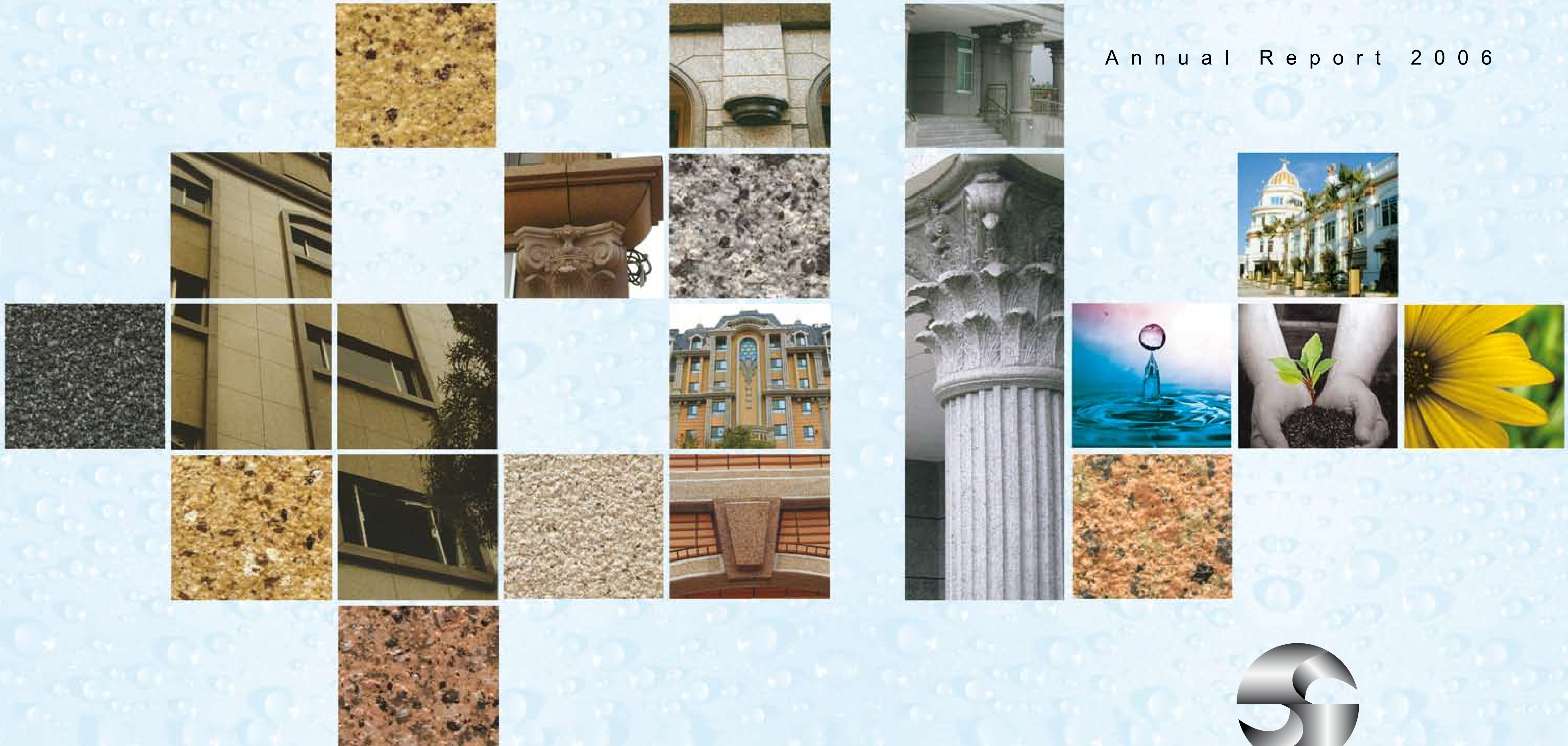

Annual Report 2006

SerSol
Technologies Berhad
(Company No. 602062-X)

SerSol
Technologies Berhad
(Company No. 602062-X)

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PROXY FORM

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

DATE	EVENTS
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, whereby Ever Bright shall subscribe 305,999 ordinary shares of Asset Capital Holding Limited ("ACHL"), a subsidiary of the Company, representing an equity interest of 37.5% of the total enlarged issued and paid-up capital for a cash consideration of HKD1,274,999. The investment was completed on 16 April 2006.
21 November 2006	The Company announced its investment in Multi Square Coating (Thailand) Co. Ltd. ("MSCT"), by subscribing for 30,000 ordinary shares of MSCT, representing an equity interest of 75% for a cash consideration of Thai Baht 3,000,000 equivalent to RM300,000. The investment was completed on 16 January 2007.
4 December 2006	The Company announced its investment in Deco Coatings Sdn. Bhd. (formerly known as Granite Paint Sdn. Bhd.) ("DCSB"), by subscribing for 150,000 ordinary shares of DCSB, representing an equity interest of 60% for a cash consideration of RM150,000. The investment was completed on 18 December 2006.

On behalf of the Board of Directors, it is my pleasure to report the Annual Report and Financial Statements of Sersol Technologies Berhad (“SerSol”) and its subsidiaries (the Sersol Group) for the financial year ended 31 December 2006.

PERFORMANCE REVIEW

The financial year 2006 was indeed a tougher and challenging year for Sersol Technologies Berhad Group. The demand for common coating for home audio and television are declining due to fast technology change in this industry. Furthermore, the price competition and the cost of raw materials were increasing due to fluctuation of oil price.

The Group is now repositioning itself from general coating in consumer electronics segment to higher quality and higher demand coating industry like mobile phone and car audio industry. Being a coating leader in these industries, the Group have developed and to continue fine tuning our quality to meet its reliability specification and developing on line application. The Group believed the demand for high quality coating will continue for the next couple of years. The subsidiary of the Group, Deco Coatings Sdn Bhd, had entered into a joint venture and licensing agreement for the production of a water-based architectural multi-color granite-look coatings applicable on building, glass, metal and wood. This coating is regarded as an advance to the building industry because it can replace granite stone at a lower cost and it is more durable for at least 5-10 years protection. Furthermore, the Group through its subsidiary had on 21 November 2006 entered into a shareholders’ agreement to form a joint venture company in Thailand creating an opportunity for the Group to capture the Thailand’s market.

For the financial year ended 31 December 2006, the Group’s recorded a 9% decline in revenue and a loss after tax after minority interest of approximately RM1.49 million against a profit after tax after minority interest of approximately RM181,000 compared to those of the previous corresponding year-to-date ended 31 December 2005. The decrease in turnover is mainly from decline in demand of common coating in Malaysia. The loss was attributed by high marketing expenses in oversea investments, provision of doubtful debts, impairment loss of goodwill, write off of research and development expenses and obsolete inventories.

PROSPECT

Year 2006 has been a challenging year for the Research & Development Division. It has made its foray into high end coating applications to compete with the international players. The Group believes the harvest of new products will not be immediate. We expect the water based granite look coatings will improve the turnover and margin of the Group in the next couple of years.

The Group had anticipated that the prevailing competitive and decline demand of general coatings adversely impacted the Group’s earnings. The Group has reviewed the economy of scale, on going developing better margin products to boost the earnings in the coming financial year.

DIVIDEND

No dividend was recommended for the financial year ended 31 December 2006.

APPRECIATIONS

On behalf of the Board of Directors and Management, I would like to express my gratitude to all shareholders, customers, business associates, vendors, bankers and regulatory authorities for their continuous support and trust in the Group and the Board.

TAN FIE PING

Age 45, Malaysian

(Chairman and Managing Director)

Tan Fie Ping, 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 42, 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 45, 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.

TAN LAY BENG

Aged, 53, 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 51, 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 (27) years of experience in the banking industry.

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) times Board meetings were held within the financial year ended 31 December 2006. Directors' attendance to the meeting can be found in the Statement Accompanying the Notice of the Fourth Annual General Meeting on page 61.

