THIS ABRIDGED PROSPECTUS ("AP") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. If you have sold or transferred all your shares in SerSol Berhad (*formerly known as SerSol Technologies Berhad*) ("**SerSol**" or the "**Company**"), you should immediately hand this AP together with the Notice of Provisional Allotment ("**NPA**") and Rights Subscription Form ("**RSF**") (collectively referred to as "**Documents**") to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue of Shares with Warrants (as defined herein) to our share registrar, Boardroom Corporate Services (KL) Sdn Bhd ("**Share Registrar**") at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The Documents are only despatched to our shareholders ("**Entitled Shareholders**") whose names appear in our Record of Depositors as at 5.00 p.m. on 29 March 2013 ("**Entitlement Date**") at their registered addresses in Malaysia. The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue of Shares with Warrants or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of Shares with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renouncees (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue of Shares with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renouncees (if applicable) should note the additional terms and restrictions as set out in Section 3 of this AP. Neither our Company nor TA Securities Holdings Berhad ("**TA Securities**") shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation made by the Entitled Shareholders, and/or their renouncees (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholder and/or his renouncee (if applicable) is a resident.

A copy of this AP has been registered with the Securities Commission Malaysia ("**SC**"). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of Shares with Warrants or assumes responsibility for the correctness or any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this AP, together with the NPA and RSF, has also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

Our shareholders have approved the Rights Issue of Shares with Warrants at the Extraordinary General Meeting held on 23 February 2013. Approval has also been obtained from the Controller of Foreign Exchange (via Bank Negara Malaysia) vide its letter dated 22 November 2012 for the issuance of the Warrants to the non-resident shareholders of SerSol pursuant to the Rights Issue of Shares with Warrants (as defined herein) and Bursa Malaysia Securities Berhad ("**Bursa Securities**") vide its letter dated 26 November 2012 for the admission of the Warrants (as defined herein) to the Official List of Bursa Securities ("**Official List**") and listing of and quotation for the Rights Shares (as defined herein), Warrants (as defined herein) and the new SerSol Shares (as defined herein) to be issued upon the exercise of the Warrants on the ACE Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of Shares with Warrants. Admission of the Warrants to the Official List and the listing of and quotation for the Rights Shares, Warrants and new SerSol Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of Shares with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinions expressed in the Documents.The admission of the Warrants to the Official List and the listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd that all the Central Depository System accounts of the Entitled Shareholders and/or their renouncees (if applicable) have been duly credited and notices of allotment have been despatched to the Entitled Shareholders and/or their renouncees (if applicable).

Our directors ("**Directors**") have seen and approved all the documentation relating to this Rights Issue of Shares with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of Shares with Warrants.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.

SERSOL

SERSOL BERHAD

(formerly known as SerSol Technologies Berhad)
(Company No. 602062-X)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 96,351,000 NEW ORDINARY SHARES OF RM0.10 EACH IN SERSOL ("SERSOL SHARES") ("RIGHTS SHARES"), TOGETHER WITH UP TO 96,351,000 FREE DETACHABLE NEW WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) RIGHTS SHARE TOGETHER WITH ONE (1) WARRANT FOR EVERY ONE (1) EXISTING SERSOL SHARE HELD AT 5.00 P.M. ON 29 MARCH 2013, AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE

Adviser

TA SECURITIES
A MEMBER OF THE TA GROUP

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME

Entitlement date	:	Friday, 29 March 2013 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of rights	:	Friday, 5 April 2013 at 5.00 p.m.
Transfer of provisional allotment of rights	:	Wednesday, 10 April 2013 at 4.00 p.m.
Acceptance and payment	:	Monday, 15 April 2013 at 5.00 p.m.*
Excess application and payment	:	Monday, 15 April 2013 at 5.00 p.m.*

* or such later date and time as our Directors may decide in its absolute discretion and announce not less than two (2) market days before the stipulated date and time

This Abridged Prospectus is dated 29 March 2013

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST, THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES, WARRANTS AND THE NEW SHARES TO BE ISSUED PURSUANT TO THE EXERCISE OF THE WARRANTS ON THE ACE MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP:

"Act"	:	Companies Act, 1965 as be amended, modified or re-enacted from time to time
"Amendments"	:	Amendments to the our memorandum and articles of association to effect the Increase in Authorised Share Capital and to align with the LR, prevailing laws, guidelines or requirements of the relevant authorities as well as to enhance clarity and administrative efficiency of our Company
"AP"	:	This Abridged Prospectus issued by SerSol dated 29 March 2013
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of SerSol
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CDS"	:	Central Depository System
"CDS Account"	:	A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depository) Act, 1991 and the rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor
"Change of Name"	:	Change of name from SerSol Technologies Berhad to SerSol Berhad
"Code"	:	Malaysian Code on Take-Overs and Mergers, 2010 as amended, modified or re-enacted from time to time
"Controller"	:	Controller of Foreign Exchange of BNM
"Corporate Exercises"	:	The Rights Issue of Shares with Warrants, SIS, Change of Name, Increase in Authorised Share Capital and Amendments, collectively
"CSB"	:	Consolingrow Sdn Bhd (979382-U)
"Deed Poll"	:	Deed Poll dated 15 March 2013 constituting the Warrants
"Disposal"	:	Disposal of Asset Capital Holdings Limited, a 50%-owned subsidiary of SerSol which was completed on 18 July 2012
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"EGM"	:	Extraordinary general meeting of SerSol held on 23 February 2013
"Entitled Shareholders"	:	The shareholders of SerSol whose names appear on our Company's Record of Depositors on the Entitlement Date
"Entitlement Date"	:	29 March 2013 at 5.00 p.m. being the date and time on which the shareholders of SerSol must be registered on the Record of Depositors of SerSol in order to be entitled to the Rights Shares with Warrants
"EPS"	:	Earnings per Share
"Ex-Factory Sales"	:	Sales registered by manufacturers
"Exercise Price"	:	Price at which one (1) Warrant is exercisable into one (1) SerSol Share, being RM0.18, subject to such adjustments as may be allowed under the Deed Poll

DEFINITIONS (*CONT'D*)

