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Rendering of Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(Q) FOREIGN CURRENCIES

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling as of that date. All exchange differences are taken to the income statements.

The financial statements of the foreign subsidiaries are translated into Ringgit Malaysia using the current rate method for the balance sheet whilst the average rate is used for the translation of the income statement for consolidation purposes. All exchange differences arising are taken directly to equity as a movement in the foreign exchange translation reserve. Foreign exchange differences relating to the foreign subsidiary are recognised as income or expenses on the disposal of that subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(R) SEGMENTAL INFORMATION

Segment revenue and expenses are those directly attributed to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segments assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation and impairment losses, where applicable) inventories, receivables and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

(S) EMPLOYEE BENEFITS

(i) Short-term benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liabilities in respect of the defined contribution plans.

7. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	RM	RM
Unquoted shares, at cost	8,814,984	7,119,859

Details of subsidiaries are as follows:-

Name of Company	Effective Equity Interest (%)		Country of Incorporation	Principal Activities
	2005	2004		
Multi Square Sdn. Bhd.	100	100	Malaysia	Manufacture and sale of paints, chemical solvent and industrial chemicals.
Asset Capital Holdings Limited *	80	-	Hong Kong	Trading of coating and related products
Multi Square (S) Pte. Ltd.*	100	-	Singapore	Importers and traders of coating materials for wood, plastic and metal.
PT Multi Square *	60	-	Republic of Indonesia	Manufacture and sale of coating, chemical solvent and thinner.
Subsidiary of Asset Capital Holdings Limited				
Zhuhai MS Coating Ltd. *	80	-	The People's Republic of China	Manufacture and sale of coating, chemical solvent and thinner.

* Subsidiaries are not audited by Messrs Horwath or its associates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

8. INVESTMENT IN AN ASSOCIATE

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares, at cost	150,000	-	150,000	-
Group's share of post acquisition reserves	4,643	-	-	-
	154,643	-	150,000	-

Represented by:-

Share of net tangible assets	143,670	-
Goodwill on acquisition	10,973	-
	154,643	-

Detail of associate is as follows:-

Name of Company	Effective Equity Interest (%)		Country of Incorporation	Principal Activities
	2005	2004		
TN Industries Sdn. Bhd. *	30	-	Malaysia	Blending and trading of chemical products.

* Associate not audited by Messrs Horwath or its associates.

9. PROPERTY, PLANT AND EQUIPMENT

THE GROUP								
Net book value	At 1.1.2005 RM	Additions through acquisition of a subsidiary (Note 34) RM	Additions RM	Foreign currency translation RM	Disposals RM	Written off RM	Depreciation charge RM	At 31.12.2005 RM
Freehold land	1,479,754	-	-	-	-	-	-	1,479,754
Buildings	2,752,012	-	-	-	-	-	(61,386)	2,690,626
Factory equipment	2,537,923	54,781	2,368,594	1,900	(4,648)	(1,720)	(590,493)	4,366,337
Motor vehicles	389,180	32,559	578,674	2,399	-	-	(270,821)	731,991
Furniture, fittings and office equipment	454,644	22,091	246,268	475	-	(1,643)	(89,739)	632,096
Renovation and electrical installation	685,678	35,646	331,242	1,960	-	-	(114,780)	939,746
	8,299,191	145,077	3,524,778	6,734	(4,648)	(3,363)	(1,127,219)	10,840,550

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP			
At 31.12.2005	At cost RM	Accumulated depreciation RM	Net book value RM
Freehold Land	1,479,754	–	1,479,754
Buildings	2,909,534	(218,908)	2,690,626
Factory Equipment	6,813,006	(2,446,669)	4,366,337
Motor Vehicles	1,800,940	(1,068,949)	731,991
Furniture, Fittings and Office Equipment	1,139,904	(507,808)	632,096
Renovation and Electrical Installation	1,290,372	(350,626)	939,746
	15,433,510	(4,592,960)	10,840,550
At 31.12.2004			
Freehold Land	1,479,754	–	1,479,754
Buildings	2,909,534	(157,522)	2,752,012
Factory Equipment	4,394,266	(1,856,343)	2,537,923
Motor Vehicles	1,335,208	(946,028)	389,180
Furniture, Fittings and Office Equipment	870,164	(415,520)	454,644
Renovation and Electrical Installation	921,414	(235,736)	685,678
	11,910,340	(3,611,149)	8,299,191

Included in the net book value of the property, plant and equipment of the Group are the following assets acquired under hire purchase terms and term loan:-

	2005 RM	2004 RM
Factory equipment	1,523,575	353,416
Motor vehicles	556,242	328,920
	2,079,817	682,336

The following assets at net book value of the Group have been pledged to financial institutions as security for banking facilities as disclosed in Note 20 to the financial statements:-