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 2006:

Name of Directors	Name of courses	Date
Tan Fie Ping	2007 Budget & Tax Planning For Success	11 September 2006
Tan Bee Ngoh	2007 Budget & Tax Planning For Success	11 September 2006
Tan Fie Jen	Organisation Growth And Blue Ocean Strategy	8 & 9 October 2006
	Key Performance Indicators As A Management Tool	3 November 2006
Tan Lay Beng	2007 Budget & Tax Planning For Success	11 September 2006
Azahar Bin Baharudin	Managing Corporate Mergers & Acquistions	8 December 2006

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

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 Fourth Annual General Meeting are disclosed in the Statement Accompanying the Notice of AGM on page 61 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	463,057	–	463,057
Non-Executive Directors		36,000	36,000
	11,000		11,000

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 page 16 to 57 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 8 to 10 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 RM12,500.

1. COMPOSITION

The present Audit Committee comprises of 3 members of the Board. The Company has complied to the Mesdaq Market Listing Requirements (MMLR) 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 Techonologies 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.

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.

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 2 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

Five (5) Audit Committee meetings were held within the financial year ended 31 December 2006 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	5/5
En Azahar bin Baharudin	5/5
Mr Tan Fie Jen	5/5

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.

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	2006	2005
Tan Fie Ping and Tan Fie Jen	Rental of premises	24,000	6,000

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 2006.

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 2006.

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 2006.

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 2006.

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.

INTRODUCTION

The Malaysian Code on Corporate Governance requires that the Board of listed company should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The listing of requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires the directors of public listed companies to include a statement of the state of the Group's internal controls in the report. The Board is pleased to provide the following Statement on Internal Control which has been prepared with reference to the Bursa Securities' requirements.

BOARD RESPONSIBILITIES

The Board of Sersol Technologies Berhad ("STB") recognizes the importance of maintaining a sound internal control and effective risk management practices in the Group. The Board acknowledges its overall responsibility and reviews the adequacy and integrity of the system of internal controls. Nonetheless, it should be noted that such system can only provide reasonable but not absolute assurance against material misstatement or loss, at it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

RISK MANAGEMENT FRAMEWORK

The Board recognizes through ongoing process for identifying, evaluating and managing the significant risks affecting the Group, the internal controls procedures with clear lines of accountability and delegated authority has to be established.

The controls to manage the risks have been documented. The framework also sets out the management action plan to continuously improve on the system of the controls in order to manage the risk more effectively. The risk profile and indicator of the Group has been compiled to help the Board and the management to prioritize their focus on areas of high risks.

The senior management team responsible for identifying, managing and reporting on significant and brought to the attention of the Executive Directors, if necessary discussed at Board Meeting.

INTERNAL AUDIT

The Board acknowledges the importance of the internal audit function and had established internal audit team to carry audit and follow-up upon completion of one cycle audit conducted by outsourced audit by Horwath. The internal audit team had developed its audit manual and frame work of audit.

The audit team has presented its audit findings with recommended action to the Audit Committee during the audit committee meetings. The team will continuously monitor the status of the implementation program and report their progress during every Audit Committee Meeting.

CONCLUSION

The Board is of the opinion that based on the current level of activities, the Group's system of internal control is adequate and accords with guidance provided by the Internal Control Guidance adopted by the Bursa Securities.

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

16	DIRECTORS' REPORT
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22	BALANCE SHEETS
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25	STATEMENTS OF CHANGES IN EQUITY
28	CASH FLOW STATEMENTS
30	NOTES TO THE FINANCIAL STATEMENTS

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 2006.

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
Loss after taxation for the financial year	(1,922,043)	(256,067)
Minority interest	429,656	–
Loss attributable to equity holders of the Company	(1,492,387)	(256,067)

DIVIDENDS

Since the end of the previous financial year, the Company paid the final dividend of 0.4 sen per ordinary share, less 28% tax, amounting to RM273,401 in respect of the previous financial year.

The directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are 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 further 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 liability of the Company is disclosed in Note 44 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.

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 directors regard the holding company to be Sersol Holdings Sdn. Bhd., a Company incorporated in Malaysia.

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 of the Articles of Association of the Company, Azahar Bin Baharudin and Tan Fie Ping retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves 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:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
COMPANY	AT 1.1.2006	BOUGHT	SOLD	AT 31.12.2006
Direct Interest				
AZAHAR BIN BAHARUDIN	30,000	–	(30,000)	–
TAN BEE NGOH	1,385,489	–	–	1,385,489
TAN FIE JEN	372,824	–	–	372,824
TAN FIE PING	547,448	–	–	547,448
TAN LAY BENG	–	–	–	–
Indirect Interest				
TAN FIE JEN	49,928,949	–	–	49,928,949
TAN FIE PING	49,928,949	–	–	49,928,949

SERSOL HOLDINGS SDN. BHD., HOLDING COMPANY	NUMBER OF ORDINARY SHARES OF RM1.00 EACH			
	AT 1.1.2006	BOUGHT	SOLD	AT 31.12.2006
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 41 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 42 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO BALANCE SHEET DATE

The significant event subsequent to the balance sheet date is disclosed in Note 43 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 18 APRIL 2007

Tan Fie Ping

Tan Bee Ngoh

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 57 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 2006 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 18 APRIL 2007

Tan Fie Ping

Tan Bee Ngoh

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 57 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
on this 18 April 2007

Before me
RUSLY B. MOHD. YUNUS P.I.S. (No. J112)
Pesuruhjaya Sumpah

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 57. 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2006 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

Onn Kien Hoe
Approval No: 1772/11/08 (J/PH)
Partner

Johor Bahru
18 April 2007

Balance Sheets at 31 December 2006

	NOTE	THE GROUP 2006 RM	THE GROUP 2005 RM (Restated)	THE COMPANY 2006 RM	THE COMPANY 2005 RM (Restated)
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	7	–	–	8,583,605	8,814,984
Investment in an associate	8	158,552	154,643	150,000	150,000
Property, plant and equipment	9	10,584,590	10,840,550	110,409	–
Development expenditure	10	1,184,853	1,274,780	–	–
Goodwill on consolidation	11	166,392	374,573	–	–
Negative goodwill	12	–	(1,329,804)	–	–
		12,094,387	11,314,742	8,844,014	8,964,984
CURRENT ASSETS					
Inventories	13	3,792,775	3,860,275	–	–
Trade receivables	14	8,224,985	7,946,059	–	–
Other receivables, deposits and prepayments	15	1,031,504	602,424	1,000	4,507
Tax recoverable		849,349	823,252	33,545	31,000
Amount owing by subsidiaries	16	–	–	3,910,881	4,227,508
Marketable securities	17	112,936	–	–	–
Fixed deposits with licensed banks	18	1,321,880	187,966	–	150,000
Cash and bank balances		953,451	2,058,571	29,745	75,665
		16,286,880	15,478,547	3,975,171	4,488,680
TOTAL ASSETS		28,381,267	26,793,289	12,819,185	13,453,664
EQUITY AND LIABILITIES					
Equity					
Share capital	19	9,493,100	9,493,100	9,493,100	9,493,100
Share premium	20	3,538,387	3,538,387	3,538,387	3,538,387
(Accumulated loss)/Retained profits		(37,744)	398,240	(238,362)	291,106
Exchange translation reserve		(30,357)	(82,945)	–	–
SHAREHOLDERS' EQUITY		12,963,386	13,346,782	12,793,125	13,322,593
MINORITY INTERESTS		699,693	520,062	–	–
TOTAL EQUITY		13,663,079	13,866,844	12,793,125	13,322,593
NON-CURRENT LIABILITIES					
Long term borrowings	22	2,476,810	1,756,283	–	–
Deferred taxation	23	324,788	695,147	–	–
		2,801,598	2,451,430	–	–

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

	NOTE	THE GROUP 2006 RM	THE GROUP 2005 RM (Restated)	THE COMPANY 2006 RM	THE COMPANY 2005 RM (Restated)
CURRENT LIABILITIES					
Trade payables	24	6,507,531	5,767,950	–	–
Other payables and accruals	25	1,190,285	783,047	26,060	131,071
Short term borrowings	26	4,206,169	3,907,788	–	–
Bank overdrafts	29	–	16,230	–	–
Provision for taxation		12,605	–	–	–
		11,916,590	10,475,015	26,060	131,071
TOTAL LIABILITIES		14,718,188	12,926,445	26,060	131,071
TOTAL EQUITY AND LIABILITIES		28,381,267	26,793,289	12,819,185	13,453,664
Net assets per share	30	13.66 sen	14.06 sen		