"FYE"	:	Financial year ended/ending
"GDP"	:	Gross domestic product
"IDR"	:	Indonesian Rupiah
"Increase in Authorised Share Capital"	:	Increase in the authorised share capital of our Company from RM25,000,000 comprising 250,000,000 SerSol Shares to RM50,000,000 comprising 500,000,000 SerSol Shares
"Infobusiness"	:	Infobusiness Research & Consulting Sdn Bhd (498926-P)
"Interested Property Developers"	:	Yuk Tung Construction Sdn Bhd (862504-A) and Binastra Construction (M) Sdn Bhd (58293-K), collectively
"Issue Price"	:	The issue price pursuant to the Rights Issue of Shares with Warrants of RM0.10 per Rights Share
"LAT"	:	Loss after taxation
"LBT"	:	Loss before taxation
"LBITDA"	:	Loss before interest, taxation, depreciation and amortisation
"LPD"	:	8 March 2013, being the latest practicable date prior to the registration of this AP
"LR"	:	ACE Market Listing Requirements of Bursa Securities
"Market Day"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	Assuming all the Entitled Shareholders fully subscribe for their respective entitlements under the Rights Issue of Shares with Warrants
"Minimum Scenario"	:	Assuming the Rights Issue of Shares with Warrants is completed based on the Minimum Subscription Level
"Minimum Subscription Level"	:	A minimum subscription level of 90,994,000 Rights Shares together with 90,994,000 Warrants pursuant to the Undertakings
"NA"	:	Net assets
"NPA"	:	Notice of Provisional Allotment in relation to the Rights Issue of Shares with Warrants
"OCL"	:	Ong Chooi Lee
"Official List"	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Petronas Tech"	:	Petronas Global Technical Solutions Sdn Bhd (977588-A)
"R&D"	:	Research and development
"Record of Depositors"	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository

DEFINITIONS (*CONT'D*)

"Rights Issue of Shares with Warrants"	:	Renounceable rights issue of up to 96,351,000 new SerSol Shares, together with up to 96,351,000 Warrants on the basis of one (1) Rights Share together one (1) Warrant for every one (1) existing SerSol Share held at the Entitlement Date
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"RSF"	:	Rights Subscription Form in relation to the Rights Issue of Shares with Warrants
"Rules of Bursa Depository"	:	Rules of Bursa Depository including the rules in relation to a central depository as described in Section 2 of the SICDA
"SC"	:	Securities Commission Malaysia
"SerSol" or the "Company"	:	SerSol Berhad (*formerly known as SerSol Technologies Berhad*) (602062-X)
"SerSol Group" or the "Group"	:	SerSol and its subsidiaries
"SGD"	:	Singapore Dollar
"Shares" or "SerSol Shares"	:	Ordinary share of RM0.10 each in SerSol
"Share Registrar"	:	Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
"SHSB"	:	SerSol Holdings Sdn Bhd (610228-K)
"SICDA"	:	Securities Industry (Central Depositories) Act, 1991
"SIRIM"	:	SIRIM Berhad (367474-V)
"SIS"	:	Share issuance scheme for the Directors and employees of SerSol Group
"Special Bumiputera Issue"	:	The issuance of 1,240,000 SerSol Shares at an issue price of RM0.25 each to Bumiputera investors nominated by the Ministry of International Trade and Industry which was completed on 31 January 2012
"TA Securities"	:	TA Securities Holdings Berhad (14948-M)
"TERP"	:	Theoretical ex-right price
"TFJ"	:	Tan Fie Jen
"THB"	:	Thailand Baht
"THC"	:	Toh Hong Chye
"Undertakings"	:	Irrevocable and unconditional written undertakings from the Undertaking Shareholders that they will not dispose any of their respective SerSol Shares following the announcement of the Rights Issue of Shares with Warrants on 9 November 2012 up to the completion of the Rights Issue of Shares with Warrants and that they will subscribe in full for their entitlements of the Rights Shares with Warrants pursuant to the Rights Issue of Shares with Warrants In addition, THC has undertaken that he will subscribe for 42,320,227 excess Rights Shares with Warrants which are not subscribed for by the other shareholders of SerSol pursuant to the Minimum Subscription Level
"Undertaking Shareholders"	:	SHSB, CSB, TFJ, THC and OCL, collectively

DEFINITIONS *(CONT'D)*

"VWAP"	:	Volume weighted average market price
"Warrants"	:	Up to 96,351,000 free detachable warrants to be issued pursuant to the Rights Issue of Shares with Warrants

All references to "**our Company**" and/or "**SerSol**" in this AP are to SerSol Berhad. References to "**our Group**" and/or "**SerSol Group**" are to SerSol and its subsidiaries and references to "**we**", "**us**" "**our**" and "**ourselves**" are to SerSol and where the context does require, shall include our subsidiaries.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be reference to Malaysian time, unless otherwise specified.

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APPENDICES

Company No. 602062-X

CORPORATE DIRECTORY

Name	Address	Age	Nationality	Profession
Tan Fie Ping *(Chairman and Managing Director)*	29 Jalan Penderosa 1/12 Taman Penderosa Villa 81100 Johor Bahru Johor Darul Takzim	50	Malaysian	Company Director
Tan Fie Jen *(Executive Director)*	174 Jalan Pesona 1 Taman Pelangi Indah 81800 Ulu Tiram Johor Darul Takzim	47	Malaysian	Company Director
Toh Hong Chye *(Executive Director)*	86, Jalan Beverly Heights 3A Taman Beverly Heights 68000 Ampang Selangor Darul Ehsan	37	Malaysian	Company Director
Tan Lay Beng *(Independent Non-Executive Director)*	B-06-08, Block B Perling Apartment Jalan Undan 8 Taman Perling 81200 Johor Bahru Johor Darul Takzim	58	Malaysian	Company Director
Ong Chooi Lee *(Independent Non-Executive Director)*	11 Jalan SS 14/5A 47500 Subang Jaya Selangor Darul Ehsan	50	Malaysian	Company Director
Low Kim Leng *(Independent Non-Executive Director)*	84 Jalan BU 10/6 Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan	50	Malaysian	Advocate and Solicitor
Seow Thiam Fatt *(Independent Non-Executive Director)*	HR 1-11-7 Riana Green Condominium Jalan Tropicana Utara 47410 Petaling Jaya Selangor Darul Ehsan	72	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Seow Thiam Fatt	Chairman	Independent Non-Executive Director
Tan Lay Beng	Member	Independent Non-Executive Director
Ong Chooi Lee	Member	Independent Non-Executive Director
Low Kim Leng	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (*CONT'D*)

COMPANY SECRETARIES	:	Tan Ai Ning (MAICSA 7015852) Tai Yit Chan (MAICSA 7009143) Lot 6.05, Level 6, KPMG Tower 8 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel: 03-7720 1188
REGISTERED OFFICE	:	Lot 6.05, Level 6, KPMG Tower 8 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel: 03-7720 1188
HEAD/MANAGEMENT OFFICE	:	No 28 Jalan Canggih 1 Taman Perindustrian Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim Tel: 07-861 1112 E-mail: ssms@sersol.com.my Website: www.sersol.com.my
SHARE REGISTRAR	:	Boardroom Corporate Services (KL) Sdn Bhd Lot 6.05, Level 6, KPMG Tower 8 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel: 03-7720 1188
AUDITORS/REPORTING ACCOUNTANTS	:	UHY Suite 11.05 Level 11, The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 03-2279 3088
SOLICITORS FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	Rozlan Khuen Advocates & Solicitors 23-2, Block B Jaya 1, Jalan Universiti 46200 Petaling Jaya Selangor Darul Ehsan Tel: 03-7958 3305
INDEPENDENT MARKET RESEARCHER	:	Infobusiness Research & Consulting Sdn Bhd C4-3A-2, Solaris Dutamas No. 1 Jalan Dutamas 1 50480 Kuala Lumpur Tel: 03-6205 3930