	2005 RM	2004 RM
Freehold land	1,479,754	1,479,754
Buildings	2,690,626	2,752,012
	4,170,380	4,231,766

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

10. DEVELOPMENT EXPENDITURE

	THE GROUP	
	2005 RM	2004 RM
Cost	1,439,280	873,548
Accumulated amortisation	(164,500)	(88,076)
Net book value	1,274,780	785,472
Net book value at 1.1.2005/2004	785,472	-
Additions through acquisition of a subsidiary (Note 34)	-	632,858
Additional development expenditure capitalised	565,731	170,266
Amortisation charge for the year	(76,423)	(17,652)
Net book value at 31.12.2005/2004	1,274,780	785,472
Included in development expenditure is:-		
Directors' remuneration - other emoluments	117,655	43,071
- EPF contributions	14,118	5,170

11. GOODWILL

	THE GROUP	
	2005 RM	2004 RM
Carrying value at 1.1.2005/2004	-	-
Arising from acquisition of a subsidiary (Note 34)	383,753	-
Amortisation charge for the year	(9,180)	-
Carrying value at 31.12.2005/2004	374,573	-
At 31.12.2005/2004		
Cost	383,753	-
Accumulated amortisation	(9,180)	-
Carrying value	374,573	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

12. NEGATIVE GOODWILL

	THE GROUP	
	2005 RM	2004 RM
Carrying value at 1.1.2005/2004	1,401,044	–
Arising from acquisition of subsidiary (Note 34)	–	1,424,791
Released to income for the year	(71,240)	(23,747)
Carrying value at 31.12.2005/2004	1,329,804	1,401,044
At 31.12.2005/2004		
Cost	1,424,791	1,424,791
Total amounts released to income	(94,987)	(23,747)
Carrying value	1,329,804	1,401,044

13. INVENTORIES

	THE GROUP	
	2005 RM	2004 RM
At cost:-		
Raw materials	2,628,709	2,491,823
Work-in-progress	25,808	–
Finished goods	1,205,758	975,250
	3,860,275	3,467,073

None of the inventories are carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

14. TRADE RECEIVABLES

	THE GROUP	
	2005 RM	2004 RM
Trade receivables	8,033,771	7,875,653
Less : Allowance for doubtful debts	(87,712)	(120,209)
	7,946,059	7,755,444
Allowance for doubtful debts at 1.1.2005/2004	120,209	120,209
Written off during the financial year	(32,497)	-
Allowance for doubtful debts at 31.12.2005/2004	87,712	120,209

The Group's normal trade credit term ranges from 30 to 90 days (2004: 30 to 90 days). Other credit terms are assessed and varied on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows:-

	THE GROUP	
	2005 RM	2004 RM
Chinese Renmimbi	977,896	-
Hong Kong Dollar	168,896	-
Singapore Dollar	68,277	-
United States Dollar	111,766	191,950
	1,326,835	191,950

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	21,514	2,531	-	-
Deposits	282,530	235,013	1,000	1,000
Prepayments	298,380	46,958	3,507	10,328
Tax recoverable	823,252	548,508	31,000	-
	1,425,676	833,010	35,507	11,328

The foreign currency exposure profile of deposits is as follows:-

	THE GROUP	
	2005 RM	2004 RM
Swiss Franc	-	135,576

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

16. AMOUNTS OWING BY SUBSIDIARIES

The amounts owing by subsidiaries are unsecured, interest free and not subject to fixed terms of repayments.

17. FIXED DEPOSITS WITH LICENSED BANKS

Included in the fixed deposits of the Group are RM37,966 (2004: RM554,757) which have been pledged with licensed banks for banker's guarantee issued on behalf of the subsidiary and as securities for bank borrowings as disclosed in Note 20 to the financial statements.

Included in fixed deposits of the Group are RM Nil (2004: RM108,264) which were placed under the name of certain directors who held them in trust for the subsidiary.

The effective interest rate of fixed deposits at the balance sheet date is 3.7% (2004: 4.0%) per annum. The fixed deposits have maturity period of 1 year (2004: 1 year).

18. TRADE PAYABLES

The normal trade credit terms granted to the Group ranges from 30 to 90 days (2004: 30 to 90 days).

The foreign currency exposure profile of trade payables is as follows:-

	THE GROUP	
	2005 RM	2004 RM
Chinese Renminbi	761,243	-
Hong Kong Dollar	23,390	-
Singapore Dollar	3,559	-
United States Dollar	458,285	238,646
	<hr/>	
	1,246,477	238,646

19. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	284,811	106,694	100,000	-
Payroll liabilities	197,603	152,459	-	-
Accrued expenses	300,633	95,823	31,071	13,877
	<hr/>			
	783,047	354,976	131,071	13,877

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

20. SHORT TERM BORROWINGS

	THE GROUP	
	2005 RM	2004 RM
Bankers' acceptances	2,898,052	2,480,000
Hire purchase payables (Note 21)	387,546	251,173
Term loans (Note 22)	622,190	346,255
	<u>3,907,788</u>	<u>3,077,428</u>

Bankers' acceptances are drawn for a period of up to 120 days which are renewable on maturity. Interest is charged at rates ranging from 3.81% to 4.61% (2004 : 4.32%) per annum.