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

	NOTE	THE GROUP 2006 RM	THE GROUP 2005 RM (Restated)	THE COMPANY 2006 RM	THE COMPANY 2005 RM (Restated)
REVENUE	31	28,434,501	31,169,179	456,283	734,000
COST OF SALES		(22,342,684)	(24,838,407)	–	–
GROSS PROFIT		6,091,817	6,330,772	456,283	734,000
OTHER INCOME		203,767	288,052	9,258	18,338
ADMINISTRATIVE AND GENERAL EXPENSES		(6,031,797)	(4,551,275)	(687,611)	(333,717)
SELLING AND DISTRIBUTION EXPENSES		(2,132,560)	(1,574,444)	–	–
FINANCE COSTS		(394,672)	(299,590)	(542)	(301)
		(2,263,445)	193,515	(222,612)	418,320
SHARE OF PROFIT OF AN ASSOCIATE		3,909	4,643	–	–
(LOSS)/PROFIT BEFORE TAXATION	32	(2,259,536)	198,158	(222,612)	418,320
INCOME TAX EXPENSE	33	337,493	(95,087)	(33,455)	(150,060)
(LOSS)/PROFIT AFTER TAXATION		(1,922,043)	103,071	(256,067)	268,260
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY		(1,492,387)	181,049	(256,067)	268,260
MINORITY INTERESTS		(429,656)	(77,978)	–	–
		(1,922,043)	103,071	(256,067)	268,260
(LOSS)/EARNINGS PER SHARE					
- basic (sen)	34	(1.57)	0.19		
- diluted (sen)	34	Not applicable	Not applicable		

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

THE GROUP

	NOTE	Share Capital RM	Non-Distributable Reserves: Share Premium RM	Non-Distributable Reserves: Exchange Translation Reserve RM	Distributable Reserve: Retained Profits RM	Total Shareholders' Equity RM	Minority Interests RM	Total Equity RM
Balance at 1.1.2005		9,493,100	3,538,387	–	407,191	13,438,678	–	13,438,678
Dividend paid		–	–	–	(190,000)	(190,000)	–	(190,000)
Acquisition and subscription of subsidiaries		–	–	–	–	–	674,891	674,891
Translation differences relating to financial statements of foreign subsidiaries		–	–	(82,945)	–	(82,945)	(49,765)	(132,710)
Amount recognised directly in equity relating to goodwill in a subsidiary		–	–	–	–	–	(27,086)	(27,086)
Profit/(Loss) for the year		–	–	–	181,049	181,049	(77,978)	103,071
Balance at 31.12.2005		9,493,100	3,538,387	(82,945)	398,240	13,346,782	520,062	13,866,844

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

THE GROUP

	NOTE	Share Capital RM	Non-Distributable Reserve: Share Premium RM	Non-Distributable Reserve: Exchange Translation Reserve RM	Distributable Reserve: Negative Goodwill RM	Distributable Reserve: Retained Profits/ (Accumulated Loss) RM	Total Shareholders' Equity RM	Minority Interests RM	Total Equity RM
Balance at 1.1.2006, previously stated		9,493,100	3,538,387	(82,945)	–	398,240	13,346,782	520,062	13,866,844
Effect of adopting FRS 3	5	–	–	–	1,329,804	–	1,329,804	–	1,329,804
As at 1.1.2006, restated		9,493,100	3,538,387	(82,945)	1,329,804	398,240	14,676,586	520,062	15,196,648
Dividend paid	21	–	–	–	–	(273,401)	(273,401)	–	(273,401)
Subscription in a subsidiary		–	–	–	–	–	–	100,000	100,000
Issuance of shares of a subsidiary to minority interests		–	–	–	–	–	–	595,998	595,998
Translation differences relating to financial statements of foreign subsidiaries		–	–	52,588	–	–	52,588	27,468	80,056
Effect on deemed disposal		–	–	–	–	–	–	(141,265)	(141,265)
Reversal of amount recognised directly in equity relating to goodwill in a subsidiary		–	–	–	–	–	–	27,086	27,086
Loss for the year		–	–	–	–	(1,492,387)	(1,492,387)	(429,656)	(1,922,043)
Balance at 31.12.2006		9,493,100	3,538,387	(30,357)	1,329,804	(1,367,548)	12,963,386	699,693	13,663,079

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

THE COMPANY

	NOTE	Share Capital RM	Non Distributable Reserve: Share Premium RM	Distributable Reserve: Retained Profits/ (Accumulated Loss) RM	Total RM
Balance at 1.1.2005		9,493,100	3,538,387	212,846	13,244,333
Dividend paid		–	–	(190,000)	(190,000)
Profit after taxation for the financial year		–	–	268,260	268,260
Balance at 31.12.2005/1.1.2006		9,493,100	3,538,387	291,106	13,322,593
Dividend paid	21	–	–	(273,401)	(273,401)
Loss after taxation for the financial year		–	–	(256,067)	(256,067)
Balance at 31.12.2006		9,493,100	3,538,387	(238,362)	12,793,125

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

Cash Flow Statements
for the financial year ended 31 December 2006

	NOTE	THE GROUP 2006 RM	THE GROUP 2005 RM	THE COMPANY 2006 RM	THE COMPANY 2005 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(2,259,536)	198,158	(222,612)	418,320
Adjustments for:-					
Allowance for doubtful debts		383,739	–	–	–
Amortisation of development expenditure		201,602	76,423	–	–
Amortisation of goodwill		–	9,180	–	–
Bad debts written off		58,027	32,126	–	–
Development expenditure written off		115,928	–	–	–
Depreciation of property, plant and equipment		1,324,755	1,127,219	5,794	–
Dividend received		(2,936)	–	–	–
Gain on disposal of plant and equipment		(68,740)	(58,872)	–	–
Loss on foreign exchange - unrealised		36,220	16,919	–	–
Goodwill released on deemed disposal of a subsidiary		99,835	–	–	–
Impairment of goodwill		108,346	–	–	–
Impairment loss on investment in a subsidiary		–	–	231,379	–
Interest expense		357,329	261,374	–	–
Interest income		(27,126)	(44,257)	(7,387)	(18,338)
Inventories written off		114,931	–	–	–
Negative goodwill released to income		–	(71,240)	–	–
Plant and equipment written off		27,195	3,363	–	–
Share of profit of an associate		(3,909)	(4,643)	–	–
Operating profit before working capital changes		465,660	1,545,750	7,174	399,982
Increase in inventories		(48,475)	(234,972)	–	–
(Increase)/Decrease in trade and other receivables		(1,054,075)	292,914	3,507	6,821
Decrease/(Increase) in amount owing by subsidiaries		–	–	316,627	(354,067)
Increase/(Decrease) in trade and other payables		1,165,181	472,753	(105,011)	117,194
CASH FROM OPERATIONS		528,291	2,076,445	222,297	169,930
Interest paid		(357,329)	(261,374)	–	–
Tax paid		(59,000)	(338,684)	(36,000)	(181,060)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		111,962	1,476,387	186,297	(11,130)
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of subsidiary, net of cash acquired	35	–	(219,054)	–	–
Interest received		27,126	44,257	7,387	18,338
Investment in subsidiaries		–	–	–	(1,695,125)
Investment in an associate		–	(150,000)	–	(150,000)
Increase in development expenditure		(227,603)	(565,731)	–	–
Proceeds from disposal of plant and equipment		239,158	63,520	–	–
Purchase of plant and equipment	36	(1,185,208)	(2,854,078)	(116,203)	–
Purchase of marketable securities		(110,000)	–	–	–
NET CASH FOR INVESTING ACTIVITIES		(1,256,527)	(3,681,086)	(108,816)	(1,826,787)
BALANCE CARRIED FORWARD		(1,144,565)	(2,204,699)	77,481	(1,837,917)

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

for the financial year ended 31 December 2006 (Cont'd)

		THE GROUP		THE COMPANY	
		2006	2005	2006	2005
	NOTE	RM	RM	RM	RM
BALANCE BROUGHT FORWARD		(1,144,565)	(2,204,699)	77,481	(1,837,917)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividend paid		(273,401)	(190,000)	(273,401)	(190,000)
Drawdown of term loans		2,000,000	1,273,000	–	–
Issuance of share capital to minority shareholders		595,998	654,080	–	–
Net drawdown of bankers' acceptances		157,332	418,052	–	–
Repayment of hire purchase obligation		(430,763)	(325,290)	–	–
Repayment of term loans		(782,461)	(437,166)	–	–
NET CASH FROM/(FOR) FINANCING ACTIVITIES		1,266,705	1,392,676	(273,401)	(190,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		122,140	(812,023)	(195,920)	(2,027,917)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2,230,307	3,198,692	225,665	2,253,582
Effect of changes in exchange rates		(77,116)	(156,362)	–	–
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	37	2,275,331	2,230,307	29,745	225,665

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

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 18 April 2007.