CORPORATE DIRECTORY (*CONT'D*)

PRINCIPAL BANKER	:	Hong Leong Bank Berhad 37&39 Jalan Johar 1 Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim Tel: 07-861 7488
ADVISER FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	TA Securities Holdings Berhad 32nd Floor, Menara TA One 22, Jalan P.Ramlee 50250 Kuala Lumpur Tel: 03-2072 1277
STOCK EXCHANGE LISTING	:	ACE Market of Bursa Securities

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Company No. 602062-X

SERSOL

SERSOL BERHAD
(formerly known as SerSol Technologies Berhad)
(Company No. 602062-X)
(Incorporated in Malaysia under the Act)

Registered Office:

Lot 6.05, Level 6, KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

29 March 2013

Our Board of Directors:

Tan Fie Ping *(Chairman and Managing Director)*
Tan Fie Jen *(Executive Director)*
Toh Hong Chye *(Executive Director)*
Tan Lay Beng *(Independent Non-Executive Director)*
Ong Chooi Lee *(Independent Non-Executive Director)*
Low Kim Leng *(Independent Non-Executive Director)*
Seow Thiam Fatt *(Independent Non-Executive Director)*

To: Our Entitled Shareholders

Dear Sir/Madam,

RIGHTS ISSUE OF SHARES WITH WARRANTS

---

1 INTRODUCTION

Our shareholders had, at the EGM held on 23 February 2013 approved the Rights Issue of Shares with Warrants.

A certified true extract of the ordinary resolution in relation to the Rights Issue of Shares with Warrants passed at the EGM is set out in the Appendix I of this AP.

The Controller of Foreign Exchange (via BNM) had, vide its letter dated 22 November 2012, approved the issuance of Warrants to the non-resident shareholders of SerSol pursuant to the Rights Issue of Shares with Warrants and any additional Warrants to be issued in consequence of any adjustments to be made from time to time pursuant to the provisions of the Deed Poll.

Bursa Securities has vide its letter dated 26 November 2012 approved the following:

(i) Listing of up to 96,351,000 Rights Shares to be issued pursuant to the Rights Issue of Shares with Warrants;

(ii) Admission to the Official List and listing and quotation of up to 96,351,000 Warrants to be issued pursuant to the Rights Issue of Shares with Warrants; and

(iii) Listing of up to 96,351,000 new SerSol Shares to be issued pursuant to the exercise of the Warrants.

The approval of Bursa Securities is subject to the following conditions:

	Conditions imposed	Status of compliance
(i)	SerSol and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of Shares with Warrants;	To be complied
(ii)	SerSol and TA Securities to inform Bursa Securities upon the completion of the Rights Issue of Shares with Warrants;	To be complied
(iii)	SerSol to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of Shares with Warrants is completed; and	To be complied
(iv)	SerSol to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

On 15 March 2013, TA Securities had on behalf of our Company announced that our Board has fixed the issue price of the Rights Shares at RM0.10 per Rights Share and the Exercise Price of the Warrants at RM0.18 per Warrant, respectively.

On 15 March 2013, TA Securities had on our behalf announced that the Entitlement Date has been fixed on 29 March 2013 at 5.00 p.m. and the other relevant dates pertaining to the Rights Issue of Shares with Warrants.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue of Shares with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or by TA Securities in connection with the Rights Issue of Shares with Warrants.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2 DETAILS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

2.1 Details of the Rights Issue of Shares with Warrants

The Rights Issue of Shares with Warrants entails the issuance of up to 96,351,000 Rights Shares together with up to 96,351,000 Warrants on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) Rights Share subscribed by the Entitled Shareholders at an issue price of RM0.10 per Rights Share.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncees (if applicable). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable basis specified under Section 3.8 herein. The Rights Issue of Shares with Warrants is renounceable in full or in part. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded. The renunciation of Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Rights Issue of Shares with Warrants. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall be entitled to the Warrants in the proportion of their Rights Shares entitlements. Any unsubscribed Rights Shares with the attached Warrants shall be offered to other Entitled Shareholders and/or their renouncees (if applicable) under the excess Rights Shares with Warrants application.

In determining the entitlements of the Entitled Shareholders, any fractional entitlement to the Rights Shares with Warrants will be disregarded and shall be dealt with in such a manner as our Board in their absolute discretion deems fit, expedient and in the best interests of our Company.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under terms of the Rights Issue of Shares with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for the excess Rights Shares with Warrants if you choose to.

Any dealing in our securities will be subject to the SICDA and the Rules of Bursa Depository. Accordingly, the Rights Shares with Warrants and new Shares to be issued arising from the exercise of the Warrants will be credited directly to the respective CDS Accounts of the successful applicants and exercising Warrant holders (as the case may be). No physical share certificates and warrant certificates will be issued to the Entitled Shareholders and/or their renouncees, if applicable. A notice of allotment will be despatched to the successful applicants within eight (8) Market Days from the last date of acceptance and payment for the Rights Issue of Shares with Warrants and a notice of allotment will be despatched to the exercising Warrant holders within eight (8) Market Days after the date of receipt of the subscription form together with the requisite payment (for exercise of Warrants) from the date of exercise of the Warrants.

2.2 Basis of determining the Issue Price of the Rights Shares and Exercise Price of the Warrants

(i) Rights Shares

Our Board had on 15 March 2013 fixed the issue price for the Rights Shares at RM0.10 per Rights Share after taking into consideration the following:

(a) The historical price movement of SerSol Shares;

(b) Five (5)-day VWAP of SerSol Shares of RM0.26 up to 14 March 2013, being the date immediately preceding the price-fixing date; and

(c) The par value of SerSol Shares of RM0.10 each.

The Issue Price represents a discount of approximately 44.44% to the TERP of SerSol Shares of RM0.18, based on the five (5)-day VWAP per SerSol Share up to and including 14 March 2013 (being the last trading date immediately preceding the price-fixing date) of RM0.26.

(ii) Warrants

Our Board had on 15 March 2013 fixed the exercise price for the Warrants at RM0.18 per Warrant after taking into consideration the following:

(a) Five (5)-day VWAP of SerSol Shares of RM0.26 up to 14 March 2013, being the date immediately preceding the price-fixing date;

(b) The TERP of SerSol Shares of RM0.18 based on the five (5)-day VWAP of SerSol Shares up to 14 March 2013 (being the last trading date immediately preceding the price-fixing date) of RM0.26; and

(c) The par value of SerSol Shares of RM0.10 each.