Bankers' acceptances are secured as follows:-

- (i) by the corporate guarantee from the Company;
- (ii) by way of legal charges over the landed properties of the Group; and
- (iii) (2004 : by a pledge of fixed deposits of the Group).

21. HIRE PURCHASE PAYABLES

	THE GROUP	
	2005 RM	2004 RM
Minimum hire purchase payment:		
- not later than one year	431,281	285,588
- later than one year and not later than five years	534,161	311,910
	<u>965,442</u>	<u>597,498</u>
Less : Future finance charges	(73,836)	(51,302)
Present value of hire purchase liabilities	<u>891,606</u>	<u>546,196</u>

The net hire purchase liabilities is repayable as follows:-

Current:		
- not later than one year (Note 20)	387,546	251,173
Non-current:		
- later than one year and not later than five years (Note 26)	504,060	295,023
	<u>891,606</u>	<u>546,196</u>

The hire purchase liabilities bore interest at the balance sheet date of between 4.24% to 9.59% (2004: 4.83% to 9.58%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

22. TERM LOANS

	THE GROUP	
	2005 RM	2004 RM
Current portion:		
- repayable within one year (Note 20)	622,190	346,255
Non- current portion:		
- repayable between one and two years	607,050	311,444
- repayable between two and five years	645,173	281,346
- repayable more than five years	-	99,534
Total non-current portion (Note 26)	1,252,223	692,324
	1,874,413	1,038,579

Details of the repayment terms are as follows:-

Term Loans	Number of monthly installments	Monthly installment RM	Date of commencement of repayment	Amount outstanding	
				2005 RM	2004 RM
1	36	2,998	June 2001	-	19,030
2	36	5,995	June 2001	-	34,037
3	180	14,742	July 2002	394,867	538,580
4	36	14,986	August 2004	288,418	446,932
5	36	16,249	July 2005	485,834	-
6	60	14,945	July 2005	705,294	-
				1,874,413	1,038,579

Term loans bear interest at rates ranging from 5.00% to 7.05% (2004: 4.18% to 8.15%) per annum.

Term loans are secured as follows:-

- (i) by the corporate guarantee from the Company;
- (ii) by way of legal charges over the landed properties of the Group;
- (iii) by the joint and several guarantee of certain directors of the Group;
- (iv) by way of guarantee from Credit Guarantee Corporation Malaysian (CGC);
- (v) by way of fixed charges over the machineries of the Group; and
- (vi) (2004 : by a pledge of fixed deposits of the Group).

23. BANK OVERDRAFTS

The bank overdrafts to a limit of RM2,100,000 (2004: RM1,450,000) is payable on demand and interest is charged at rates ranging from 7.00% to 8.00% (2004: 7.00% to 8.00%) per annum. The bank overdrafts are secured in the same manner as the short term borrowings as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

24. SHARE CAPITAL

	THE COMPANY			
	2005	2004	2005	2004
	Number of shares		RM	RM

ORDINARY SHARES OF RM0.10 EACH:-

AUTHORISED:-

At 1.1.2005/2004	100,000,000	1,000,000	10,000,000	100,000
Creation during the financial year	-	99,000,000	-	9,900,000
At 31.12.2005/2004	100,000,000	100,000,000	10,000,000	10,000,000

	THE GROUP AND THE COMPANY			
	2005	2004	2005	2004
	Number of shares		RM	RM

ORDINARY SHARES OF RM0.10 EACH:-

ISSUED AND FULLY PAID:-

At 1.1.2005/2004	94,931,000	2	9,493,100	*1
Allotment during the financial year	-	94,930,998	-	9,493,100
At 31.12.2005/2004	94,931,000	94,931,000	9,493,100	9,493,100

* This represents RM0.20.

25. SHARE PREMIUM

	THE GROUP AND THE COMPANY	
	2005	2004
	RM	RM

At 1.1.2005/2004	3,538,387	-
Arising from the issuance of shares for:		
- Acquisition of a subsidiary	-	9
- Public issues	-	4,746,500
Share issue expenses written off	3,538,387	4,746,509
At 31.12.2005/2004	-	(1,208,122)
At 31.12.2005/2004	3,538,387	3,538,387

The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60 (3) of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

26. LONG TERM BORROWINGS

	THE GROUP	
	2005 RM	2004 RM
Hire purchase payables (Note 21)	504,060	295,023
Terms loans (Note 22)	1,252,223	692,324
	<u>1,756,283</u>	<u>987,347</u>

27. DEFERRED TAXATION

	THE GROUP	
	2005 RM	2004 RM
At 1.1.2005/2004	664,000	-
Additions through acquisition of a subsidiary (Note 34)	-	544,597
Transfer from income statement (Note 31)	31,147	119,403
At 31.12.2005/2004	<u>695,147</u>	<u>664,000</u>

Deferred tax assets and liabilities are attributable to the following items:-

Deferred tax liabilities:-		
- Accelerated capital allowances	639,401	444,000
- Development expenditure	357,000	220,000
	<u>996,401</u>	<u>664,000</u>
Deferred tax assets:-		
- Unutilised tax losses	(1,254)	-
- Unabsorbed capital allowances	(300,000)	-
	<u>(301,254)</u>	<u>-</u>
	<u>695,147</u>	<u>664,000</u>

28. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets of RM13,346,782 (2004: RM13,438,678) attributable to ordinary shares divided by the number of ordinary shares in issue at the balance sheet date of 94,931,000 shares of RM0.10 each.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

29. REVENUE

Revenue of the Group and of the Company represents invoiced value of goods sold or services rendered less returns and trade discounts, if any, and dividend income and consist of the following:-

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of goods	31,169,179	8,876,581	-	-
Rendering of services to subsidiaries	-	-	248,000	36,000
Dividends income	-	-	486,000	250,000
	31,169,179	8,876,581	734,000	286,000

30. PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM

Profit before taxation is arrived
at after charging/(crediting):-

Amortisation of development expenditure	76,423	17,652	-	-
Amortisation of goodwill	9,180	-	-	-
Audit fees - statutory	55,906	20,400	10,000	6,000
- special	-	500	-	500
Bad debts recovered	-	(7,295)	-	-
Bad debts written off	32,126	-	-	-
Directors' remuneration - EPF contributions	49,478	17,425	-	-
Directors' remuneration - other emoluments	287,645	99,685	9,100	-
Directors' remuneration - fees	36,000	9,000	36,000	9,000
Depreciation of property, plant and equipment	1,127,219	283,583	-	-
Gain on disposal of plant and equipment	(58,872)	(13,749)	-	-
Gain on foreign exchange - realised	(89,433)	(6,577)	-	-
Interest expenses	261,374	106,165	-	-
Interest income	(44,257)	(20,789)	(18,338)	(1,539)
Loss on foreign exchange	91,689	15,509	-	-
Negative goodwill released to income	(71,240)	(23,747)	-	-
Plant and equipment written off	3,363	-	-	-
Rental of land and buildings	179,494	23,320	-	-
Rental of motor vehicles	91,593	24,840	-	-
Research and development expenditure	262,305	81,622	-	-
Staff costs	2,954,978	809,092	-	-

Included in staff costs of the Group is EPF contributions of RM233,258 (2004 : RM66,474).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

31. TAXATION

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Income tax for the financial year	20,000	(8,612)	149,080	-
Deferred taxation (Note 27)	33,147	-	-	-
	53,147	(8,612)	149,080	-
Under/(over) provision in previous financial years				
- Malaysian income tax	43,940	-	980	-
- Deferred taxation (Note 27)	(2,000)	119,403	-	-
	95,087	110,791	150,060	-

A reconciliation of the income tax expenses applicable to the profit before taxation at the statutory tax rate to income tax expenses at the effective tax rate of the Group and of the Company is as follows:-

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation	198,158	534,552	418,320	229,416
Malaysian taxation at statutory rate at 28%	55,484	149,675	117,130	64,236
Tax effects of:-				
Non-deductible expenses	214,534	41,130	31,950	6,744
Non-taxable income	(14,451)	(6,649)	-	(70,000)
Differential in tax rate of first RM500,000	-	(9,148)	-	-
Effect on different tax rates in other country	(8,912)	-	-	-
Depreciation on non-qualifying capital expenditure	43,075	6,550	-	-
Double taxation relief on research and development expenditure	(236,583)	(34,800)	-	-
Reinvestment allowances utilised	-	(26,982)	-	-
Underprovision of current tax in prior years	43,940	-	980	-
Underprovision of current tax in current year	-	(43,940)	-	(980)
(Over)/under provision of deferred tax in prior years	(2,000)	32,955	-	-
Overprovision of deferred tax in current year	-	2,000	-	-
Tax expenses for the year	95,087	110,791	150,060	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

32. EARNINGS PER SHARE

	THE GROUP	
	2005	2004
	RM	RM
Basic		
Net profit attribute to ordinary shareholders	181,049	423,761
Number of shares in issue as at 1.1.2005/2004	94,931,000	2
Effects of the issuance of 94,930,998 new ordinary shares	-	28,677,104
Number of shares in issue (2004 : weighted average)	94,931,000	28,677,106
Basic earnings per share (sen)	0.19	1.48

33. PROPOSED DIVIDEND

	THE GROUP AND THE COMPANY	
	2005	2004
	RM	RM
In respect of the previous financial year:-		
Final tax-exempt dividend of Nil (2004: approximately 0.2 sen) per ordinary share	-	190,000
In respect of current financial year:-		
Final dividend less 28% taxation of 0.4 sen (2004: Nil) per ordinary share	273,401	-
	273,401	190,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

34. SUMMARY OF EFFECTS ON ACQUISITION OF A SUBSIDIARY

The Company acquired 80% equity interest in Assets Capital Holdings Limited (2004: 100% equity interest in Multi Square Sdn. Bhd.) and the details of net assets acquired, goodwill and cash flows arising from the acquisition are as follows:-

