

DIRECTORS' PROFILE

TAN FIE PING

**Aged 43, 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 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 promoted as Head of Department for the 2nd process department, subsequently transferred to be the Head of Secondary Sales and Marketing Department and then re-assigned to 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 Industry and Industrial Coatings Industry.

TAN FIE JEN

**Aged 40, Malaysian
(Executive Director)**

Mr Tan Fie Jen, was appointed to the Board on 1 September 2004. He is currently an 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 eleven (11) years of experience in the industrial coating industries.

TAN BEE NGOH

**Aged 43, Malaysian
(Executive Director)**

Ms Tan Bee Ngoh was appointed as a 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 Clayton Industries Sdn Bhd for three years before joining 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, 51, 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 in 1999.

AZAHAR BIN BAHARUDIN

**Aged 49, Malaysian
(Independent Non-Executive Director)**

En Azahar bin Baharudin was appointed as Independent Non-Executive Director of the Company on 1 September 2004. He graduated form 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 Murni Allianze Consult Sdn Bhd. Overall he has twenty-six (26) years of experience in the banking industry.

CORPORATE GOVERNANCE STATEMENT

A. DIRECTORS

The Board

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

Board Meeting

During the tenure of the present Board, there was one (1) time Board meeting held within the financial year ended 31 December 2004. Directors' attendance to the meeting can be found in the Statement Accompanying the Notice of the Second Annual General Meeting on page 51.

The Chairman of Board

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

Directors' Training

All the directors have attended the Directors' Mandatory Accreditation Programme organized by the Bursa Malaysia Securities Berhad to further enhance their skills and knowledge. For continuous enhancement of management skill, the Chairman has attended monthly training known as Chief Executive Working Together conducted by TEC Asia Centre Sdn Bhd whilst The Chairman of Audit Committee had attended the 2005 Budget Seminar.

Remuneration Committee

The Committee was set up on 22 November 2004. Its responsibilities include assessing the size of the Board, relevant mix 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 Second Annual General Meeting are disclosed in the Statement Accompanying the Notice of AGM on page 51 in this Annual Report.

CORPORATE GOVERNANCE STATEMENT

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 received from the Group during the financial year are as follows:-

	Salaries & other Emoluments (RM)	Fees (RM)	Total (RM)
Executive Directors	165,351	-	165,351
Non-Executive Directors	-	9,000	9,000

The number of Directors whose remuneration fall into the following bands are as follows:-

Range of remuneration per annum	Number of Directors	
	Executive	Non-Executive
Below RM50,000	2	2
RM50,001 to RM100,000	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 of this report.

D. OTHERS

Audit Committee

The composition and terms of reference of Audit Committee together with its report are presented on page 10.

Non-Audit Fees

During the financial period under review, non-audit fees paid to the external auditors of the Group amounted to RM65,500.00.

REPORT OF AUDIT COMMITTEE

1. COMPOSITION

The present Audit Committee comprises of 3 members of the Board. The Company has complied to the Bursa Securities Listing Requirements that came into effect on 1 June 2001, which require a majority of Audit Committee members to be independent Directors. In addition, the Audit Committee has one Director who are also members 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 wef 01/09/2004)
En Azahar bin Baharudin	Independent Non-Executive Director (Appointed wef 01/09/2004)
Mr Tan Fie Jen	Executive Director (Appointed wef 01/09/2004)

1.2 Chairman of Audit Committee

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

1.3 Constitution

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

2. TERMS OF REFERENCE

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

- a. The Audit Committee must be composed of no fewer than 3 members.
- b. A majority of the Audit Committee must be independent Directors.
- c. At least one member of the Audit Committee must be a member of the MIA or any other equivalent qualifications recognized by the MIA.
- d. 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 help 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.

REPORT OF AUDIT COMMITTEE

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 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.

REPORT OF AUDIT COMMITTEE

5. FREQUENCY OF MEETINGS

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

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

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

Meetings

There was one (1) Audit Committee meeting held within the financial period ended 31 December 2004 during the tenure of the present Audit Committee. Details of the attendance of the members at the Audit Committee meeting is as follows:-

Name of Audit Committee Member	No. of Meeting attended
Ms Tan Lay Beng	1/1
En Azahar bin Baharudin	1/1
Mr Tan Fie Jen	1/1

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

Activities

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

ADDITIONAL LISTING REQUIREMENTS COMPLIANCE INFORMATION

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

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

RECURRENT RELATED PARTY TRANSACTION

There were no recurrent related party transactions involved in the financial year ended 31 December 2004.

SHARE BUYBACKS

There were no share buy backs during the financial year ended 31 December 2004.

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 2004.

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 2004.

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 2004.

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 RELATING TO LOAN BY THE COMPANY

There were no contracts relating to loan by the Company.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code of Corporate Governance (“the Code”) requires the Board of Directors (“the Board”) to maintain a sound system of internal control to safeguard shareholders’ investment and assets of the Company and its subsidiary. Specifically the Board of Directors’ (“the Board”) responsibilities include:-

- Identifying principle risks and ensure the implementation of appropriate systems to manage these risks; and
- Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- Establishment of an internal audit function

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the Group’s risk management and internal control systems and for reviewing the adequacy and integrity of Group’s internal control system. However, as such systems are designed to manage rather than eliminate the risks that may impede the achievement of the Group’s business objectives, they can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board acknowledges that during the financial year, there was an absence of a formal process of identifying and managing the significant risks faced by the Group neither was there a comprehensive internal audit function established by the Group. The Board is aware of the importance of having a structured process of risk identification and management as well as a formal internal audit function which are important means of obtaining sufficient assurance of the Group’s systems of internal control. Subsequent to the financial year, the Board appointed a professional service firm to provide risk management advisory and facilitation services for the Group and also to outsource the internal audit function of the Group.