The Warrants are attached to the Rights Shares without any cost and will be issued only to the shareholders of SerSol who successfully subscribed for the Rights Shares, and are exercisable into new SerSol Shares. Each Warrant will entitle its holder to subscribe for one (1) SerSol Share at the Exercise Price.

The Exercise Price represents the TERP of SerSol Share as mentioned in Section 2.2(ii)(b).

2.3 Ranking of the Rights Shares, the new Shares arising from the exercise of the Warrants and the Warrants

All the Rights Shares and the new SerSol Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the existing SerSol Shares, except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the Rights Shares and the said new SerSol Shares.

The holder of the Warrants will not entitled to any voting rights or participation in any form of distribution and/or offer of further securities in SerSol until and unless such holders of the Warrants exercise their Warrants to subscribe for new SerSol Shares and are allotted the new SerSol Shares.

2.4 Salient terms of the Warrants

The salient terms of the Warrants are follows:

Terms		**Details**
Number of Warrants	:	Up to 96,351,000 Warrants to subscribe for up to 96,351,000 new SerSol Shares to be issued to the Entitled Shareholders.
Form and Denomination	:	The Warrants shall be issued in registered form.
Board Lot	:	For the purposes of trading on Bursa Securities, a board lot of the Warrant shall be 100 units of the Warrants.
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new Share at any time during the Exercise Period and at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
Exercise Period	:	The Warrants may be exercised at any time commencing on and including the date of issuance of the Warrants until 5.00 p.m. on the Expiry Date. Any Warrant not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Expiry Date	:	A date being ten (10) years from and including the date of issuance of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day.
Exercise Price	:	The exercise price of the Warrants has been fixed at RM0.18 each, subject to adjustments in accordance with the provisions of the Deed Poll.

Terms		Details
Mode of Exercise	:	The registered holder of the Warrants shall pay the Exercise Price by way of banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia when exercising the Warrants for the new Shares.
Rights of Warrants	:	The holder of the Warrants is not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such holder of the Warrants is issued with new Shares arising from their exercise of the Warrants.
Status of the new Shares arising from the exercise of the Warrants	:	The new Shares to be issued upon exercise of the Warrants shall, upon allotment and issue, be of the same class and rank *pari passu* in all respects with the then existing Shares, save and except that they shall not be entitled to any dividends, rights allotments and/or other distribution which may be declared, made or paid to the shareholders of the Company, the Entitlement Date of which is prior to the date of allotment of the new Shares arising from the exercise of the Warrants.
Adjustments to the Exercise Price and/or number of Warrants	:	The Exercise Price and number of Warrants in issue may be adjusted from time to time in accordance with the provisions of the Deed Poll.
Rights of the holders of the Warrants in the event of winding-up, compromise and/or arrangement	:	Where a resolution has been passed by the Company for a members' voluntary winding-up or there is compromise or arrangement, whether or not for the purpose of or in connection with scheme for the reconstruction of the Company with one or more companies: (i) for the purposes of such winding-up, compromise or arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants or some persons designated by them for such purposes by special resolution, shall be party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and (ii) in any other case, every holder of the Warrants shall be entitled at any time within six (6) weeks after the passing of such resolution or the granting of the court order, by irrevocable surrender of his Warrants together with payment of the relevant subscription monies to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the subscription rights represented by such Warrants and be entitled to receive out of the assets which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.
Listing	:	The approval from Bursa Securities has been obtained for the admission of the Warrants to the Official List and for the listing of and quotation for the Warrants and the new SerSol Shares to be issued upon exercise of the Warrants on the ACE Market.

Terms		Details
Transferability	:	The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.
Deed Poll	:	The Warrants will be constituted under the Deed Poll.
Governing Law	:	Laws of Malaysia.

2.5 **Minimum Subscription Level and Directors and/or substantial shareholders' undertakings**

The Rights Issue of Shares with Warrants will be undertaken on the Minimum Subscription Level. Based on the issue price of RM0.10 per Rights Share, our Company will raise minimum proceeds of approximately RM9.10 million from the Rights Issue of Shares with Warrants.

The minimum proceeds of approximately RM9.10 million to be raised was determined by our Board after taking into consideration, amongst others, the funding requirements of our Group as set out in Section 5 of this AP and the ability of our Group to raise financing.

To meet the Minimum Subscription Level, our Company has obtained the Undertakings from the Undertaking Shareholders that they will not dispose any of their SerSol Shares following the announcement of the Rights Issue of Shares with Warrants on 9 November 2012 up to the completion of the Rights Issue of Shares with Warrants and that they will subscribe in full for their entitlements of the Right Shares with Warrants. In addition, THC has undertaken that he will subscribe for 42,320,227 excess Rights Shares with Warrants which are not subscribed for by the other shareholders of SerSol pursuant to the Minimum Subscription Level.

In view of the Undertakings and that the Rights Issue of Shares with Warrants will be implemented based on the Minimum Subscription Level, no underwriting arrangement will be made for the Rights Shares with Warrants under the Rights Issue of Shares with Warrants.

For illustrative purposes, the shareholdings and rights entitlements of the Undertaking Shareholders as at the LPD based on the Minimum Subscription level are as follows:

	As at the LPD		Entitlements of Rights Shares with Warrants		Excess Rights Shares with Warrants	
	No. of SerSol Shares ('000)	% of shareholdings	No. of Rights Shares ('000)	% of Rights Shares	No. of Rights Shares ('000)	% of Rights Shares
SHSB*(1)(3)*	30,001	31.14	30,001	32.97	-	-
CSB*(1)(3)*	10,300	10.69	10,300	11.32	-	-
TFJ*(2)(3)*	373	0.39	373	0.41	-	-
THC*(1)(2)*	5,000	5.19	5,000	5.49	42,320	46.51
OCL*(2)*	3,000	3.11	3,000	3.30	-	-

Notes:

(1) *Our substantial shareholders.*

(2) *Our directors.*

(3) *Collectively being our controlling shareholders.*

The Undertaking Shareholders have confirmed that they have sufficient financial resources to subscribe for 90,994,000 Rights Shares with Warrants pursuant to the Undertakings. As the Adviser to the Rights Issue of Shares with Warrants, TA Securities has verified the confirmation made by the Undertaking Shareholders.

We confirm that the Undertakings will not give rise to any consequence of mandatory general offer obligation pursuant to the Code immediately after the Rights Issue of Shares with Warrants. However, should the controlling shareholders or THC exercise their Warrants, such that each of their resulting aggregate shareholding in SerSol increases above thirty-three percent (33%) or increases by more than two percent (2%) in any six (6) months period, they are obliged under Part III of the Code to undertake a mandatory general offer for all the remaining SerSol Shares and convertible securities not already held by them after the exercise of the Warrants.

Our controlling shareholders and THC do not intend to undertake a mandatory general offer to acquire all the remaining SerSol Shares and convertible securities not already held by them after the exercise of the Warrants and have given confirmation to observe and comply at all times with the provisions of the Code.