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 market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign exchange risk on sales and purchases that are denominated in foreign currencies as detailed in notes 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.

(ii) 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 reputable financial institutions at most favourable interest rates.

(iii) Price Risk

The Group's principal exposure to price risks arises mainly from changes in quoted securities prices. Price risk is monitored closely and managed to an acceptable level.

4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) 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 risk related to any individual customer or counterparty.

(c) Liquidity and Cash Flow Risk

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 credit facilities.

5. BASIS OF PREPARATION

The financial statements of the Group are 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provision of the Companies Act, 1965.

In the current financial year, the Group has adopted all of the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 January 2006.

The adoption of these new and revised FRS does not have any material financial effect on the financial statements of the Group except for:-

FRS 3	Business Combinations
FRS 110	Event after the Balance sheet Date

The effects of adopting the above FRS on the accounting policies are disclosed in Notes 6(e) and 6(q) respectively and the effects on the comparative figures are disclosed in Note 48 to the financial statements.

The following FRS have been issued and are effective for financial periods beginning on or after 1 October 2006 and will be effective for the Group's financial year ending 31 December 2007.

FRS 117	Leases
FRS 124	Related Party Disclosures

FRS 6, Exploration for and Evaluation of Mineral Resources, has been issued and effective for financial period beginning on or after 1 January 2007. This standard is not relevant to the Group's operations.

FRS 139, Financial Instruments: Recognition and Measurement, has been issued and the effective date has yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

(iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Amortisation of Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives therefore future amortisation charges could be revised.

(v) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vi) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has 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 an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

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

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

(c) Functional and Foreign Currency

(i) Functional and Presentation Currency

The functional currency of the Company and its subsidiaries is measured using the currency of the primary economic environment in which each group entity operates.

The consolidated financial statements are presented in Ringgit Malaysia (“RM”) which is the Parent’s functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currency are converted into RM at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currency are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

(iii) Foreign Operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) all resulting exchange differences are recognised as a separate component of equity, as a foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.

When foreign operations are partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2006.

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 purchase method of accounting. Under the purchase method, 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. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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 in the consolidated balance sheets consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

(e) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Prior to 1 January 2006, negative goodwill is retained in the consolidated balance sheet. With the adoption of FRS 3, Consolidated and Separate Financial Statement, If, after reassessment, the Group's interest in the fair value of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement. In accordance with the transitional provision of FRS 3, the negative goodwill as at 1 January 2006 of RM1,329,804 was derecognised with a corresponding increase in retained profits.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are probable;

(iv) its ability to use or sell the development asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense are not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

(g) Investments

(i) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are initially 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.

On the disposal of the investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Market value is determined based on quoted market values. Increases or decreases in the carrying amount of these investments are recognised in the income statement. On disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investment is taken to the income statement.

(h) Associates

An associate is an entity 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 2006. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated. 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%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

(j) 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. The recoverable amount of the assets is the higher of the assets' net selling price and its value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement 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 statement 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 statement, a reversal of that impairment loss is recognised as income in the income statement.

(k) Assets under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements.

Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

Plant and equipment acquired under hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Company, the assets are depreciated over the shorter of the lease terms and their useful lives.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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 materials 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.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(m) 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.

(n) 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.

(o) Income Taxes

Income taxes 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 year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost 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 future 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 period 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 statement, 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost. 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 future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

(q) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

Prior to 1 January 2006, 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 profits and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

With the adoption of FRS 110 - Events after the Balance Sheet Date, such a proposed dividend is no longer presented as an appropriation from retained profits and treated as a separate component of equity. The financial effects of adopting FRS 110 are disclosed in Note 48 to the financial statements.

(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 do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(s) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, 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.

(t) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave and sick 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 liability in respect of the defined contribution plans.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue Recognition

(i) Sale of Goods

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

(ii) 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.

7. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2006 RM	THE COMPANY 2005 RM
Unquoted shares, at cost	8,814,984	8,814,984
Less : Impairment loss on investment in a subsidiary	(231,379)	–
	8,583,605	8,814,984

Details of subsidiaries are as follows:-

Name of Company	Effective Equity Interest (%) 2006	Effective Equity Interest (%) 2005	Country of Incorporation	Principal Activities
Multi Square Sdn. Bhd.	100	100	Malaysia	Manufacture and sale of coatings, thinners and industrial chemicals.
Asset Capital Holdings Limited *	^50	80	Hong Kong	Investment holding and trading of coating and related products.
Multi Square (S) Pte. Ltd.*	100	100	Singapore	Importers and traders of coatings and thinners.
PT Multi Square *	60	60	Republic of Indonesia	Manufacture and sale of coatings and thinners.
Subsidiary of Asset Capital Holdings Limited				
Zhuhai MS Coating Ltd. *	^50	80	The People's Republic of China	Manufacture and sale of coating, chemical solvent and thinner.

^ *During the year, Asset Capital Holdings Limited increased its share capital and the shares were fully subscribed for by the minority shareholder. After completion of the share issue, the effective equity interest of Sersol Technologies Berhad in Asset Capital Holdings Limited reduced from 80% to 50%.*

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Company	Effective Equity Interest (%) 2006	2005	Country of Incorporation	Principal Activities
Subsidiary of Multi Square Sdn. Bhd.				
Deco Coatings Sdn. Bhd. (formerly known as Granite Paint Sdn. Bhd.)	60	–	Malaysia	Dormant.

* *Not audited by Messrs Horwath.*

8. INVESTMENT IN AN ASSOCIATE

	THE GROUP 2006 RM	2005 RM	THE COMPANY 2006 RM	2005 RM
Unquoted shares, at cost	150,000	150,000	150,000	150,000
Group's share of post acquisition reserves	8,552	4,643	–	–
	158,552	154,643	150,000	150,000
Represented by:-				
Share of net tangible assets	147,579	143,670		
Goodwill on acquisition	10,973	10,973		
	158,552	154,643		

Details of the associate are as follows:-

Name of Company	Effective Equity Interest (%) 2006	2005	Country of Incorporation	Principal Activities
TN Industries Sdn. Bhd. *	30	30	Malaysia	Blending and trading of chemical products.