RISK MANAGEMENT FRAMEWORK

The Board recognizes that an important element for sound systems of risk management and internal control is to have in place a risk management framework in order to identify and evaluate principal risks and implement appropriate controls to manage such risks. The Board is looking forward to a more structured and formalised approach to identify, evaluate and manage the significant risks of the Group in the forthcoming financial year, once the Group’s risk management is implemented. The allocation of resources towards internal controls and internal audit activities will be based on the key risks profile developed from the above process.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

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

- An operational structure with clear lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability.
- Clearly documented internal policies and procedures set out in a series of Standard Operating Procedural (“SOP”) manuals implemented through an ISO accreditation programme.
- Detailed reporting of operating results, balance sheet and cash flow, with regular review by senior management.
- Close involvement of the executive directors in daily operations and decision making.

STATEMENT ON INTERNAL CONTROL

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. With the commencement of the internal audit function, the Board expects the Group's internal control environment to be strengthened in the forthcoming financial year.

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 judgements 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.

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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITIES

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

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	423,761	229,416

DIVIDENDS

No dividend was paid since the end of the previous financial period. On 24 February 2005, the Board of Directors of the Company has proposed a final dividend of approximately 0.2 sen per ordinary share of tax-exempt dividend amounting to RM190,000 in respect of the financial year ended 31 December 2004 subject to the approval of the members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) the Company increased its authorised share capital from RM100,000 to RM10,000,000 comprising 100,000,000 ordinary shares of RM0.10 each by the creation of 99,000,000 new ordinary shares of RM0.10 each;
- (b) the Company increased its issued and paid-up share capital from RM1 to RM9,493,100 comprising 94,931,000 ordinary shares of RM0.10 each by way of the allotments of:-
 - i) 71,198,498 new ordinary shares of RM0.10 each at an issue price of approximately RM0.10 per ordinary share for the acquisition of the entire issued and paid-up share capital of Multi Square Sdn. Bhd. for a total consideration of RM7,119,859. The new shares issued rank pari passu in all respects with the existing shares of the Company; and
 - ii) Public issue of 23,732,500 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share. The new shares issued rank pari passu in all respects with the existing shares of the Company; and
- (c) 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 there were no known bad debts to be written off and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Company are disclosed in note 37 to the financial statements. At the date of this report, there does not exist:-

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

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT

ITEMS OF AN UNUSUAL NATURE

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

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

HOLDING COMPANY

During the financial year, the Company became a 52.5%-owned subsidiary of Sersol Holdings Sdn. Bhd., a company incorporated in Malaysia, which the directors also regard as the ultimate holding company.

DIRECTORS

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

TAN FIE PING	(Appointed on 1.9.2004)
TAN FIE JEN	(Appointed on 1.9.2004)
TAN BEE NGOH (F)	(Appointed on 1.9.2004)
TAN LAY BENG	(Appointed on 1.9.2004)
AZAHAR BIN BAHARUDIN	(Appointed on 1.9.2004)
HENG AIK HWEE	(Resigned on 1.9.2004)
ROKIAH BINTI ABDUL LATIFF (F)	(Resigned on 1.9.2004)

Pursuant to Article 106 of the Articles of Association of the Company, all directors will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for reelection.

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:-

THE COMPANY	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2004	BOUGHT	SOLD	AT 31.12.2004
<i>DIRECT INTEREST</i>				
TAN FIE PING	-	30,444,787	(29,897,339)	547,448
TAN FIE JEN	-	20,297,988	(16,925,164)	3,372,824
TAN BEE NGOH (F)	-	3,385,489	-	3,385,489
TAN LAY BENG	-	100,000	-	100,000
AZAHAR BIN BAHARUDIN	-	100,000	-	100,000
<i>INDIRECT INTEREST</i>				
TAN FIE PING	-	49,838,949	-	49,838,949
TAN FIE JEN	-	49,838,949	-	49,838,949

HOLDING COMPANY SERSOL HOLDINGS SDN. BHD.	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2004	BOUGHT	SOLD	AT 31.12.2004
TAN FIE PING	1,195	–	–	1,195
TAN FIE JEN	725	–	–	725

By virtue of their interests in the Company, the abovenamed directors 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 period, 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.

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.

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 24 FEBRUARY 2005

Tan Fie Ping

Tan Bee Ngoh (f)
24 FEBRUARY 2005

STATEMENT BY DIRECTORS

We, Tan Fie Ping and Tan Bee Ngoh (f), being two of the directors of Sersol Technologies Berhad, state that, in the opinion of the directors, the financial statements set out on pages 24 to 45 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 2004 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 24 FEBRUARY 2005

Tan Fie Ping
24 FEBRUARY 2005

Tan Bee Ngoh (f)

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 24 to 45 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.
24 FEBRUARY 2005

Before me

Tan Fie Ping

REPORT OF THE AUDITORS

to the members of Sersol Technologies Berhad

We have audited the financial statements set out on pages 24 to 45. The preparation of the financial statements is the responsibility of the Company's directors.

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

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

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2004 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 subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary 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.