	THE GROUP AT DATE OF ACQUISITION	
	2005 RM	2004 RM
Property, plant and equipment (Note 9)	145,077	7,982,644
Development expenditure (Note 10)	-	632,858
Inventories	158,230	3,101,185
Trade and other receivables	833,577	10,090,017
Fixed deposits with licensed banks	-	535,507
Cash and bank balances	139,596	163,515
Trade and other payables	(1,044,732)	(6,543,393)
Amount owing to holding company	(193,788)	-
Amounts owing to directors	(69,339)	-
Hire purchase payables	-	(435,116)
Bank overdraft	-	(373,376)
Other bank borrowings	-	(6,064,594)
Deferred taxation (Note 27)	-	(544,597)
Minority interest	6,276	-
Net (liabilities)/assets acquired	(25,103)	8,544,650
Goodwill (Note 11)	383,753	-
Negative goodwill (Note 12)	-	(1,424,791)
Total purchase consideration	358,650	7,119,859
Less: Portion financed by issue of shares	-	(7,119,859)
Cash consideration of subsidiary acquired	358,650	-
Cash and cash equivalents acquired	(139,596)	325,646
Net cash inflow from acquisition of subsidiary	219,054	325,646

The effects of the acquisition of subsidiary on the financial statements of the Group during the financial year are as follows:

Revenue	3,249,689	8,876,581
Other operating income	3,084	71,540
Operating costs	(3,167,896)	(8,467,776)
Profit from ordinary activities after taxation	84,877	480,345
Less: Minority interest	(16,975)	-
Increase in Group's net profit attributable to shareholders	67,902	480,345

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

34. SUMMARY OF EFFECTS ON ACQUISITION OF A SUBSIDIARY (CONT'D)

The effects of the acquisition of subsidiary on the financial position of the Group at the end of the financial year are as follows:-

	THE GROUP	
	2005 RM	2004 RM
Property, plant and equipment	183,142	8,299,191
Development expenditure	-	785,472
Goodwill on consolidation	135,433	-
Negative goodwill	-	(1,401,044)
Inventories	285,837	3,467,073
Trade and other receivables	1,435,929	8,577,126
Fixed deposits with licensed banks	-	554,757
Cash and bank balances	229,583	390,353
Trade and other payables	(1,377,988)	(4,756,508)
Hire purchase payables	-	(546,196)
Other bank borrowings	-	(3,518,579)
Provision for taxation	(61,871)	-
Deferred taxation	-	(664,000)
Increase in Group's net assets	830,065	11,187,645

The results of operations incorporating the full year's revenue and expenses, and deducting the pre-acquisition results for the period of the financial year before the date of the acquisition are as follows:-

	THE GROUP	
	2005 RM	2004 RM
Revenue	4,280,208	25,762,149
Other operating income	8,465	78,479
Operating costs	(4,104,913)	(23,360,505)
Profit before taxation	183,760	2,480,123
Taxation	-	(435,735)
Profit after taxation	183,760	2,044,388
Pre-acquisition profit	(98,883)	(1,620,627)
Profit from ordinary activities after taxation	84,877	423,761
Less: Minority interest	(16,975)	-
Profit attributable to shareholders	67,902	423,761

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

35. PURCHASES OF PLANT AND EQUIPMENT

	THE GROUP	
	2005 RM	2004 RM
Cost of plant and equipment purchased	3,524,778	600,130
Amount financed through hire purchase	(670,700)	(267,764)
Cash disbursed for the purchases of plant and equipment	2,854,078	332,366

36. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise of the following items:-

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	187,966	2,054,757	75,665	1,500,000
Cash and bank balances	2,058,571	1,143,935	150,000	753,582
Bank overdrafts (Note 23)	(16,230)	-	-	-
	2,230,307	3,198,692	225,665	2,253,582

The foreign currency exposure profile of cash and bank balances is as follows:-

	THE GROUP	
	2005 RM	2004 RM
Chinese Renminbi	89,490	140
EURO	2,693	-
Hong Kong Dollar	62,777	-
Indian Rupee	169	-
Indonesia Rupiah	673	-
Singapore Dollar	214,704	62,532
Taiwan Dollar	563	-
Thai Baht	361	360
United States Dollar	900,570	44,407
	1,272,000	107,439

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

37. DIRECTORS' REMUNERATION

The aggregate amount of emoluments paid and payable to the directors of the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Executive directors' other emoluments	465,296	165,351	5,500	-
Non executive directors' fees	36,000	9,000	36,000	9,000
Non executive directors' other emoluments	3,600	-	3,600	-
	504,896	174,351	45,100	9,000

The remuneration received/receivable by directors during the financial year fell within the following bands:-

	THE GROUP			
	2005 Number of Directors		2004 Number of Directors	
	Executive	Non- Executive	Executive	Non- Executive
Below RM50,000	-	2	2	2
RM50,001 - RM100,000	1	-	1	-
RM100,001 - RM200,000	1	-	-	-
RM200,001 - RM300,000	1	-	-	-
Total	3	2	3	2

38. SEGMENTAL REPORTING - GROUP

(A) BY BUSINESS SEGMENT:-

No business segmental information has been prepared as the Group is operating principally in one industry segment.