2.6 Details of other corporate exercises

Save for the Rights Issue of Shares with Warrants, SIS and as disclosed below, our Board is not aware of any outstanding corporate proposal which has been announced but pending completion as at the LPD:

(i) We had on 16 November 2012 announced that an application has been submitted to the Company Registrar, Singapore to strike-off Multi Square (S) Pte Ltd, our wholly-owned subsidiary, pursuant to Section 344 of the Companies Act (Cap 50) of Singapore ("**Strike-Off**"). The Strike-Off is expected to be completed upon receipt of notification of strike-off from the Company Registrar, Singapore.

The Strike-Off is in line with our Group's rationalisation effort to minimise the losses by disposing underperforming subsidiary companies.

The Strike-Off will not have any material effect on the EPS, NA and gearing of our Group for the FYE 31 December 2012. None of our Directors, substantial shareholders or persons connected to them has any interest, direct or indirect, in the Strike-Off; and

(ii) We had on 19 December 2012 announced that we have on the same date entered into a share sale agreement to dispose of PT Multi Square, our 60%-owned subsidiary to Tuanku Muhammad Zumadilla Narukaya for a total consideration of RM1.00. The completion of the said disposal is expected to be within six (6) months from the date of the share sale agreement.

The disposal of PT Multi Square is in the best interest of our Group in view that the significant capital and resources would have to be committed to PT Multi Square in order to maintain its operations and the said disposal is in line with our Group's rationalisation effort to minimise the losses by disposing underperforming subsidiary companies.

The said disposal will not have any material effect on the EPS, NA and gearing of our Group for the FYE 31 December 2012. None of our Directors, substantial shareholders or persons connected to them has any interest, direct or indirect, in the said disposal.

3 INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

3.1 General

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of Shares with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for excess Rights Shares with Warrants if you choose to do so.

3.2 NPA

The provisional allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisional Rights Shares with Warrants will be by book entries through the CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renouncees (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the provisional Rights Shares with Warrants is at **5.00 p.m. on 15 April 2013**, or such extended date and time as our Board may decide at its absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

3.4 Procedure for full acceptance and payment by Entitled Shareholders

Acceptance of and payment for the provisional Rights Shares with Warrants must be made on the respective RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS, EXCESS APPLICATION FOR THE RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEES (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

If you wish to accept your entitlement, please complete parts I(a) and II of the RSF in accordance with the notes and instructions provided in the RSF. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST** or **DELIVERED BY HAND** at the following address:

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7720 1188

so as to arrive **not later than 5.00 p.m. on 15 April 2013**, being the last time and date for acceptance of and payment, or such extended time and date as may be determined and announced by our Board.

One (1) RSF can only be used for acceptance of provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for separate CDS Account(s). If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar for the Rights Shares with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renouncee (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises one hundred (100) Rights Shares and one hundred (100) Warrants, respectively. Successful applicants of the Rights Shares will be given the free attached Warrants on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for. The minimum number of security that can be subscribed for or accepted is one (1) Rights Share, which will be accompanied by one (1) Warrant. Fractions of a Rights Share and Warrant arising from the Rights Issue of Shares with Warrants will be disregarded and shall be dealt with by our Board as it may deem fit, expedient and in the best interest of our Company.

If acceptance of and payment for the provisional Rights Shares with Warrants is not received by our Share Registrar by **5.00 p.m. on 15 April 2013**, being the last time and date for acceptance of and payment for the provisional Rights Shares with Warrants, or any other extended date and time as may be determined and announced by our Board, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled. In the event that the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to the applicants who have applied for the excess Rights Shares with Warrants in the manner as set out in Section 3.8 of this AP. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept any application or to accept any application in part only without providing any reason.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website at http://www.bursamalaysia.com, our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "SERSOL RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN ON BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.5 Procedure for part acceptance by Entitled Shareholders

You are entitled to accept part of your provisional Rights Shares with Warrants. The minimum number of the provisionally allotted Rights Shares with Warrant that can be subscribed for or accepted is one (1) Rights Share which will be accompanied with one (1) Warrant.

WHEN YOU ACCEPT ONLY PART OF YOUR PROVISIONALLY ALLOTED RIGHTS SHARES WITH WARRANTS, YOU WILL AUTOMATICALLY BE ACCEPTING BOTH THE RIGHTS SHARES WITH WARRANTS IN THE PROPORTION OF ONE (1) RIGHT SHARE WITH ONE (1) WARRANT. YOU CANNOT ACCEPT THE PROVISIONALLY ALLOTED RIGHTS SHARES WITH WARRANTS IN ANY OTHER PROPORTIONS. IN DETERMINING THE ENTITLEMENT TO THE PROVISIONAL ALLOTMENT OF RIGHTS SHARES WITH WARRANTS UNDER THE RIGHTS ISSUE OF SHARES WITH WARRANTS, ANY FRACTIONAL ENTITLEMENTS UNDER THE RIGHTS ISSUE OF SHARES WITH WARRANTS WILL BE DISREGARDED AND SHALL BE DEALT WITH IN SUCH MANNER AS OUR BOARD IN ITS ABSOLUTE DISCRETION DEEMS FIT, EXPEDIENT AND IN THE BEST INTERESTS OF OUR COMPANY.

You must complete both Part I(a) of the RSF by specifying the number of the Rights Share with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this AP.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF.

The portion of the provisional Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the provisional Rights Shares with Warrants.

3.6 Procedure for sale/transfer of provisional Rights Shares with Warrants

As the provisional Rights Shares with Warrants are prescribed securities, you may dispose of or transfer all or part of your entitlement to the Rights Shares with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional Rights Shares with Warrants standing to the credit of your CDS Accounts. To dispose or transfer all or part of your entitlement to the provisional Rights Shares with Warrants, you may sell such entitlement in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have sold or transferred only part of the provisional Rights Shares with Warrants, you may still accept the balance of the provisional Rights Shares with Warrants by completing Parts I(a) and II of the RSF. Please refer to Section 3.4 of this AP for the procedure, acceptance and payment.

In disposing/transferring all or part of your provisionally Rights Shares with Warrants, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient provisional Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the provisional Rights Shares with Warrants may obtain a copy of this AP and the RSF from their stockbrokers or from our Share Registrar or at our Registered Office. This AP and the RSF are also available on Bursa Securities' website at http://www.bursamalaysia.com.

3.7 Procedure for acceptance by renouncees

Renouncees who wish to accept the provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from the Bursa Securities' website at http://www.bursamalaysia.com and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 3.4 of this AP also applies to renouncees who wish to accept the provisional Rights Shares with Warrants.

RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF.