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

Horwath
Firm No.: AF 1018
Chartered Accountants

Johor Bahru
24 FEBRUARY 2005

Wong Tak Keong
Approval No: 1966/7/05 (J)
Partner

BALANCE SHEETS

at 31 December 2004

	NOTE	THE GROUP 2004 RM	THE COMPANY 2004 RM	2003 RM
NON-CURRENT ASSETS				
Investment in a subsidiary	7	-	7,119,859	-
Property, plant and equipment	8	8,299,191	-	-
Development expenditure	9	785,472	-	-
Negative goodwill	10	(1,401,044)	-	-
		7,683,619	7,119,859	-
CURRENT ASSETS				
Inventories	11	3,467,073	-	-
Trade receivables	12	7,755,444	-	-
Other receivables, deposits and prepayments	13	833,010	11,328	361,932
Amount owing by a subsidiary	14	-	3,873,441	-
Fixed deposits with licensed banks	15	2,054,757	1,500,000	-
Cash and bank balances	16	1,143,935	753,582	1
		15,254,219	6,138,351	361,933
CURRENT LIABILITIES				
Trade payables	17	4,415,409	-	-
Other payables and accruals	18	354,976	13,877	378,502
Hire purchase payables	19	251,173	-	-
Bank borrowings	20	2,826,255	-	-
		7,847,813	13,877	378,502
NET CURRENT ASSETS/(LIABILITIES)				
		7,406,406	6,124,474	(16,569)
		15,090,025	13,244,333	(16,569)
FINANCED BY/(REPRESENTED BY):-				
Share capital	21	9,493,100	9,493,100	1
Share premium	22	3,538,387	3,538,387	-
Retained profits/(accumulated losses)		217,191	22,846	(16,570)
Dividend		190,000	190,000	-
SHAREHOLDERS' EQUITY/(DEFICIT)				
		13,438,678	13,244,333	(16,569)
LONG TERM AND DEFERRED LIABILITIES				
Hire purchase payables	19	295,023	-	-
Bank borrowings	20	692,324	-	-
Deferred taxation	23	664,000	-	-
		1,651,347	-	-
		15,090,025	13,244,333	(16,569)
Net tangible assets per share	24	14.80 sen		

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

INCOME STATEMENTS

for the financial year ended 31 December 2004

		THE GROUP	THE COMPANY	
		1.1.2004	1.1.2004	28.12.2002
		to	to	to
	NOTE	31.12.2004	31.12.2004	31.12.2003
		RM	RM	RM
REVENUE	25	8,876,581	286,000	-
COST OF SALES		(6,796,262)	-	-
GROSS PROFIT		2,080,319	286,000	-
OTHER OPERATING INCOME		73,079	1,539	-
ADMINISTRATIVE AND GENERAL EXPENSES		(1,101,215)	(57,552)	(16,570)
SELLING AND DISTRIBUTION EXPENSES		(401,788)	-	-
PROFIT/(LOSS) FROM OPERATIONS		650,395	229,987	(16,570)
FINANCE COSTS		(115,843)	(571)	-
PROFIT/(LOSS) BEFORE TAXATION	26	534,552	229,416	(16,570)
TAXATION	27	(110,791)	-	-
PROFIT/(LOSS) AFTER TAXATION FOR THE FINANCIAL YEAR/PERIOD		423,761	229,416	(16,570)
Earnings per share - basic	28	1.48sen		
Earnings per share - diluted		Not applicable		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2004

THE GROUP	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS/ (ACCUMULATED LOSSES) RM	DIVIDENDS RM	TOTAL RM
Balance at 1.1.2004		1	-	(16,570)	-	(16,569)
Allotments during the financial year	21	9,493,099	4,746,509	-	-	14,239,608
Listing expenses		-	(1,208,122)	-	-	(1,208,122)
Profit after taxation for the financial year		-	-	423,761	-	423,761
Dividends	29	-	-	(190,000)	190,000	-
Balance at 31.12.2004		9,493,100	3,538,387	217,191	190,000	13,438,678
THE COMPANY						
Balance at 28.12.2002 (date of incorporation)		1	-	-	-	1
Loss after taxation for the financial period		-	-	(16,570)	-	(16,570)
Balance at 31.12.2003/1.1.2004		1	-	(16,570)	-	(16,569)
Allotments during the financial year	21	9,493,099	4,746,509	-	-	14,239,608
Listing expenses		-	(1,208,122)	-	-	(1,208,122)
Profit after taxation for the financial year		-	-	229,416	-	229,416
Dividends	29	-	-	(190,000)	190,000	-
Balance at 31.12.2004		9,493,100	3,538,387	22,846	190,000	13,244,333

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

CASH FLOW STATEMENTS

for the financial year ended 31 December 2004

	THE GROUP	THE COMPANY	
	1.1.2004	1.1.2004	28.12.2002
	to	to	to
NOTE	31.12.2004	31.12.2004	31.12.2003
	RM	RM	RM
CASH FLOWS FOR OPERATING ACTIVITIES			
Profit/(loss) before taxation	534,552	229,416	(16,570)
Adjustments for:-			
Amortisation of development expenditure	17,652	-	-
Bad debts recovered	(7,295)	-	-
Depreciation of property, plant and equipment	283,583	-	-
Gain on disposal of plant and equipment	(13,749)	-	-
Interest expenses	106,165	-	-
Interest income	(20,789)	(1,539)	-
Negative goodwill released to income	(23,747)	-	-
Operating profit/(loss) before working capital changes	876,372	227,877	(16,570)
Increase in inventories	(365,888)	-	-
Decrease/(increase) in trade and other receivables	2,059,402	350,604	(361,932)
Increase in amount owing by a subsidiary	-	(3,873,441)	-
(Decrease)/increase in trade and other payables	(2,151,510)	(364,625)	378,502
Increase in development expenditure	(170,266)	-	-
CASH FROM/(FOR) OPERATIONS	248,110	(3,659,585)	-
Interest paid	(106,165)	-	-
Tax paid	(180,000)	-	-
NET CASH FOR OPERATING ACTIVITIES	(38,055)	(3,659,585)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired	30 325,646	-	-
Interest received	20,789	1,539	-
Purchases of plant and equipment	31 (332,366)	-	-
Proceeds from disposal of plant and equipment	13,749	-	-
NET CASH FROM INVESTING ACTIVITIES	27,818	1,539	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bankers' acceptances	3,490,000	-	-
Proceeds from public issue	7,119,750	7,119,750	-
Payment of listing expenses	(1,208,122)	(1,208,122)	-
Repayments of bankers' acceptances	(4,391,000)	-	-
Repayments of hire purchase payables	(156,684)	-	-
Repayments of term loans	(1,645,015)	-	-
NET CASH FROM FINANCING ACTIVITIES	3,208,929	5,911,628	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,198,692	2,253,582	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD	*1	*1	*1
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	32 3,198,692	2,253,582	*1

* This represents RM0.20

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

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 24 February 2005.