(B) BY GEOGRAPHICAL SEGMENT:-

2005	SEGMENT REVENUE RM	SEGMENT ASSETS RM	CAPITAL EXPENDITURE RM
Malaysia	27,914,254	22,851,735	3,063,484
Other ASEAN countries	807,150	1,710,961	412,237
Other Asian countries	2,447,775	2,257,680	49,057
	31,169,179	26,820,376	3,524,778

There was no disclosure for financial year 2004 as its revenue from sales to external customers and from transactions with segment other than Malaysia is less than 10% of total revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

39. SIGNIFICANT RELATED COMPANY TRANSACTIONS

The significant related company transactions are as follows:-

	THE COMPANY	
	2005 RM	2004 RM
Dividend income from a subsidiary	486,000	190,000
Management fees received/receivable from subsidiaries	248,000	36,000

40. SIGNIFICANT RELATED PARTIES TRANSACTIONS

Significant related parties transactions are as follows:-

Name of related parties	Nature of transactions	THE GROUP	
		2005 RM	2004 RM
Tan Fie Ping and Tan Fie Jen	Rental of premises	6,000	-

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

The relationship between the Group and the related parties are as follows:-

Name of related parties	Relationships with the Group
Tan Fie Ping	Director and substantial shareholder
Tan Fie Jen	Director and substantial shareholder

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the following significant events took place:-

- (i) On 17 March 2005, the Company announced its investment in Asset Capital Holdings Limited ("ACHL"), a company incorporated in Hong Kong, by acquiring 8,000 ordinary shares of HKD1.00 each representing an equity interest of 80% for a purchase consideration of RM358,650.

The above acquisition was completed on 22 April 2005.

- (ii) On 1 April 2005, the Company announced the subscription of the entire equity interest in Multi Square (S) Pte. Ltd. ("MSPL"), a company incorporated in Singapore, comprising 100 ordinary shares of SGD1.00 each in MPSL for a cash consideration of SGD100. Subsequently, the Company subscribed for 99,900 additional MPSL shares for a cash consideration of SGD99,900.

- (iii) On 28 July 2005, the Company announced its investment in PT Multi Square ("PTMS"), a company incorporated in Republic of Indonesia, by subscribing 240,000 ordinary shares of PTMS, representing an equity interest of 60% with a cash consideration of USD240,000.

The investment was completed on 15 August 2005.

- (iv) On 28 July 2005, the Company announced its investment in an associated company, namely TN Industries Sdn. Bhd. ("TNISB"), by subscribing 150,000 ordinary shares of TNISB, representing an equity interest of 30% with a cash consideration of RM150,000.

The investment was completed on 22 September 2005.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

42. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 31 March 2006, the Company announced its proposed joint venture with Ever Bright Printing Machine Factory Limited ("Ever Bright"), a company incorporated in Hong Kong, of which Ever Bright shall subscribe 305,999 ordinary shares of ACHL, a subsidiary of the Company, representing an equity interest of 37.5% of the total enlarged issued and paid-up capital with a cash consideration of HKD1,274,999.

43. CONTINGENT LIABILITIES

	THE COMPANY	
	2005	2004
	RM	RM
Corporate guarantees given to licensed banks and supplier for credit facilities granted to a subsidiary	17,563,000	9,340,000

44. CAPITAL COMMITMENTS

Authorised capital expenditure not provided for in the financial statements:-

	THE GROUP	
	2005	2004
	RM	RM
Contracted	56,924	538,560

45. NUMBER OF EMPLOYEES

	THE GROUP	
	2005	2004
	RM	RM
Number of employees (excluding executive directors) at the balance sheet date	144	97

46. CURRENCY

All amounts are stated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

47. FOREIGN EXCHANGE RATES

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of foreign currency balances at the balance sheet date are as follows:-

	THE GROUP	
	2005 RM	2004 RM
Chinese Renminbi	0.4682	0.4591
EURO	4.4751	-
Hong Kong Dollar	0.4870	-
Indian Rupee	0.0841	-
Indonesia Rupiah	0.0004	-
Singapore Dollar	2.2683	2.3286
Swiss Franc	-	3.3503
Taiwan Dollar	0.1197	-
Thai Baht	0.0922	0.0979
United States Dollar	3.7800	3.8000

48. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities:-

(A) UNQUOTED INVESTMENTS

For unquoted investments, it is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonable determined.

(B) BANK BALANCES AND OTHER LIQUID FUNDS AND SHORT TERM RECEIVABLES

The carrying amounts approximated their fair values due to the relatively short term maturity of these instruments.

(C) SHORT TERM BORROWINGS AND OTHER CURRENT LIABILITIES

The carrying amounts approximately their fair values because of the short period to maturity of these instruments.