3.8 Procedure for application of excess Rights Shares with Warrants

You and/or your renouncees who accepted the provisional Rights Shares with Warrants may apply for excess Rights Shares with Warrants by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar **not later than 5.00 p.m. on 15 April 2013**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 3.4 OF THIS AP, WHERE THE BANKER'S DRAFT(S)/CASHIER'S ORDER(S)/MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "SERSOL EXCESS RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, on the pro-rata basis to our Entitled Shareholders who have applied for the excess Rights Shares with Warrants, taking into consideration their respective shareholdings in our Company as at the Entitlement Date on a board lot basis;

(iii) thirdly, on a pro-rata basis to our Entitled Shareholders who have applied for excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application;

(iv) fourthly, on a pro-rata basis to transferees and/or renouncees who have applied for excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application; and

(v) lastly, in the event that there are still unsubscribed Rights Shares with Warrants after allocating all the excess Rights Shares with Warrants, the remaining unsubscribed Rights Shares with Warrants will be subscribed by our director and substantial shareholder, namely THC, pursuant to his irrevocable and unconditional written undertaking.

Nevertheless, our Board reserves the right to allot any excess Rights Shares with Warrants applied for under Part I(b) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in Section 3.8 (i) to (v) above are achieved. Our Board also reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICINET REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICE OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, WILL BE REFUNDED WITHOUT INTEREST WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

3.9 Notice of allotment

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your renouncee's acceptance (if applicable) and excess Rights Shares with Warrants application (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS Account. No physical share certificates and warrant certificates will be issued in respect of the Rights Shares with Warrants. However, a notice of allotment will be despatched to you and/or your renouncees (if applicable), by ordinary post within eight (8) Market Days from the last date of acceptance and payment for the Rights Shares with Warrants and excess Rights Shares with Warrants application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue of Shares with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest and be despatched to you within fifteen (15) Market Days from the last date and time for acceptance and payment of the Rights Shares with Warrants by ordinary post to the address shown on the Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the Rights Issue of Shares with Warrants cannot be withdrawn subsequently.

3.10 Form of issuance

Bursa Securities has prescribed that our Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares with Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. Your subscription for the Rights Shares with Warrants shall mean your consent to receiving such Rights Shares with Warrants as deposited securities which will be credited directly into your CDS Account. No physical share certificate or warrant certificate will be issued to you under the Rights Issue of Shares with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts, and notices of allotment will be despatched by ordinary post to you and/or your renouncees (if applicable) at your own risk at the address shown in the Record of Depositors provided by Bursa Depository within eight (8) Market Days from the last date and time for acceptance and payment of the Rights Issue of Shares with Warrants.

Any person who has purchased the provisional Rights Shares with Warrants or to whom provisional Rights Shares with Warrants has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/her CDS Account number in the space provided in the RSF. The Rights Shares with Warrants will be credited directly as prescribed or deposited securities into his/her CDS Account upon allotment and issue.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in Section 3.8 of this AP.

3.11 Laws of foreign jurisdictions

This AP and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of Shares with Warrants will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their renouncees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their renouncees (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue of Shares with Warrants.

Foreign Entitled Shareholders and/or their renouncees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of Shares with Warrants only to the extent that it would be lawful to do so.

TA Securities, our Company and our Directors and officers would not, in connection with the Rights Issue of Shares with Warrants, be in breach of, responsible or liable under the laws of any jurisdiction to which that foreign Entitled Shareholders and/or their renouncees (if applicable) are or may be subject to. He shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. TA Securities, our Company and our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their renouncees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The foreign Entitled Shareholders and/or their renouncees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renouncees (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company and/or TA Securities in respect of their rights and entitlements under the Rights Issue of Shares with Warrants. Such foreign Entitled Shareholders and/or their renouncees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of Shares with Warrants.

By signing the RSF, the foreign Entitled Shareholders and/or their renouncees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) TA Securities, our Company and our Directors and officers that:

(i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of Shares with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renouncees (if applicable) is or may be subject to;

(ii) the foreign Entitled Shareholders and/or their renouncees (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the provisional Rights Shares with Warrants;

(iii) the foreign Entitled Shareholders and/or their renouncees (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) the foreign Entitled Shareholders and/or their renouncees (if applicable) are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the foreign Entitled Shareholders and/or their renouncees (if applicable) have received a copy of this AP and have been provided the opportunity to post such questions to the representatives and receive answers thereto as the foreign Entitled Shareholders and/or their renouncees (if applicable) deem necessary in connection with the foreign Entitled Shareholders and/or their renouncees (if applicable) decision to subscribe for or purchase the Rights Shares with Warrants. However, any information relevant to an investment shall be contained in this AP; and

(vi) the foreign Entitled Shareholders and/or their renouncees (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this AP, the NPA and the RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/or their renouncees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4 RATIONALE FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

Our Group has been incurring losses for the past three (3) financial years and taking cognisance of this, our Board has considered various avenues to improve our Group's financial performance. Please refer to Section 7.3 of this AP on the details of our Group's plan to address our current financial performance.

After due consideration of the various methods of fund raising for the purposes as stated in Section 5 of this AP, our Board is of the opinion that the Rights Issue of Shares with Warrants is currently an appropriate avenue after taking into consideration the following:

(i) to allow us to raise capital without incurring interest costs as compared to other means of financing, such as bank borrowings or the issuance of debt instruments. Further, the utilisation of part of the proceeds from the Rights Issue of Shares with Warrants towards the paring down of our Group's outstanding loan facilities would allow us to reduce our funding costs moving forward as well as to allow us to preserve cash flow for re-investment and/or operational purpose;

(ii) it reduces the gearing position and enhances the cash flow of our Group. With an improved gearing ratio, we will have the flexibility to further expand our operations by raising financing, and/or acquisition of companies or businesses as and when attractive opportunities arise. The healthier cash flow will enable us to finance the development of our existing and new range of products within the industry which is expected to contribute positively to our future earnings and improve our financial performance;

(iii) it involves the issuance of new SerSol Shares without diluting our existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements and exercise their Warrants subsequently. The Undertakings allow the Undertaking Shareholders to extend their support for the Rights Issue of Shares with Warrants which will facilitate us to raise the necessary funds;

(iv) it provides an opportunity for our existing shareholders to increase their shareholdings in our Company at a discount to the prevailing market price for the SerSol Shares from the subscription of the Rights Shares;

(v) the Warrants (which are attached to the Rights Shares) are intended to provide an incentive to our shareholders to subscribe for their entitlements and hence, providing them with the potential capital appreciation arising from the exercise of the Warrants, depending on the future performance of the SerSol Shares; and

(vi) the Warrants will enable us to raise further proceeds from the equity market as and when any of the Warrants are exercised while at the same time provide our shareholders with the opportunity to increase their shareholdings in our Company at a pre-determined price over the tenure of the Warrants.