* *Not audited by Messrs Horwath.*

9. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

Net book value	At 1.1.2006 RM	Additions RM	Foreign currency translation RM	Disposals RM	Written off RM	Depreciation charge RM	At 31.12.2006 RM
Freehold land	1,479,754	–	–	–	–	–	1,479,754
Buildings	2,690,626	–	–	–	–	(61,386)	2,629,240
Factory equipment	4,366,337	494,346	3,923	(52,253)	(7,856)	(706,694)	4,097,803
Motor vehicles	731,991	238,973	6,880	(118,165)	–	(272,911)	586,768
Furniture, fittings and office equipment	632,096	174,499	(1,615)	–	–	(114,596)	690,384
Renovation and electrical installation	939,746	352,190	(2,788)	–	(19,339)	(169,168)	1,100,641
	10,840,550	1,260,008	6,400	(170,418)	(27,195)	(1,324,755)	10,584,590

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

THE GROUP

	At cost RM	Accumulated depreciation RM	Net book value RM
At 31.12.2006			
Freehold land	1,479,754	–	1,479,754
Buildings	2,909,534	(280,294)	2,629,240
Factory equipment	7,173,907	(3,076,104)	4,097,803
Motor vehicles	1,706,435	(1,119,667)	586,768
Furniture, fittings and office equipment	1,308,680	(618,296)	690,384
Renovation and electrical installation	1,616,805	(516,164)	1,100,641
	16,195,115	(5,610,525)	10,584,590
At 31.12.2005			
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

THE COMPANY

Net book value	At 1.1.2006 RM	Additions RM	Depreciation charge RM	At 31.12.2006 RM
Motor vehicles*	–	115,813	(5,791)	110,022
Office equipment	–	390	(3)	387
	–	116,203	(5,794)	110,409

At 31.12.2006	At cost RM	Accumulated depreciation RM	Net book value RM
Motor vehicles*	115,813	(5,791)	110,022
Office equipment	390	(3)	387
	116,203	(5,794)	110,409

* *Held in trust for the Group and the Company by a director. The ownership of the asset will be transferred to the Company at a time directed by the Company.*

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

	2006 RM	2005 RM
At net book value:-		
Factory equipment	557,614	650,852
Motor vehicles	376,430	556,242
	934,044	1,207,094

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

The following assets of the Group have been pledged to financial institutions as security for banking facilities as disclosed in notes to the financial statements:-

	2006 RM	2005 RM
At net book value:-		
Freehold land	1,479,754	1,479,754
Factory equipment	779,590	872,723
Buildings	2,629,240	2,690,626
	4,888,584	5,043,103

10. DEVELOPMENT EXPENDITURE

	THE GROUP 2006 RM	2005 RM
Cost	1,511,282	1,439,280
Accumulated amortisation	(326,429)	(164,500)
Net book value	1,184,853	1,274,780
Net book value at 1.1.2006/2005	1,274,780	785,472
Additional development expenditure capitalised	227,603	565,731
Amortisation charge for the year	(201,602)	(76,423)
Development expenditure written off	(115,928)	–
Net book value at 31.12.2006/2005	1,184,853	1,274,780

Included in development expenditure are the following expenses:-

	2006 RM	2005 RM
Directors' remuneration - other emoluments	56,467	117,655
- EPF contributions	6,653	14,118

11. GOODWILL ON CONSOLIDATION

	THE GROUP 2006 RM	2005 RM
Carrying value at 1.1.2006/2005	374,573	–
Arising from acquisition of a subsidiary	–	383,753
Amortisation charge for the year	–	(9,180)
Impairment of goodwill	(108,346)	–
Realised on deemed disposal	(99,835)	–
Carrying value at 31.12.2006/2005	166,392	374,573
At 31.12.2006/2005		
Cost	383,753	383,753
Accumulated amortisation	(9,180)	(9,180)
Impairment of goodwill	(108,346)	–
Realised on deemed disposal	(99,835)	–
Carrying value	166,392	374,573

12. NEGATIVE GOODWILL

	THE GROUP 2006 RM	THE GROUP 2005 RM
Carrying amount at 1.1.2006/2005	1,329,804	1,401,044
Released to income for the year	–	(71,204)
Effect of adopting FRS 3		
- derecognisation of negative goodwill	(1,329,804)	–
Carrying amount at 31.12.2006/2005	–	1,329,804
At 31.12.2006/2005		
Cost	1,424,791	1,424,791
Total amounts released to income	(94,987)	(94,987)
Effect of adopting FRS 3		
- derecognisation of negative goodwill	(1,329,804)	–
Carrying value	–	1,329,804

As a result of the adoption of FRS 3 - Business Combinations, under the transitional provision of FRS 3, negative goodwill which arose from the acquisition of subsidiary before FRS 3 became effective was derecognised with a corresponding increase in retained profits.

13. INVENTORIES

	THE GROUP 2006 RM	THE GROUP 2005 RM
At cost:-		
Raw materials	2,672,952	2,628,709
Work-in-progress	96,889	25,808
Finished goods	1,022,934	1,205,758
	3,792,775	3,860,275

None of the inventories are carried at net realisable value at the balance sheet date.

14. TRADE RECEIVABLES

	THE GROUP 2006 RM	THE GROUP 2005 RM
Trade receivables	8,692,110	8,033,771
Less : Allowance for doubtful debts	(467,125)	(87,712)
	8,224,985	7,946,059

	THE GROUP 2006 RM	THE GROUP 2005 RM
Allowance for doubtful debts at 1.1.2006/2005	87,712	120,209
Addition for the financial year	383,739	–
Written off during the financial year	(4,326)	(32,497)
Allowance for doubtful debts at 31.12.2006/2005	467,125	87,712

The Group's normal trade credit terms range from 30 to 90 days (2005 : 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 2006 RM	THE GROUP 2005 RM
Chinese Renminbi	418,695	977,896
Hong Kong Dollar	411,424	168,896
Singapore Dollar	79,837	68,277
United States Dollar	1,361,175	111,766
	2,271,131	1,326,835

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP 2006 RM	THE GROUP 2005 RM	THE COMPANY 2006 RM	THE COMPANY 2005 RM
Other receivables	144,292	21,514	–	–
Deposits	435,085	282,530	1,000	1,000
Prepayments	352,127	298,380	–	3,507
Amounts owing by the shareholders of a subsidiary	100,000	–	–	–
	1,031,504	602,424	1,000	4,507

16. AMOUNT OWING BY SUBSIDIARIES

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

17. MARKETABLE SECURITIES

	2006 RM	2005 RM
Quoted securities in Malaysia, at cost	110,000	–
Dividend earned	2,936	–
	112,936	–
Market value of quoted securities	113,038	–

18. FIXED DEPOSITS WITH LICENSED BANKS

Included in the fixed deposits of the Group are RM1,321,880 (2005 : RM37,966) which have been pledged with licensed banks for banker's guarantee issued on behalf of the subsidiaries.

The effective interest rates of fixed deposits at the balance sheet date range from 3.00% to 3.70% (2005 : 3.70%) per annum. The fixed deposits have a maturity period of 1 year (2005 : 1 year).

19. SHARE CAPITAL

	THE COMPANY			
	2006 Number of shares	2005 Number of shares	2006 RM	2005 RM
ORDINARY SHARES OF RM0.10 EACH:- AUTHORISED	100,000,000	100,000,000	10,000,000	10,000,000
ISSUED AND FULLY PAID	94,931,000	94,931,000	9,493,100	9,493,100

20. SHARE PREMIUM

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.

21. DIVIDEND

	THE GROUP AND THE COMPANY	
	2006 RM	2005 RM
Proposed:-		
In respect of the current financial year:-		
Final dividend of Nil (2005 : 0.4 sen less 28% taxation) per ordinary share	–	273,401
	–	273,401

22. LONG TERM BORROWINGS

	THE GROUP 2006 RM	THE GROUP 2005 RM
Hire purchase payables (Note 27)	270,348	504,060
Terms loans (Note 28)	2,206,462	1,252,223
	2,476,810	1,756,283

23. DEFERRED TAXATION

	THE GROUP 2006 RM	THE GROUP 2005 RM
At 1.1.2006/2005	695,147	664,000
Transfer (to)/from income statement (Note 33)	(370,396)	31,147
Translation difference	37	–
At 31.12.2006/2005	324,788	695,147

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

	2006 RM	2005 RM
Deferred tax liabilities:-		
- Accelerated capital allowances	648,989	639,401
- Development expenditure	332,000	357,000
	980,989	996,401
Deferred tax assets:-		
- Unutilised tax losses	(2,304)	(1,254)
- Unabsorbed capital allowances	(653,897)	(300,000)
	(656,201)	(301,254)
	324,788	695,147

24. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 days (2005 : 30 to 90 days).