(D) LONG TERM BANK LOANS

The carrying amounts approximately their fair values as these instruments bear interest at variable rates.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2005

Registered Owner	Title/Location/Address	Description/ Existing Use	Tenure	Approximate Age of Building	Total Land Area (square feet)	Total Built Up Area (square feet)	NBV 31.12.2005 (RM)	Year of Acquisition
Multi Square Sdn Bhd	No.1 Jalan Canggih 5 Taman Perindustrian Cemerlang 81800 Ulu Tiram. Johor.	Warehouse	Freehold	8	9,429	7,522	731,559	1995
Multi Square Sdn Bhd	No.1 Jalan Anggerik Mokara 31/59 Kota Kemuning Seksyen 31 40460 Shah Alam Selangor.	Marketing office, warehouse & factory.	Freehold	9	5,909	4,550	487,498	2000
Multi Square Sdn Bhd	No.28 Jalan Canggih 1 Taman Perindustrian Cemerlang 81800 Ulu Tiram. Johor.	Office, warehouse & factory	Freehold	12	52,889	35,416	2,951,323	2002

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL

Authorised Share Capital	: RM10,000,000.00
Issued and Fully Paid-Up Capital	: RM9,493,100.00
Class of Equity Securities	: Ordinary Shares of RM0.10 each
Voting Rights	: One vote per share

DISTRIBUTION OF SHAREHOLDERS

Range of shareholdings	No. Shareholders	%	No. of Shares	%
Less than 100	3	0.41	150	0.00
100 – 1,000	190	26.06	175,600	0.18
1,001 – 10,000	283	35.66	1,753,900	1.85
10,001 – 100,000	222	30.45	7,857,550	8.28
100,001 to less than 5% of issued shares	64	8.78	35,214,851	37.10
5% and above of issued shares	1	0.14	49,928,949	52.59
Total	763	100.00	94,931,000	100.00

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No of Shares Held	%
1	Sersol Holdings Sdn Bhd	49,928,949	52.59
2	Woo Wai Hun	2,775,600	2.92
3	Alliance Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Soh Kian</i>	2,194,500	2.31
4	Wong Kian Boon	2,000,000	2.11
5	Ong Nyoke Lian	1,909,500	2.01
6	Yap Pin Ho	1,607,700	1.69
7	Tan Bee Ngoh	1,385,489	1.46
8	Tan Yan Wah	1,375,489	1.45
9	See Kok Wooi	1,115,000	1.17
10	Yeoh Cheng Lee	1,052,900	1.11
11	Kok Chee Yuen	969,700	1.02
12	Woo Ming Kong	935,700	0.99
13	Kan Shee Hoa	801,000	0.84
14	M & A Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Koh Heng Fai (M & A)</i>	798,000	0.84
15	Hooj Kow Hoi	758,600	0.80
16	Tan Chuan Thye	739,686	0.78
17	Tan Mee Sin @ Rosalind Tan	673,900	0.71
18	Cheong Vivien	650,700	0.69
19	Wong Tuck Kuen	640,000	0.67
20	Teo Kim Hock	559,600	0.59

ANALYSIS OF SHAREHOLDINGS

No. Name	No of Shares Held	%
21. HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Seong Kee (M02)</i>	556,500	0.59
22. Tan Fie Ping	547,448	0.58
23. Ng Soh Kian	538,000	0.57
24. RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Woo Yew Ming</i>	530,000	0.56
25. Ng Keng Boon	528,000	0.56
26. Tan Yan Wah	470,000	0.50
27. Yong Chai Lai	465,000	0.49
28. Wong Yeng Chi	438,000	0.46
29. Nationcam Ventures Sdn Bhd	430,326	0.45
30. Lee Wai Chew	410,000	0.43

SUBSTANTIAL SHAREHOLDERS

No. Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Sersol Holdings Sdn Bhd	49,928,949	52.59	-	-

DIRECTORS' SHAREHOLDINGS

No. Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Tan Bee Ngoh	1,385,489	1.46	-	-
2. Tan Fie Ping	547,448	0.58	49,928,949 *	52.59
3. Tan Fie Jen	372,824	0.39	49,928,949 *	52.59
4. Azahar bin Baharudin	30,000	0.03	-	-

* Deemed interest by virtue of their interests in Sersol Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

NOTICE OF THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Sersol Technologies Berhad will be held at the Meeting Room of Multi Square Sdn Bhd No. 1 Jalan Canggih 5, Taman Perindustrian Cemerlang, 81800 Ulu Tiram Johor on Monday, 26 June 2006 at 11.00 a.m to transact the following business:

AGENDA

ORDINARY BUSINESS:

- | | | |
|----|--|-----------------------|
| 1. | To receive the Audited Financial Statements for the Financial year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. | To declare a final dividend of 0.4 sen per share less income tax of 28% for the financial year ended 31 December 2005. | Ordinary Resolution 2 |
| 3. | To re-elect the following Director who retire by rotation pursuant to Articles 101 and 102 of the Company's Articles of Association: | Ordinary Resolution 3 |
| | a. Tan Bee Ngoh | |
| 4. | To approve the payment of Directors' fees of RM36,000 for the financial year ended 31 December 2005. | Ordinary Resolution 4 |
| 5. | To re-appoint Messrs Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration. | Ordinary Resolution 5 |
| 6. | Any Other Matters. | |