2. PRINCIPAL ACTIVITIES

The Company is an investment holding company and provider of management services. The principal activities of the subsidiary 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

During the financial year, the Company became a 52.5%-owned subsidiary of Sersol Holdings Sdn. Bhd., a company incorporated in Malaysia, which the directors also regard as the ultimate holding company.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its currency, interest rate, market, credit, liquidity and cash flow risks.

(a) CURRENCY RISK

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

(b) INTEREST RATE RISK

The Group obtains financing through bank borrowings and hire purchase. Its policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

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

(c) MARKET RISK

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

(d) CREDIT RISK

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

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

(e) LIQUIDITY AND CASH FLOW RISKS

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities. It practises prudent liquidity risks management by maintaining sufficient bank balances and the availability of funding through certain committed credit facilities.

5. BASIS OF PREPARATION

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

6. SIGNIFICANT ACCOUNTING POLICIES

(a) FINANCIAL INSTRUMENTS

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

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

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

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

(b) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 31 December 2004.

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.

Subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiary 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 subsidiary's net assets are determined and these values are reflected in the consolidated financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

(c) NEGATIVE GOODWILL ON CONSOLIDATION

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

Negative goodwill is released to income on a straight line basis over a period of twenty years from the financial year ended 31 December 2004.

(d) INVESTMENT

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

(e) PROPERTY, PLANT AND EQUIPMENT

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

Freehold land is not depreciated. Depreciation of other assets is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

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

(f) IMPAIRMENT OF ASSETS

The carrying amounts of assets, other than those to which MASB 23 Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

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

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

(g) RESEARCH AND DEVELOPMENT EXPENDITURE

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

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight-line basis over the period of their expected benefit, but not exceeding 5 years. Where the future benefit is uncertain or cannot be reasonably assured, the cost is written off immediately to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

(h) INVENTORIES

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

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

(i) TRADE AND OTHER RECEIVABLES

Trade and other 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.

(j) TRADE AND OTHER PAYABLES

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

(k) EQUITY INSTRUMENTS

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

(l) CASH AND CASH EQUIVALENTS

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

(m) ASSETS UNDER HIRE PURCHASE

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

(n) INCOME TAX

Taxation for the year comprises current and deferred tax.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

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

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

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

(o) REVENUE RECOGNITION

(i) Sales of Goods

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

(ii) Rendering of Services

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

(iii) Dividend Income

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

(p) FOREIGN CURRENCIES

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

(q) SEGMENTAL INFORMATION

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

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

(r) SHORT TERM EMPLOYEE BENEFITS

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulated compensated absences such as sick leave are recognised when the absences occur.

(s) DEFINED CONTRIBUTION PLANS

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

7. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2004	2003
	RM	RM
Unquoted shares, at cost	7,119,859	-

Details of the subsidiary, which is incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest (%) 2004	Principal Activities
Multi Square Sdn. Bhd.	100	Manufacture and sale of paints, chemical solvent and industrial chemicals.

8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	FREEHOLD LAND RM	BUILDINGS RM	FACTORY EQUIPMENT RM	MOTOR VEHICLES RM	FURNITURE, FITTINGS AND OFFICE EQUIPMENT RM	RENOVATION AND ELECTRICAL INSTALLATION RM	TOTAL RM
Net book value at 1.1.2004	-	-	-	-	-	-	-
Additions through acquisition of a subsidiary (Note 30)	1,479,754	2,772,473	2,340,496	382,685	444,992	562,244	7,982,644
Additions	-	-	339,644	72,134	36,327	152,025	600,130
Depreciation charges	-	(20,461)	(142,217)	(65,639)	(26,675)	(28,591)	(283,583)
Net book value at 31.12.2004	1,479,754	2,752,012	2,537,923	389,180	454,644	685,678	8,299,191
At 31.12.2004							
Cost	1,479,754	2,909,534	4,394,266	1,335,208	870,164	921,414	11,910,340
Accumulated depreciation	-	(157,522)	(1,856,343)	(946,028)	(415,520)	(235,736)	(3,611,149)
Net book value	1,479,754	2,752,012	2,537,923	389,180	454,644	685,678	8,299,191

The net book value of properties of the Group pledged to financial institutions for banking facilities as disclosed in Note 20 to the financial statements are as follows:-

	THE GROUP 2004 RM
Freehold land	1,479,754
Buildings	2,752,012
	4,231,766

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

8a. ASSETS HELD UNDER HIRE PURCHASE AGREEMENTS

Included in the property, plant and equipment of the Group are assets held under hire purchase agreements as follows:-

2004	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation for the year RM
Factory equipment	400,790	47,374	353,416	11,718
Motor vehicles	728,977	400,057	328,920	67,834
	1,129,767	447,431	682,336	79,552

9. DEVELOPMENT EXPENDITURE

	THE GROUP 2004 RM
Cost	873,548
Accumulated amortisation	(88,076)
Net book value	785,472
Net book value at 1.1.2004	-
Additions through acquisition of a subsidiary	632,858
Additional development expenditure capitalised	170,266
Amortisation charge for the year	(17,652)
Net book value at 31.12.2004	785,472
Included in development expenditure is:-	
Directors' remuneration - other emoluments	43,071
Directors' remuneration - EPF contributions	5,170

10. NEGATIVE GOODWILL

	THE GROUP 2004 RM
Carrying value at 1.1.2004	-
Arising from acquisition of subsidiary (Note 30)	1,424,791
Released to income for the year	(23,747)
Carrying value at 31.12.2004	1,401,044
At 31.12.2004	
Cost	1,424,791
Total amounts released to income	(23,747)
Carrying value	1,401,044

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

11. INVENTORIES

	THE GROUP 2004 RM
At cost:-	
Raw materials	2,491,823
Finished goods	975,250
	3,467,073

None of the inventories are carried at net realisable value.