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

	THE GROUP 2006 RM	THE GROUP 2005 RM
Chinese Renminbi	966,926	761,243
United States Dollar	669,210	458,285
Euro	4,799	–
Hong Kong Dollar	–	23,390
Indonesia Rupiah	43,199	–
Singapore Dollar	13,594	3,559
	1,697,728	1,246,477

25. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	155,252	284,811	10,060	100,000
Payroll liabilities	527,107	197,603	8,000	–
Accrued expenses	493,092	300,633	8,000	31,071
Amounts owing to the directors of subsidiaries	14,834	–	–	–
	1,190,285	783,047	26,060	131,071

26. SHORT TERM BORROWINGS

	THE GROUP	
	2006 RM	2005 RM
Bankers' acceptances	3,055,384	2,898,052
Hire purchase payables (Note 27)	265,295	387,546
Term loans (Note 28)	885,490	622,190
	4,206,169	3,907,788

Bankers' acceptances are drawn for a period of up to 150 days which are renewable on maturity. Interest is charged at rates ranging from 4.37% to 5.35% (2005 : 3.81% to 4.61%) per annum.

Bankers' acceptances are secured as follows:-

(i) by the corporate guarantee from the Company; and

(ii) by way of legal charges over the landed properties of the Group.

27. HIRE PURCHASE PAYABLES

	THE GROUP	
	2006 RM	2005 RM
Minimum hire purchase payment:		
- not later than one year	287,159	431,281
- later than one year and not later than five years	283,995	534,161
	571,154	965,442
Less : Future finance charges	(35,511)	(73,836)
Present value of hire purchase payables	535,643	891,606
The net hire purchase payables are repayable as follows:-		
Current:		
- not later than one year (Note 26)	265,295	387,546
Non-current:		
- later than one year and not later than five years (Note 22)	270,348	504,060
	535,643	891,606

The hire purchase payables bore interest at the balance sheet date of between 4.24% to 9.16% (2005 : 4.24% to 9.59%) per annum.

28. TERM LOANS

	THE GROUP 2006 RM	THE GROUP 2005 RM
Current portion:		
- repayable within one year (Note 26)	885,490	622,190
Non- current portion:		
- repayable between one and two years	673,442	607,050
- repayable between two and five years	1,167,614	645,173
- repayable more than five years	365,406	–
Total non-current portion (Note 22)	2,206,462	1,252,223
	3,091,952	1,874,413

Details of the repayment terms are as follows:-

Term Loans	Number of monthly installments	Monthly installment RM	Date of commencement of repayment	Amount outstanding 2006 RM	Amount outstanding 2005 RM
1	180	14,742	July 2002	240,998	394,867
2	36	14,986	August 2004	119,043	288,418
3	36	16,249	July 2005	311,178	485,834
4	60	14,945	July 2005	563,960	705,294
5	60	20,276	March 2006	859,455	–
6	96	15,462	November 2006	997,318	–
				3,091,952	1,874,413

Term loans bear interest at rates ranging from 5.00% to 8.00% (2005 : 5.00% to 7.05%) 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 the directors of the Group; and

(iv) by way of fixed charges over the machineries of the Group.

29. BANK OVERDRAFTS

The bank overdrafts to a limit of RM2,100,000 (2005 : RM2,100,000) are repayable on demand and interest is charged at rates ranging from 7.00% to 8.00% (2005 : 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 26 to the financial statements.

30. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets of RM12,963,386 (2005 : RM13,346,782) 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.

31. REVENUE

	THE GROUP		THE COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of goods	28,434,501	31,169,179	–	–
Rendering of services to subsidiaries	–	–	456,283	248,000
Dividend income	–	–	–	486,000
	28,434,501	31,169,179	456,283	734,000

32. (LOSS)/PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
(Loss)/Profit before taxation is arrived at after charging:-				
Allowance for doubtful debts	383,739	–	–	–
Amortisation of development expenditure	201,602	76,423	–	–
Amortisation of goodwill	–	9,180	–	–
Audit fees	58,076	55,906	8,000	10,000
Bad debts written off	58,027	32,126	–	–
Depreciation of property, plant and equipment	1,324,755	1,127,219	5,794	–
Development expenditure written off	115,928	–	–	–
Directors' remuneration - EPF contributions	56,902	49,478	–	–
Directors' remuneration - fees	36,000	36,000	36,000	36,000
Directors' remuneration - other emoluments	354,035	287,645	21,900	9,100
Goodwill released on deemed disposal of subsidiary	99,835	–	–	–
Impairment of goodwill	108,346	–	–	–
Impairment loss on an investment	–	–	231,379	–
Interest expense	357,329	261,374	–	–
Inventories written off	114,931	–	–	–
Loss on foreign exchange	72,546	91,689	1,109	–
Plant and equipment written off	27,195	3,363	–	–
Rental of land and buildings	260,026	179,494	–	–
Rental of motor vehicles	74,726	91,593	–	–
Research and development expenditure	451,824	262,305	–	–
Staff costs	3,541,956	2,954,978	137,429	–
and crediting:-				
Bad debts recovered	(3,986)	–	–	–
Dividend income	(2,936)	–	–	(486,000)
Gain on disposal of plant and equipment	(68,740)	(58,872)	–	–
Gain on foreign exchange - realised	(27,544)	(89,433)	–	–
Interest income	(27,126)	(44,257)	(7,387)	(18,338)
Management fee income	–	–	456,283	248,000
Negative goodwill released to income	–	(71,240)	–	–

Included in staff costs of the Group and the Company are EPF contributions of RM243,850 (2005 : RM233,258) and RM12,648 (2005 : RM Nil) respectively.

33. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Income tax for the financial year	27,000	20,000	25,000	149,080
Deferred taxation (Note 23)	(360,396)	33,147	–	–
	(333,396)	53,147	25,000	149,080
Under/(over) provision in previous financial years				
- Malaysian income tax	5,903	43,940	8,455	980
- Deferred taxation (Note 23)	(10,000)	(2,000)	–	–
	(337,493)	95,087	33,455	150,060

A reconciliation of the income tax expense applicable to the (loss)/profit before taxation at the statutory tax rates to income tax expense at the effective tax rates of the Group and of the Company is as follows:-

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
(Loss)/Profit before taxation	(2,259,536)	198,158	(222,612)	418,320
Malaysian taxation at statutory rate	(632,670)	55,484	(62,331)	117,130
Tax effects of:-				
Non-deductible expenses	251,507	214,534	95,649	31,950
Non-taxable income	(28,295)	(14,451)	–	–
Differential in tax rate of first RM500,000	(9,939)	–	(9,939)	–
Effect on different tax rates in other country	(3,180)	(8,912)	–	–
Depreciation on non-qualifying capital expenditure	50,621	43,075	1,621	–
Deferred tax assets not recognised	244,560	–	–	–
Double taxation relief on research and development expenditure	(206,000)	(236,583)	–	–
Underprovision of current tax in prior years	5,903	43,940	8,455	980
Overprovision of deferred tax in prior years	(10,000)	(2,000)	–	–
Tax expenses for the year	(337,493)	95,087	33,455	150,060

Subject to agreement with the tax authorities, the Group has unabsorbed capital allowances, unutilised business losses and unutilised reinvestment allowances of approximately RM2,167,000 (2005 : RM1,071,000), RM1,297,000 (2005 : RM164,000) and RM1,584,000 (2005 : RM1,259,000) respectively available at the balance sheet date to be carried forward for offset against future taxable business income.

No deferred tax assets are recognised as follows:-

	THE GROUP	
	2006	2005
	RM	RM
Unutilised tax losses	1,297,000	–

34. (LOSS)/EARNINGS PER SHARE

	THE GROUP 2006 RM	THE GROUP 2005 RM
Basic		
Net (loss)/profit attribute to ordinary shareholders	(1,492,387)	181,049
Number of shares in issue as at 31.12.2006/2005	94,931,000	94,931,000
Basic (loss)/earnings per share (sen)	(1.57)	0.19

The fully diluted (loss)/earnings per share for the Group is not presented as there were no dilutive potential ordinary shares outstanding at the balance sheet date.