5 UTILISATION OF PROCEEDS

Based on the Maximum Scenario and the Issue Price, the Rights Issue of Shares with Warrants is expected to raise gross proceeds of up to RM9,635,100 which shall be utilised in the following manner:

	Note	Minimum Scenario RM'000	Maximum Scenario RM'000	Expected time frame for utilisation of proceeds (from the date of the listing of the Rights Shares)
R&D	(1)	900	900	Within 18 months
Purchase of plant and machinery	(2)	500	500	Within 18 months
Repayment of bank borrowings	(3)	2,500	2,500	Within 6 months
Working capital of our Group	(4)	4,699	5,235	Within 6 months
Defray estimated expenses	(5)	500	500	Within 2 weeks
Total estimated proceeds		**9,099**	**9,635**	

Notes:

(1) Currently, we are in the midst of developing our marine paints and coatings based on the technical specifications of Petronas Tech. We are required to conduct a series of quality test with SIRIM and obtain the necessary approval from SIRIM in order to be recognised by Petronas Tech and eligible to be appointed as the supplier for the marine paints and coatings to any of the contractor in the oil and gas industry in Malaysia.

In view of the above, we intend to utilise RM0.90 million of the proceeds from the Rights Issue of Shares with Warrants for the R&D of marine paints and coatings as follows:

	RM'000
Product verification test costs[(a)]	*318*
Technical service cost[(b)]	*225*
R&D staff costs	*185*
Purchase of raw material for R&D	*70*
Purchase of testing equipment[(c)]	*102*
	900

(a) The product verification test costs comprise the costs payable to SIRIM to conduct the necessary testing to meet the technical specifications of Petronas Tech.

(b) Appointment of technical personnel from Petronas Tech who will be responsible in the provision of technical audit and consultation services in the R&D activities as per the requirements of Petronas Tech.

(c) The testing equipment includes amongst others, weathering tester, airless spray facilities and furnace for the testing of our Group's marine paints and coatings. Upon our Group being successfully certified as the supplier of marine paints and coatings by Petronas Tech, we have to ensure that our product consistently meets the technical specification of Petronas Tech prior to supplying the same to the contractors in the oil and gas industry.

In the event that we are not successfully certified as the supplier of marine paints and coatings by Petronas Tech upon the completion of the relevant quality test with SIRIM, and we decide not to pursue the R&D for the marine paints and coatings, any unutilised proceeds will be utilised for the working capital of our Group.

(2) We have received letters of intent from the Interested Property Developers in September 2012 and October 2012, whereby the Interested Property Developers have expressed their interest to purchase our products, namely architectural paints and coatings for the use of their development and/or construction projects.

Currently, we have a production plant which is able to produce 1,750 kg of architectural paints and coatings per hour. In view of the interests expressed by the Interested Property Developers, we intend to increase our production of architectural paints and coatings by utilising RM0.50 million of the proceeds from the Rights Issue of Shares with Warrants to purchase an additional production plant for the production of architectural paints and coatings which consists of two (2) units of high speed dissolver mixing tank and one (1) unit of water treatment system. The estimated production output of the new production plant is approximately 2,625 kg of architectural paints and coatings per hour. Our Group's production of architectural paints and coatings is expected to increase from 1,750 kg per hour to 4,375 kg per hour upon the commencement of production of the additional production plant.

Any surplus or shortfall for the purchase of plant and machinery will be adjusted accordingly to/from the working capital of our Group.

(3) We intend to utilise RM2.50 million of the proceeds to repay part of our Group's bank borrowings. As at the LPD, our total bank borrowings were approximately RM3.19 million. At the prevailing interest rate of our Group at approximately 7.73% per annum, we anticipate an interest saving of approximately RM0.19 million per annum as the result of the repayment of bank borrowings.

(4) We intend to utilise up to RM5.24 million for our working capital as follows:

	Minimum Scenario RM'000	***Maximum Scenario RM'000***
Payment of salaries to staff	*723*	*723*
Purchase of raw materials	*2,700*	*2,700*
Payment to trade and other payables	*161*	*161*
Factory overhead expenses	*366*	*366*
Administrative, selling and distribution expenses	*749*	*1,285*
	4,699	***5,235***

(5) The expenses relating to the Corporate Exercises comprise, amongst others, the estimated professional fees, fees payable to the relevant authorities, expenses to convene the EGM, printing, advertisement expenses and other ancillary expenses. If the actual expenses incurred are higher than the budgeted, the deficit will be funded from the portion allocated for our working capital. Conversely, any surplus of funds following payment of expenses will be utilised as working capital for our Group.

Any additional proceeds raised from the Rights Issue of Shares with Warrants above the Minimum Subscription Level will be utilised for the working capital of our Group.

Pending utilisation of the proceeds from the Rights Issue of Shares with Warrants for the above mentioned purposes, the proceeds will be placed in deposits with financial institution or short-term money market instruments as our Board may deem fit. The interests derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used as additional working capital of our Group.

The proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. The proceeds to be raised from the exercise of Warrants shall be utilised for the working capital and/or repayment of bank borrowings (if any) of our Group of which the breakdown and the expected time frame for full utilisation cannot be determined by our Board at this juncture.

6 RISK FACTORS

You and/or your renouncees (if applicable) should consider carefully the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of Shares with Warrants.

6.1 Risks relating to our Group

(i) Financial position

Our Group incurred an audited LAT of RM2.40 million for the FYE 31 December 2011 and an unaudited LAT of RM4.37 million for the FYE 31 December 2012 and we have audited accumulated losses of RM3.28 million as at 31 December 2011 and unaudited accumulated losses of RM7.70 million as at 31 December 2012, respectively.

In view of our Group's accumulated losses of approximately RM7.70 million based on the unaudited financial results as at 31 December 2012, there can be no assurance that our Group will be profitable subsequent to the completion of the Rights Issue of Shares with Warrants and thereby, reduce the accumulated losses in the near future. Nevertheless, we believe that there will be improvement to our Group's financial condition after taking into consideration the utilisation of proceeds as detailed in Section 5 of this AP and our future plans as detailed in Section 7.3 of this AP, whereby part of the proceeds raised from the Rights Issue of Shares with Warrants which will be utilised to repay part of our borrowings, hence reducing funding costs as well as to widen our product range to include marine paints and coatings for the oil and gas industry and to expand our existing paints and coatings for the property development industry in Malaysia.

(ii) Business risk

Our Group is subject to certain risk inherent in the paints and coatings industry. Our Group's revenue and operating results could be adversely affected by many factors which include, amongst others, changes in operating expenses, rapid technological changes, the ability to develop and market new products, the ability to response to the changes in the sentiments of the paints and coatings industry, consumer preference and market perception, lower profit margins due to pricing competition, the ability to control cost and changes in the laws, regulations and policies applicable to the paints and coatings industries.

Our Group has and will continue to limit these business risks through, *inter-alia* prudent management policies, keeping abreast with the latest development in the paints and coatings industry, taking proactive measures to develop marketing strategies and product development, maintain good relationship with customers and suppliers. Notwithstanding this, there can be no assurance that change in these factors will not have material adverse effect on our Group's business.