12. TRADE RECEIVABLES

	THE GROUP 2004 RM
Trade receivables	7,875,653
Less : Allowance for doubtful debts	(120,209)
	7,755,444

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

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

	THE GROUP 2004 RM
United States Dollar	191,950

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP 2004 RM	THE COMPANY 2004 RM	2003 RM
Other receivables	2,531	-	-
Deposits	235,013	1,000	-
Prepayments	46,958	10,328	361,932
Tax recoverable	548,508	-	-
	833,010	11,328	361,932

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

	THE GROUP 2004 RM
Swiss Franc	135,576

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

14. AMOUNT OWING BY A SUBSIDIARY

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

15. FIXED DEPOSITS WITH LICENSED BANKS

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

Included in fixed deposits of the Group are RM108,264 which were placed under the name of certain directors of the Company who hold it in trust for the Group.

The weighted average effective interest rate of fixed deposits at the balance sheet date was 4% per annum. The fixed deposits have an average maturity of 365 days.

16. CASH AND BANK BALANCES

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

	THE GROUP 2004 RM
Chinese Renminbi	140
United States Dollar	44,407
Singapore Dollar	62,532
Thai Baht	360
	107,439

17. TRADE PAYABLES

The normal trade credit terms granted to the Group ranges from 30 to 90 days.

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

	THE GROUP 2004 RM
United States Dollar	238,646

18. OTHER PAYABLES AND ACCRUALS

	THE GROUP 2004 RM	THE COMPANY 2004 RM	2003 RM
Other payables	106,694	-	378,002
Payroll liabilities	152,459	-	-
Accrued expenses	95,823	13,877	500
	354,976	13,877	378,502

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

19. HIRE PURCHASE PAYABLES

	THE GROUP 2004 RM
Minimum hire purchase payments:-	
- not later than one year	285,588
- later than one year and not later than five years	311,910
	597,498
Less : Future finance charges	(51,302)
Present value of hire purchase liabilities	546,196
Current:-	
- not later than one year	251,173
Non-current:-	
- later than one year and not later than five years	295,023
	546,196

The effective interest rates of the hire purchase payables at the balance sheet date range from 6.23% to 9.5% per annum.

20. BANK BORROWINGS

Loan facilities RM	Term of loan	Securities	THE GROUP 2004 RM
100,000	36 monthly instalments of RM2,998 each and bears interest at 8.15% per annum calculated on monthly rest.	Jointly and severally guaranteed by certain directors of the Company and the fixed deposit of RM100,000 of the Group.	19,030
200,000	36 monthly instalments of RM5,995 each and bears interest at 8.15% per annum calculated on monthly rest.	Jointly and severally guaranteed by certain directors of the Company and the fixed deposit of RM100,000 of the Group.	34,037
1,600,000	180 monthly instalments of RM14,742 each and bears interest at 4.18% per annum for the 1st year, 6.4% for the 2nd year and 6.80% per annum for the 3rd year onwards.	A fixed charge on the Group's freehold land and building and corporate guarantee from the Company.	538,580
500,000	36 monthly installments of RM14,986 each and bear interest at 5.00% per annum calculated on monthly rest.	Jointly and severally guaranteed by certain directors of the Company and guarantee issued by Credit Guarantee Corporation Berhad.	446,932
Term loans			1,038,579
Bankers' acceptances			2,480,000
			3,518,579
Less: Portion repayable within twelve months			(2,826,255)
Portion repayable after twelve months			692,324

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

**THE GROUP
2004
RM**

Details of the term loans outstanding are as follows:-

Within one year	346,255
Between one to two years	311,444
Between two to five years	281,346
More than five years	99,534

1,038,579

Bankers' acceptances are drawn for a period of 30 to 120 days which are renewable on maturity. Interest is charged at 4.32% per annum.

Bank overdraft to a limit of RM1,450,000 is payable on demand and interest is charged at rates ranging from 7.00% to 8.00% per annum.

The above banking facilities are secured by:-

- Corporate guarantees from the Company;
- Fixed charge on the Group's freehold land and buildings; and
- Fixed deposits as disclosed in note 15 of the financial statements.

21. SHARE CAPITAL

THE GROUP AND THE COMPANY

	Number of shares		Share capital	
	2004	2003	2004	2003
	Units	Units	RM	RM

ORDINARY SHARES OF RM0.10 EACH-

AUTHORISED:-

At 1.1.2004/28.12.2002	1,000,000	1,000,000	100,000	100,000
Creation during the financial year	99,000,000	-	9,900,000	-

At 31.12.2004/31.12.2003	100,000,000	1,000,000	10,000,000	100,000
--------------------------	-------------	-----------	------------	---------

ISSUED AND FULLY PAID:-

At 1.1.2004/28.12.2002	2	2	*1	*1
Allotments during the financial year	94,930,998	-	9,493,100	-

At 31.12.2004/31.12.2003	94,931,000	2	9,493,100	*1
--------------------------	------------	---	-----------	----

* This represents RM0.20.

During the financial year,

- the Company increased its authorised share capital from RM100,000 to RM10,000,000 comprising 100,000,000 ordinary shares of RM0.10 each by the creation of 99,000,000 new ordinary shares of RM0.10 each; and

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

- (b) the Company increased its issued and paid-up share capital from RM1 to RM9,493,100 comprising 94,931,000 ordinary shares of RM0.10 each by way of the allotments of:-
- i) 71,198,498 new ordinary shares of RM0.10 each at an issue price of approximately RM0.10 per ordinary share for the acquisition of the entire issued and paid-up share capital of Multi Square Sdn. Bhd. for a total consideration of RM7,119,859. The new shares issued rank pari passu in all respects with the existing shares of the Company; and
 - ii) Public issue of 23,732,500 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share. The new shares issued rank pari passu in all respects with the existing shares of the Company.