35. SUMMARY OF EFFECTS ON ACQUISITION OF SUBSIDIARY

The Group acquired a 60% equity interest in Deco Coatings Sdn. Bhd. (formerly known as Granite Paint Sdn. Bhd.) (2005 : 80% equity interest in Assets Capital Holdings Limited) and the details of net assets acquired, goodwill and cash flows arising from the acquisition are as follows:-

	THE GROUP AT DATE OF ACQUISITION 2006 RM	THE GROUP AT DATE OF ACQUISITION 2005 RM
Property, plant and equipment	–	145,077
Inventories	–	158,230
Trade and other receivables	–	833,577
Amount owing by immediate holding company	150,000	–
Amounts owing by shareholders	100,000	–
Cash and bank balances	–	139,596
Trade and other payables	–	(1,044,732)
Amount owing to holding company	–	(193,788)
Amount owing to directors	–	(69,339)
Minority interest	(100,000)	6,276
Net assets/(liabilities) acquired	150,000	(25,103)
Goodwill (Note 11)	–	383,753
Cash consideration of subsidiaries acquired	150,000	358,650
Consideration not yet paid	(150,000)	–
Cash and cash equivalents acquired	–	(139,596)
Net cash outflow from acquisition of subsidiaries	–	219,054

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

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

	THE GROUP 2006 RM	THE GROUP 2005 RM
Revenue	–	3,249,689
Other operating income	–	3,084
Operating costs	(33,874)	(3,167,896)
(Loss)/Profit from ordinary activities after taxation	(33,874)	84,877
Less: Minority interest	13,550	(16,975)
Increase in Group's net (loss)/profit attributable to shareholders	(20,324)	67,902

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

	THE GROUP 2006 RM	THE GROUP 2005 RM
Property, plant and equipment	1,740	183,142
Goodwill on consolidation	–	135,433
Inventories	–	285,837
Trade and other receivables	–	1,435,929
Amounts owing by shareholders	100,000	–
Cash and bank balances	–	229,583
Trade and other payables	(500)	(1,377,988)
Provision for taxation	–	(61,871)
Increase in Group's net assets	101,240	830,065

The results of the 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 2006 RM	THE GROUP 2005 RM
Revenue	–	4,280,208
Other operating income	–	8,465
Operating costs	(33,874)	(4,104,913)
(Loss)/Profit before taxation	(33,874)	183,760
Income tax expense	–	–
(Loss)/Profit after taxation	(33,874)	183,760
Pre-acquisition loss	–	(98,883)
(Loss)/Profit from ordinary activities after taxation	(33,874)	84,877
Less: Minority interest	13,550	(16,975)
(Loss)/Profit attributable to shareholders	(20,324)	67,902

36. PURCHASE OF PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cost of plant and equipment purchased	1,260,008	3,524,778	116,203	–
Amount financed through hire purchase	(74,800)	(670,700)	–	–
Cash disbursed for the purchase of plant and equipment	1,185,208	2,854,078	116,203	–

37. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Fixed deposits with licensed banks	1,321,880	187,966	–	150,000
Cash and bank balances	953,451	2,058,571	29,745	75,665
Bank overdrafts (Note 28)	–	(16,230)	–	–
	2,275,331	2,230,307	29,745	225,665

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

	THE GROUP	
	2006	2005
	RM	RM
Chinese Renminbi	139,456	89,490
Hong Kong Dollar	74,253	62,777
Indonesia Rupiah	46,804	673
Singapore Dollar	39,961	214,704
United States Dollar	199,298	900,570
	499,772	1,268,214

38. DIRECTORS' REMUNERATION

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

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Executive directors' other emoluments	463,057	465,296	10,900	5,500
Non executive directors' fees	36,000	36,000	36,000	36,000
Non executive directors' other emoluments	11,000	3,600	11,000	3,600
	510,057	504,896	57,900	45,100

38. DIRECTORS' REMUNERATION (CONT'D)

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

	THE GROUP			
	2006 Number of Directors		2005 Number of Directors	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	–	2	–	2
RM50,001 - RM100,000	1	–	1	–
RM100,001 - RM200,000	1	–	1	–
RM200,001 - RM300,000	1	–	1	–
Total	3	2	3	2

39. 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:-

2006	SEGMENT REVENUE RM	SEGMENT ASSETS RM	CAPITAL EXPENDITURE RM
Malaysia	22,668,318	24,524,795	662,535
Other ASEAN countries	1,801,452	1,130,613	150,582
Other Asia countries	3,964,731	2,725,859	446,891
	28,434,501	28,381,267	1,260,008

2005	SEGMENT REVENUE RM	SEGMENT ASSETS RM	CAPITAL EXPENDITURE RM
Malaysia	27,914,254	22,824,648	3,063,484
Other ASEAN countries	807,150	1,710,961	412,237
Other Asia countries	2,447,775	2,257,680	49,057
	31,169,179	26,793,289	3,524,778

40. SIGNIFICANT RELATED COMPANY TRANSACTIONS

The significant related company transactions are as follows:-

	THE COMPANY	
	2006 RM	2005 RM
Dividend income from a subsidiary	–	486,000
Management fees received/receivable from subsidiaries	456,283	248,000

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are as follows:-

Name of related party	Nature of transaction	THE GROUP 2006 RM	THE GROUP 2005 RM
Tan Fie Ping and Tan Fie Jen	Rental of premises	24,000	6,000

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 and substantial shareholder
Tan Fie Jen	Director and substantial shareholder

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

(i) 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, whereby Ever Bright shall subscribe 305,999 ordinary shares of Asset Capital Holding Limited ("ACHL"), a subsidiary of the Company, representing an equity interest of 37.5% of the total enlarged issued and paid-up capital for a cash consideration of HKD1,274,999. The investment was completed on 16 April 2006.

(ii) On 21 November 2006, the Company announced its investment in Multi Square Coating (Thailand) Co. Ltd. ("MSCT"), by subscribing for 30,000 ordinary shares of MSCT, representing an equity interest of 75% for a cash consideration of Thai Baht 3,000,000 equivalent to RM300,000. The investment was completed on 16 January 2007.

(iii) On 4 December 2006, the Company announced its investment in Deco Coatings Sdn. Bhd. (formerly known as Granite Paint Sdn. Bhd.) ("DCSB"), by subscribing for 150,000 ordinary shares of DCSB, representing an equity interest of 60% for a cash consideration of RM150,000. The investment was completed on 18 December 2006.

43. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 6 March 2007, the Company announced its further investment in ACHL by subscribing for an additional 920,000 ordinary shares of HKD1.00 in ACHL for a cash consideration of HKD920,000. The other shareholder of ACHL will also invest HKD920,000. The shareholding of both parties in ACHL will remain unchanged after the completion of these investments.

44. CONTINGENT LIABILITY

	THE COMPANY 2006 RM	THE COMPANY 2005 RM
Corporate guarantees given to licensed banks and supplier for credit facilities granted to a subsidiary	14,063,000	17,563,000

45. CAPITAL COMMITMENTS

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

	THE GROUP	
	2006	2005
	RM	RM
Contracted	125,076	56,924

46. 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	
	2006	2005
	RM	RM
Chinese Renminbi	0.45000	0.4682
Hong Kong Dollar	0.47000	0.4870
Indonesia Rupiah	0.00039	0.0004
Singapore Dollar	2.32000	2.2683
United States Dollar	3.57000	3.7800

47. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL 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) Quoted and Unquoted Investments

The fair values of quoted investments are estimated based on quoted market prices for these 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 approximated their fair values because of the short period to maturity of these instruments.

47. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

(d) Long Term Bank Loans

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

(e) Amount Owing By Subsidiaries

It is not practicable to estimate the fair value of the amount owing by subsidiaries due principally to a lack of fixed repayment terms. However, the Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be received.

(f) Contingent Liability

The nominal amount and net fair value of contingent liability not recognised in the balance sheets of the Company are as follows:-

	Note	The Company Nominal Amount RM	The Company Net Fair Value RM
At 31 December 2006			
Corporate guarantees	44	14,063,000	*
At 31 December 2005			
Corporate guarantees	44	17,563,000	*

* The net fair value of the contingent liability is estimated to be minimal as the subsidiary is expected to fulfill its obligations to repay its borrowings.