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Annual General Meeting to be held on 26 June 2006, a final dividend of 0.4 sen per ordinary share less income tax of 28% for the financial year ended 31 December 2005 will be paid on 29 August 2006 to depositors registered in the Record of Depositors at the close of business on 11 August 2006.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- Shares transferred into the Depositor's Securities Account before 4.00 p.m on 11 August 2006 in respect of ordinary transfer; and
- Shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

Rokiah Binti Abdul Latiff (LS0000194)
Ow Pee Juan (f) (MAICSA 7013304)
Company Secretaries

Johor Bahru
25 May 2006

NOTES:

- A member entitled to attend and vote at this meeting is entitled to appoint more than one proxy to attend and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1) (b) of the Companies Act, 1965 shall not apply.
- Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.
- The Instruments appointing a proxy must be deposited at the registered office, 30-05, Level 30, Menara Landmark, Mail Box 172, No. 12, Jalan Ngee Heng 80000 Johor Bahru, Johor not less than 48 hours before the time for holding the meeting or at any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF THIRD ANNUAL GENERAL MEETING

1. DIRECTORS WHO ARE SEEKING RE-ELECTION ON THE THIRD ANNUAL GENERAL MEETING OF THE COMPANY.

The Directors retiring pursuant to Article 101 and 102 of the Company's Articles of Association and seeking re-election is as follows:-

- Tan Bee Ngoh

2. BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

2.1 Five (5) Board of Directors meetings were held during the financial year ended 31 December 2005, details of which are as follows:-

Date	Time	Venue
10/01/ 2005	11.00am	Meeting Room ,No.28 JIn Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor
24/02/2005	2.30pm	Meeting Room ,No.28 JIn Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor
20/05/2005	2.30pm	Meeting Room ,No.28 JIn Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor
22/08/2005	2.30pm	Meeting Room ,No.28 JIn Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor
21/11/2005	11.00am	Meeting Room ,No.28 JIn Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor

2.2 Details of attendance of individual Directors at the Board Meeting are as follows:

Name of Director	No. of meetings Attended	Percentage of Attendance
Mr Tan Fie Ping	5/5	100%
Mr Tan Fie Jen	5/5	100%
Ms Tan Bee Ngoh	5/5	100%
Ms Tan Lay Beng	5/5	100%
En Azahar Bin Baharudin	5/5	100%

3. DATE, TIME AND PLACE OF THE THIRD ANNUAL GENERAL MEETING

Date : 26 June 2006
Time : 11.00 a.m
Place : Meeting Room of Multi Square Sdn Bhd
No. 1, Jalan Canggih 5, Taman Perindustrian Cemerlang,
81800 Ulu Tiram Johor

4. FURTHER DETAILS OF DIRECTOR WHO IS STANDING FOR RE-ELECTION

Details of Director who is standing for re-election are set out in the Directors' profile appearing on page 5 of the Annual Report



SerSol
Technologies Berhad
(602062 - X)
(Incorporated In Malaysia)

Number of Ordinary Shares Held

PROXY FORM

I/We,
(FULL NAME IN BLOCK LETTERS)

Nric No./Company No:
of

.....
(FULL ADDRESS)

being a member of **SERSOL TECHNOLOGIES BERHAD**, hereby appoint

.....
(FULL NAME AND NRIC/ PASSPORT NO. IN BLOCK LETTERS)

.....
(FULL ADDRESS)

or failing him/her, the Chairman of the meeting as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Third Annual General Meeting of the Company to be held at the Meeting Room of Multi Square Sdn Bhd No. 1 Jalan Canggih 5, Taman Perindustrian Cemerlang, 81800 Ulu Tiram Johor on Monday, 26 June 2006 at 11.00 a.m. or any adjournment thereof.

Please indicate with an ("X") in the appropriate spaces below as to how you wish your votes to be cast on the Ordinary Resolutions specified in the Notice of Annual General Meeting. If you do not do so, the proxy may vote or abstain from voting at his discretion.

No.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements for the year ended 31 st December 2005 together with the Reports of the Directors and Auditors thereon.		
2.	To declare a final dividend of 0.4 sen per share less income tax of 28% for the financial year ended 31 December 2005.		
3.	To re-elect Ms Tan Bee Ngoh as Director who retire pursuant to Article 101 and Article 102 of the Company's Articles of Association.		
4.	To approve the payment of Directors' Fees of RM36,000 in respect of the year ended 31 st December 2005.		
5.	To re-appoint Messrs Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration.		

* Strike out whichever not applicable

Signed this day of 2006

.....
Signature of Member/Common Seal

Notes:

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy/proxies who may but need not be a member of the Company to vote in his/her stead. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.
- (ii) Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- (iii) This instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorized.
- (iv) This instrument appointing a proxy must be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

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AFFIX
STAMP

THE COMPANY SECRETARY
*30-05 Level 30, Menara Landmark
Mail Box 172, No. 12 Jalan Ngee Heng
80000 Johor Bahru*

Please fold here