22. SHARE PREMIUM

	THE GROUP AND THE COMPANY	
	2004 RM	2003 RM
Share premium arose from the following:-		
Issue of 71,198,498 new ordinary shares of RM0.10 each at a premium of approximately RM0.10 per share for the acquisition of a subsidiary	9	-
Public issue of 23,732,500 new ordinary shares of RM0.10 each at a premium of RM0.20 per share	4,746,500	-
	4,746,509	-
Share issue expenses	(1,208,122)	-
	3,538,387	-

23. DEFERRED TAXATION

	THE GROUP 2004 RM
Balance at 1.1.2004	-
Additions through acquisition of a subsidiary (note 30)	544,597
Charged to income statement (Note 27):-	
- property, plant and equipment	79,403
- development expenditure	40,000
	119,403
Balance at 31.12.2004	664,000
The deferred taxation arises as a result of:-	
Deferred tax liabilities	
- property, plant and equipment	444,000
- development expenditure	220,000
Deferred tax liabilities	664,000

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

24. NET TANGIBLE ASSETS PER SHARE

The net tangible assets per share of the Group is calculated based on the net tangible assets of RM14,054,250 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.

25. REVENUE

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

	THE GROUP		THE COMPANY	
	1.1.2004 to 31.12.2004 RM	1.1.2004 to 31.12.2004 RM	28.12.2002 to 31.12.2003 RM	
Sales of goods	8,876,581	-	-	
Rendering of services	-	36,000	-	
Dividend income	-	250,000	-	
	8,876,581	286,000	-	

26. PROFIT/(LOSS) BEFORE TAXATION

	THE GROUP		THE COMPANY	
	1.1.2004 to 31.12.2004 RM	1.1.2004 to 31.12.2004 RM	28.12.2002 to 31.12.2003 RM	
Profit/(loss) before taxation is arrived at after charging/(crediting):-				
Amortisation of development expenditure	17,652	-	-	
Audit fees - statutory	20,400	6,000	500	
- special	500	500	500	
Bad debts recovered	(7,295)	-	-	
Depreciation of property, plant and equipment	283,583	-	-	
Directors' remuneration - EPF contributions	17,425	-	-	
- other emoluments	99,685	-	-	
- fees	9,000	9,000	-	
Gain on disposal of plant and equipment	(13,749)	-	-	
Gain on foreign exchange - realised	(6,577)	-	-	
Interest expenses - bank borrowings	91,189	-	-	
Interest expenses - others	14,976	-	-	
Interest income	(20,789)	(1,539)	-	
Loss on foreign exchange - realised	15,509	-	-	
Negative goodwill released to income	(23,747)	-	-	
Preliminary expenses	-	-	6,380	
Rental of land and buildings	23,320	-	-	
Rental of motor vehicles	24,840	-	-	
Research and development expenditure	81,622	-	-	
Staff costs	809,092	-	-	

Included in staff costs of the Group is EPF contributions of RM66,474.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

27. TAXATION

	THE GROUP 1.1.2004 to 31.12.2004 RM
Malaysian Income Tax:-	
- Current financial year	(8,612)
Deferred tax (Note 23):-	
- relating to origination and reversal of temporary differences	119,403
	110,791

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

	THE GROUP 1.1.2004 to 31.12.2004 RM	THE COMPANY 1.1.2004 to 31.12.2004 RM	28.12.2002 to 31.12.2003 RM
Profit/(loss) before taxation	534,552	229,416	(16,570)
Tax at Malaysian statutory tax rate of 28%	149,675	64,236	(4,640)
Tax effects of:-			
Non-deductible expenses	41,130	2,871	4,640
Non-taxable income	(6,649)	(70,000)	-
Differential in tax rate for the first RM500,000	(9,148)	-	-
Depreciation on non-qualifying capital expenditure	6,550	-	-
Double taxation relief on research and development expenditure	(49,800)	-	-
Reinvestment allowances utilised	(20,967)	-	-
Deferred tax assets not recognised	-	2,893	-
Tax expenses for the year	110,791	-	-

28. EARNINGS PER SHARE

	THE GROUP 1.1.2004 to 31.12.2004 RM
Basic	
Net profit attribute to ordinary shareholders	423,761
Number of shares in issue as at 1.1.2004 2	
Effect of the issuance of 94,930,998 new ordinary shares	28,677,104
Weighted average number of ordinary shares	28,677,106
Basic earnings per share (sen)	1.48

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

29. DIVIDENDS

	THE GROUP	THE COMPANY	
	1.1.2004 to 31.12.2004 RM	1.1.2004 to 31.12.2004 RM	28.12.2002 to 31.12.2003 RM
Proposed final dividend of approximately 0.2 sen per ordinary share	190,000	190,000	-
	190,000	190,000	-

30. SUMMARY OF EFFECTS ON ACQUISITION OF A SUBSIDIARY

During the financial year, the Company acquired the entire issued and paid-up share capital of Multi Square Sdn. Bhd.. The details of net assets acquired, negative goodwill and cash flows arising from the acquisition are as follows:-

	THE GROUP AT DATE OF ACQUISITION RM
Property, plant and equipment (Note 8)	7,982,644
Development expenditure (Note 9)	632,858
Negative goodwill (Note 10)	(1,424,791)
Inventories	3,101,185
Trade and other receivables	10,090,017
Fixed deposits with licensed banks	535,507
Cash and bank balances	163,515
Trade and other payables	(6,543,393)
Hire purchase payables	(435,116)
Bank overdraft	(373,376)
Other bank borrowings	(6,064,594)
Deferred taxation (Note 23)	(544,597)
Net assets acquired	7,119,859
Portion financed by issuance of shares	(7,119,859)
Portion financed in cash	-
Cash and cash equivalents acquired	325,646
Net cash inflow from acquisition of a subsidiary	325,646

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

	THE GROUP 1.1.2004 to 31.12.2004 RM
Revenue	8,876,581
Other operating income	71,540
Operating costs	(8,467,776)
Increase in Group's net profit attributable to shareholders	480,345