48. EFFECTS ARISING FROM THE ADOPTION OF NEW AND REVISED FRS

The following comparative figures have been restated as a result of adopting the new and revised FRS:-

	As Previously Stated RM	Effects of FRS 110 RM	As Restated RM
The Group			
Proposed dividend	273,401	(273,401)	–
Retained profits	124,839	273,401	398,240
The Company			
Proposed dividend	273,401	(273,401)	–
Retained profits	17,705	273,401	291,106

49. COMPARATIVE FIGURES

In addition to those disclosed in Note 48 to the financial statements, the following comparative figures have been reclassified to conform with the presentation of the current financial year:-

	THE GROUP		THE COMPANY	
	As Restated RM	As Previously Reported RM	As Restated RM	As Previously Reported RM
Balance Sheet (extract):-				
Other receivables, deposits and prepayments	602,424	1,425,676	4,507	35,507
Tax recoverable	823,252	–	31,000	–

List of Properties
as at 31 December 2006

Registered Owner	Title/Location/ Address	Description/ Existing Use	Tenure/ Date of Expiry of Leasehold Land	Approximate Age of Building (years)	Total Land Area (square feet)	Total Built Up Area (square feet)	NBV 31.12.06	Year of Acquisition
Multi Square Sdn Bhd	No.1 Jalan Canggih 5, Taman Perindustrian Cemerlang 81800 Ulu Tiram. Johor.	Warehouse	Freehold	9	9,429	7,521.6	718,412	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	10	5,909	4,550	479,212	2000
Multi Square Sdn Bhd	No.28 Jalan Canggih 1 Taman Perindustrian Cemerlang, 81800 Ulu Tiram. Johor	Office, warehouse & factory	Freehold	13	52,889	35,416	2,911,370	2002

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. of Holders	%	No. of Shares	%
Less than 100	5	0.42	180	0.00
100 – 1,000	178	14.87	161,300	0.17
1,001 – 10,000	512	42.77	3,542,096	3.73
10,001 – 100,000	437	36.51	15,909,150	16.76
100,001 to less than 5% of Issued Shares	64	5.35	25,389,325	26.75
5% and above of Issued shares	1	0.08	49,928,949	52.59
	1,197	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.	Mayban Nominees (Tempatan) Sdn Bhd *Exempt An For Intrinsic Capital Management Sdn Bhd*	3,124,100	3.29
3.	Choong Yoke Tong	2,263,000	2.38
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Soh Kian*	2,194,500	2.31
5.	Tan Bee Ngoh	1,385,489	1.46
6.	Tan Yan Wah	1,845,489	1.94
7.	Multi Compete Sdn Bhd	1,000,000	1.05
8.	Tan Chuan Thye	987,986	1.04
9.	Yeo Hee Sing	700,000	0.74
10.	Teo Kim Hock	559,600	0.59
11.	Tan Fie Ping	547,448	0.58
12.	Chin See Chet	479,200	0.50
13.	Lim Peng Joo	400,000	0.42
14.	Siew Kok Tim	400,000	0.42
15.	Tan Fie Jen	372,824	0.39
16.	Ong Eng Seng	350,000	0.37
17.	Wong Hong Choon	310,000	0.33
18.	Yap Nam Huat	300,000	0.32
19.	Ang Choon Lai	300,000	0.32
20.	RHB Capital Nominees (Tempatan) Sdn Bhd *Lee Leong Lai (T-471274)*	300,000	0.32
21.	Mayban Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Lay Pin*	262,000	0.28
22.	Koh Sioh Chian	257,000	0.27
23.	Wong Yeng Chi	253,200	0.27
24.	Tan Hon Kiat @ Tan Hoon Siong	250,000	0.26
25.	Wong Vee Fah	250,000	0.26
26.	Ng Soh Kian	248,000	0.26
27.	Tong Siew Moy	240,000	0.25
28.	Lee Soon Fah	230,200	0.24
29.	Public Nominee (Tempatan) Sdn Bhd *Pledge Securities Account for Goh Tor Tong*	226,000	0.24
30.	Liong Vincci	225,000	0.24

Analysis of Shareholdings
as at 24 April 2007

SUBSTANTIAL SHAREHOLDERS

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

DIRECTORS' SHAREHOLDERS

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

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

NOTICE IS HEREBY GIVEN that the Fourth 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, 25 June 2007 at 11.00 a.m to transact the following business:

AGENDA

ORDINARY BUSINESSES:

1. To receive the Audited Financial Statements for the Financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon. — Ordinary Resolution 1

2. To re-elect the following Directors who retire by rotation pursuant to Articles 101 and 102 of the Company's Articles of Association:

   a. Tan Fie Ping — Ordinary Resolution 2
   b. Azahar bin Baharudin — Ordinary Resolution 3

3. To approve the payment of Directors' fees of RM36,000 for the financial year ended 31 December 2006 — Ordinary Resolution 4

4. To re-appoint Messrs Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration. — Ordinary Resolution 5

SPECIAL BUSINESS

5. To consider and if thought fit to pass the following Special Resolution; — Special Resolution 1
   Amendments to Articles of Association
   "THAT the Alteration, modifications and/or additions to the Articles of Association of the Company as set out under Appendix 1 of the Circular to Shareholders dated 28 May 2007 in line with the amendments made to Chapter 7 of the MMLR of Bursa Malaysia Securities Berhad be and are hereby approved"

By Order of the Board

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

Johor Bahru
28 May 2007

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and vote in his stead. A proxy may but not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

2. Where a member appoints two (2) or more proxies, the appointment shall not be valid unless the Member specifies the proportion of his shareholding to be presented by each proxy.

3. Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.

4. The instruments appointing a proxy must be deposited at the registered office, 30-05, Level 30, Menara Landmark, Mail Box 172, No. 172, Jalan Ngee Heng 80000 Johor Bahru, Johor not less than 48 hours before the time for holding the meeting or at any adjournment thereof.

5. Explanatory Note on the Special Business;
   Special Resolution No. 1
   The proposed Special Resolution 1, if passed, will allow the SERSOL Group to adopt the proposed changes, detailed in the circular to Shareholders dated 28 May 2007, in the Articles of Association of the Company.

1. DIRECTORS WHO ARE SEEKING RE-ELECTION AT THE FOURTH 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 are as follows:-

- Tan Fie Ping
- Azahar Bin Baharudin

2. BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

2.1 There were Five (5) Board of Directors meetings held during the financial year ended 31 December 2006, details of which are as follows:-

Date	Time	Venue
25 January 2006	2.30 pm	No.28 Jln Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor
22 February 2006	11.00 am	No.28 Jln Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor
15 May 2006	11.00 am	No.28 Jln Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor
15 August 2006	4.00 pm	No.28 Jln Canggih 1, Tmn Perindustrian Cemerlang, 81800 Ulu Tiram Johor
20 November 2006	2.00 pm	No.28 Jln 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 FOURTH ANNUAL GENERAL MEETING

Date: 25 June 2007
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 DIRECTORS WHO ARE STANDING FOR RE-ELECTION

Details of Directors who are 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)

PROXY FORM

Number of Ordinary Shares Held

I/We, ...
(FULL NAME IN BLOCK LETTERS)

Nric No./Co. 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(ies) to vote for *me/us and on *my/ our behalf at the Fourth 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, 25 June 2007 at 11.00 a.m. or any adjournment thereof.

If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting or failing him" and insert the name(s) of the person(s) desired.

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

My/our proxy/proxies is/are to vote as indicated below

No.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the Financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon.		
2.	To re-elect Mr Tan Fie Ping as Director who retire pursuant to Article 101 and 102 of the Company's Articles of Association.		
3.	To re-elect En Azahar Bin Baharudin as Director who retire pursuant to Article 101 and 102 of the Company's Articles of Association.		
4.	To approve the payment of Directors' fees of RM36,000 for the financial year ended 31 December 2006.		
5.	To re-appoint Messrs Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration.		
No.	**SPECIAL RESOLUTION**		
1.	To consider and if thought fit to pass the following Special Resolution; Amendments to Articles of Association "THAT the Alteration, modifications and/or additions to the Articles of Association of the Company as set out under Appendix 1 of the Circular to Shareholders dated 28 May 2007 in line with the amendments made to Chapter 7 of the MMLR of Bursa Malaysia Securities Berhad be and are hereby approved"		

* 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 or, 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.