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

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

	THE GROUP RM
Property, plant and equipment	8,299,191
Development expenditure	785,472
Negative goodwill	(1,401,044)
Inventories	3,467,073
Trade and other receivables	8,577,126
Fixed deposits with licensed banks	554,757
Cash and bank balances	390,353
Trade and other payables	(4,756,508)
Hire purchase payables	(546,196)
Other bank borrowings	(3,518,579)
Deferred taxation	(664,000)
Increase in Group's net assets	11,187,645

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

	THE GROUP 1.1.2004 to 31.12.2004 RM
Revenue	25,762,149
Other operating income	78,479
Operating costs	(23,360,505)
Profit before taxation	2,480,123
Taxation	(435,735)
Profit after taxation	2,044,388
Pre-acquisition profit	(1,620,627)
Profit attributable to shareholders	423,761

31. PURCHASES OF PLANT AND EQUIPMENT

	THE GROUP 1.1.2004 to 31.12.2004 RM
Purchases of plant and equipment	600,130
Amount financed through hire purchase	(267,764)
Cash disbursed for the purchases of plant and equipment	332,366

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

32. CASH AND CASH EQUIVALENTS

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

	THE GROUP 2004 RM	THE COMPANY 2004 RM	2003 RM
Fixed deposits with licensed banks	2,054,757	1,500,000	-
Cash and bank balances	1,143,935	753,582	*1
	3,198,692	2,253,582	*1

* This represents RM0.20.

33. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by the directors of the Company during the financial year are as follows:-

	THE GROUP 1.1.2004 to 31.12.2004 RM	THE COMPANY 1.1.2004 to 31.12.2004 RM	28.12.2002 to 31.12.2003 RM
Executive directors' other emoluments	165,351	-	-
Non-executive directors' fees	9,000	-	9,000
	174,351	-	9,000

34. SEGMENTAL REPORTING - GROUP

The Group operates principally in only one industry segment. There was no disclosure on geographical segment as its revenue from sales to external customers and from transactions with segment other than Malaysia is less than 10% of total revenue.

35. NUMBER OF EMPLOYEES

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

36. 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 2004 RM
Swiss Franc	3.350
Chinese Renminbi	0.459
Singapore Dollar	2.322
Thai Baht	0.097
United States Dollar	3.800

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

37. CONTINGENT LIABILITIES

	THE COMPANY 2004 RM
Unsecured corporate guarantees given to licensed banks and supplier for credit facilities granted to a subsidiary	9,340,000

38. CAPITAL COMMITMENTS

As of year end, the Group has the following capital commitments in respect of purchases of property, plant and equipment:-

	THE GROUP 2004 RM
Contracted but not provided for	538,560

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the Company completed the following restructuring and flotation schemes which were approved by the relevant authorities in connection with the listing of and quotation for the entire enlarged issued and fully paid-up ordinary share capital of the Company on the Malaysian Exchange of Security Dealing and Automated Quotation ("MESDAQ") Market of the Bursa Malaysia Securities Berhad ("Bursa Securities"):-

- i) public issue of 23,732,500 new ordinary shares of RM0.10 each at an issue price of RM0.30 per share; and
- ii) listing of and quotation for the entire enlarged issued and fully paid-up share capital of the Company comprising 94,931,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Securities on 12 October 2004.

40. CURRENCY

All amounts are stated in Ringgit Malaysia.

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities of the Group and of the Company, other than investment in a subsidiary, at the balance sheet date approximates their fair values.

There is no disclosure of fair value for investment in a subsidiary as this is excluded from MASB 24 Financial Instruments : Disclosure and Presentation.

42. COMPARATIVE FIGURES

No comparative figures are available for the Group as the Group was formed during the financial year.

LIST OF PROPERTIES

as at 31 December 2004

Registered owner	Title/location/ address	Description/ existing use	Tenure	Age of building (years)	Total land area (sq ft)	Total built up area (sq ft)	NBV @ 31.12.2004 (RM'000)	Year of acquisition
Multi Square Sdn Bhd	No.1 Jalan canggih 5, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor.	Warehouse	Freehold	7	9,429	7,521.6	745	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	8	5,909	4,550	496	2000
Multi Square Sdn Bhd	No.28 Jalan canggih 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor.	Office, warehouse & Factory	Freehold	11	52,889	35,416	2,991	2002

ANALYSIS OF SHAREHOLDINGS

as at 3 May 2005

SHARE CAPITAL

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

DISTRIBUTION OF SHAREHOLDERS

Range of shareholdings	No. Shareholders	%	No. of Shares	%
Less than 100	3	0.41	150	-
100 – 1,000	220	30.18	210,600	0.22
1,001 – 10,000	260	35.66	1,506,150	1.59
10,001 – 100,000	189	25.93	7,093,300	7.47
100,001 to less than 5% of issued shares	56	7.68	36,281,851	38.22
5% and above of issued shares	1	0.14	49,838,949	52.50
Total	729	100.00	94,931,000	100.00

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No of Shares Held	%
1.	Sersol Holdings Sdn Bhd	49,838,949	52.50
2.	Tien Siew Foon	4,568,600	4.81
3.	Lee Kong Sim	3,836,300	4.04
4.	Ng Seong Kee	3,564,800	3.76
5.	Alliance Group Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ng Soh Kian)	2,985,000	3.14
6.	Tan Yan Wah	1,825,489	1.92
7.	Nationcam Ventures Sdn Bhd	1,393,326	1.47
8.	Tan Bee Ngoh	1,385,489	1.46
9.	Yee Kok Loong	999,300	1.05
10.	Tan Chuan Thye	987,986	1.04
11.	Woo Wing Kong	912,700	0.96
12.	SJ Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account For Ng Puay Sen)	850,000	0.90
13.	Wong Tuck Kuen	829,000	0.87
14.	Koh Heng Fai	720,600	0.76
15.	Lam Seo Sum@Lam Siew Tho	718,000	0.76
16.	Teo Kim Hock	638,889	0.67
17.	Ng Soh Kian	628,100	0.66
18.	Kok Chee Yuen	565,000	0.60
19.	Tan Fie Ping	547,448	0.58
20.	RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Woo Yew Ming)	530,000	0.56
21.	Ng L'yp-Hau	453,700	0.48
22.	Lee Wai Chiew	410,000	0.43
23.	Asmawati Bt Mohamad Akil	385,000	0.41
24.	Tan Fie Jen	372,824	0.39
25.	Wong Yeng Chi	368,000	0.39
26.	RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Choong Vivien)	366,000	0.39
27.	Cheah Teng Lim	350,000	0.37
28.	Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ng Han Peng)	330,000	0.35
29.	RC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Kong Sim)	320,000	0.34
30.	Phua Sin Mo	300,000	0.32

ANALYSIS OF SHAREHOLDINGS

as at 3 May 2005

SUBSTANTIAL SHAREHOLDERS

No.	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Sersol Holdings Sdn Bhd	49,838,949	52.50	-	-

DIRECTORS' SHAREHOLDINGS

No.	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Tan Bee Ngoh	1,385,489	1.46	-	-
2.	Tan Fie Ping	547,447	0.58	49,838,949*	52.50
3.	Tan Fie Jen	372,824	0.39	49,838,949*	52.50
4.	Azahar bin Baharudin	30,000	0.03	-	-
5.	Tan Lay Beng	-	-	-	-

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

NOTICE OF SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second 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, 27 June 2005 at 11.00 a.m to transact the following businesses:-

AGENDA

AS ORDINARY BUSINESS:-

- | | | |
|----|--|-----------------------|
| 1. | To receive the audited Financial Statements for the Financial year ended 31 December 2004 and the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. | To declare a tax-exempt final dividend of approximately 0.2 sen per ordinary share for the financial year ended 31 December 2004 as recommended by the Directors. | Ordinary Resolution 2 |
| 3. | To re-elect the following Directors who retire by rotation pursuant to Articles 106 of the Company's Articles of Association:-

a. Tan Fie Ping
b. Tan Fie Jen
c. Tan Bee Ngoh
d. Tan Lay Beng
e. Azahar bin Baharudin | Ordinary Resolution 3 |
| 4. | To approve the payment of Directors' fees of RM9,000 for the financial year ended 31 December 2004. | Ordinary Resolution 4 |
| 5. | To re-appoint Messrs Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration. | Ordinary Resolution 5 |

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Annual General Meeting to be held on 27 June 2005, a tax-exempt final dividend of approximately 0.2 sen per ordinary share for the financial year ended 31 December 2004 will be paid on 29 August 2005 to depositors registered in the Record of Depositors at the close of business on 12 August 2005.

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

- Shares transferred into the Depositor's Securities Account before 4.00 p.m on 12 August 2005 in respect of ordinary transfer; and
- Shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

NOTICE OF SECOND ANNUAL GENERAL MEETING

By Order of the Board

Rokiah Binti Abdul Latiff (LS0000194)

Ow Pee Juan (f) (MAICSA 7013304)

Company Secretaries

Johor Bahru

3 June 2005

NOTES:-

1. A member entitled to attend and vote at this meeting is entitled to appoint more than one proxy to attend and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1) (b) of the Companies Act, 1965 shall not apply.
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.

STATEMENT ACCOMPANYING

the Notice of the Second Annual General Meeting

1. DIRECTORS WHO ARE SEEKING RE-ELECTION AT THE SECOND ANNUAL GENERAL MEETING OF THE COMPANY

The Directors retiring pursuant to Article 106 of the Company's Articles of Association and seeking re-election are as follows:-

- Tan Fie Ping
- Tan Fie Jen
- Tan Bee Ngoh
- Tan Lay Beng
- Azahar bin Baharudin

2. BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

2.1 There was one (1) Board of Directors meeting held during the financial period ended 31 December 2004, details of which are as follows:-

Date	Time	Venue
22 November 2004	11.30 a.m	Sersol Technologies Berhad, 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	1/1	100%
Mr Tan Fie Jen	1/1	100%
Ms Tan Bee Ngoh	1/1	100%
Ms Tan Lay Beng	1/1	100%
En Azahar Bin Baharudin	1/1	100%

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

Date : 27 June 2005
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 7 of the Annual Report.

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**SerSol
Technologies Berhad**

(Company No.: 602062 - X)
(Incorporated In Malaysia)

PROXY FORM

Number of Ordinary Shares Held

I/We, _____ Nric No./Co. No: _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

being a member of SERSOL TECHNOLOGIES BERHAD, hereby appoint _____
(FULL NAME AND NRIC/ PASSPORT NO. IN BLOCK LETTERS)

(FULL ADDRESS)

or failing him/her, the Chairman of the meeting as *my/our proxy to attend and vote for *me/us and on *my/ our behalf at the Second 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, 27 June 2005 at 11.00 a.m. or any adjournment thereof.

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

No.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements for the year ended 31 st December 2004 together with the Reports of the Directors and Auditors thereon.		
2.	To approve a tax-exempt final dividend of approximately 0.2 sen per ordinary share in respect of the financial year ended 31 December 2004.		
3.	To re-elect Mr Tan Fie Ping as Director who retire pursuant to Article 106 of the Company's Articles of Association.		
4.	To re-elect Mr Tan Fie Jen as Director who retire pursuant to Article 106 of the Company's Articles of Association.		
5.	To re-elect Ms Tan Bee Ngoh as Director who retire pursuant to Article 106 of the Company's Articles of Association.		
6.	To re-elect Ms Tan Lay Beng as Director who retire pursuant to Article 106 of the Company's Articles of Association.		
7.	To re-elect En Azahar bin Baharudin as Director who retire pursuant to Article 106 of the Company's Articles of Association.		
8.	To approve the payment of Directors' Fees in respect of the year ended 31 st December 2004.		
9.	To re-appoint Messrs Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration.		

* Strike out whichever not applicable

Signed this _____ day of _____ 2005

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.