(iii) Competition risk

Our Group faces competition from both new and existing players in the paints and coatings industry which offer similar products and services such as decorative paints and industrial coatings.

In view of the competitive market environment, we will leverage and sharpen our competitive edge by providing wider selection range of products, constantly guaranteeing quality and reliable products and services to our customers and offering competitive pricing to our customers. However, there can be no assurance that our Group will be able to compete effectively against our competitors and that competitive pressure will not materially and adversely affect our Group's business, operations, results and/or financial conditions.

(iv) Customer exposure

Our Group's sales are based on purchase orders as our products are not standardised products and each sale is based on each customer's requirements and specifications which changes frequently in line with the consumer trends and preferences. As such, without a long term contract with our customer, we will face the risk of losing our customers if they chose to purchase from other suppliers.

To mitigate this risk, we will consistently satisfy our customers' specifications and requirements which provide us with business continuity and growth.

(v) Dependence on key personnel

We believe that our continued success is dependent, to a significant extent, upon the abilities, skills, experience, competency and continued efforts of our existing Directors and key management. The loss of any of our Director or member of the key management may affect our performance. Our Company's key management has made significant contributions in leading the daily operations, sales and marketing efforts and in formulating strategies. Our Company's key management also has relevant experience in the business and operations of our Group and has been instrumental in the growth and expansion of our business.

Our Group is constantly reviewing our remuneration packages with the view to making them competitive and taking measures to attract new personnel as well as to retain existing staff. However, there can be no assurance that we will be able to successfully attract, train and retain the necessary skilled personnel.

(vi) Delay in R&D and/or the introduction of new product

Our Group is currently focusing on the R&D of marine paints and coatings for the oil and gas industry which is developed based on the technical specification of Petronas Tech and is currently in the midst of submitting the marine paints and coating to SIRIM for qualification testing. The qualification testing process is expected to take at least eight (8) months to complete.

However, there is no assurance that we will obtain the necessary approvals from SIRIM based on the stipulated timeline and/or able to secure any sale for our marine paints and coatings from the oil and gas industry upon obtaining the necessary approvals from SIRIM. Hence, any delay in releasing our new product could undermine our Group's business. In addition, our new product or enhancements may not be released according to schedule or may contain defects when released. Either situation could result in adverse publicly, loss of sales, delay in market acceptance of our Group's products or customer claims against our Group, which could harm our business.

(vii) Product performance and development

The performance of our products is partly dependent on the accuracy and precision of the chemical formulation during its development stage. Any slight variation in its chemical formulation may have an impact on the performance of our products. In order to ensure our products meet the required standard, we have been continuously improving our R&D facilities with the latest knowledge and technology available in the industry. In addition, we also conduct products testing with our potential customers to ensure that our products meet their needs and requirements.

However, there is no assurance that our products, despite rigorous testing, will be defect-free or will be able to meet the specified customers' needs and requirements after the delivery of our products. In addition, any unanticipated technical difficulties could result in increased costs or material delay in the development thereof.

(viii) Fluctuation of raw material prices

The major raw materials used in the production of our paints and coatings are binders such as synthetic resins, pigments to impart colors and solvents to control viscosity. Any fluctuation in the prices of these raw materials caused by a shortage in the supply of these raw materials may increase our cost of production of paints and coatings, as a result, may affect our financial performance.

In any event, all players in our industry will be similarly affected by price increases of these raw materials. Hence this risk is not specific to our Group and no player will have a sustainable advantage over other players in the industry. In addition, our Group seeks to limit the adverse impacts arising from material costs fluctuations by constantly monitoring the market trend of raw materials' prices and plan our purchases of raw materials accordingly.

However, there is no assurance that we will be able to pass on the increases in the prices of our raw materials, whether partially or entirely, to our customers. We will only increase our selling price if we are able to maintain our competitiveness in the market.

(ix) Economic, political and regulatory risks

Our financial and business prospects are subject to the political, economic and regulatory front in Malaysia and/or other countries which we have a presence. As such, any adverse development in the political and regulatory conditions in Malaysia and such countries could materially and adversely affect the financial performance and operations of our Group. Political, economic and regulatory uncertainties include, but are not limited to, global economic slowdown, war, changes in political leadership, changes in government policy and spending, changes in interest rates, method of taxation and currency rules. In addition, such countries could adopt new laws, policies or regulations or change their interpretation of existing laws, policies or regulations.

Whilst our Board and management will continue to take effective measures such as prudent financial management and continue seeking new markets, there is no assurance that any change to these factors will not materially and adversely affect our financial position or business in the future.

(x) Interest rate risks

Interest rate exposure and the resultant interest rate risk arise from our Group's interest-bearing debts. Our Group manages our interest rate exposure by maintaining a mix of fixed and floating rate borrowings where possible.

As disclosed in Section 5 of this AP, we intend to utilise RM2.50 million of the proceeds from the Rights Issue of Shares with Warrants to repay part of our Group's bank borrowings. At the prevailing interest rate of our Group at approximately 7.73% per annum, our Group anticipates an interest saving of approximately RM0.19 million per annum as the result of the repayment of bank borrowings.

However, there is no assurance that any adverse movement in interest rate would not impact on the financial and operational performance of our Group.

(xi) Insurance coverage

We have obtained adequate insurance coverage for our fixed assets such as factory building, machineries and stocks in order to cover the risk of fire breakouts and burglary. However, there is no assurance that these insurance coverage for our factory building, machineries and stocks will continue to be available in future or be equivalent to the amount that are equal to the full market value or replacement cost of the insured assets.

In mitigating this risk, we will continue to review and ensure adequate insurance coverage for our factory building, machineries and stocks.

(xii) Risks associated with expansion of business

Our Group has expanded our existing business in plastic paints and coatings to architectural paints and coatings and in the midst of expanding into marine paints and coatings in order to improve our financial position. The expansion into the marine and architectural paints and coatings will be partly financed by the proceeds raised from the Rights Issue of Shares with Warrants.

Our Board is of the opinion that the marine and architectural paints and coatings business is viable to improve our current financial position taking into account of the growth prospects of the oil and gas industry and property development industry in Malaysia as highlighted in Section 7.2 of this AP.

Notwithstanding the above, there can be no assurance that the business expansion will contribute positively to our Group immediately. However, to mitigate this risk, we will practice prudent financial management by monitoring closely the financial performance of each of our products.

6.2 Risks relating to the Rights Issue of Shares with Warrants

(i) Investment risk

The market price of the Rights Shares is influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of SerSol Shares, the outlook for the paints and coatings industry, changes in regulatory requirements or market conditions, the financial performance and fluctuations in our Group's operating results. In view of this, there can be no assurance that the Rights Shares will trade above the issue price for the Rights Shares or TERP upon or subsequent to the listing of and quotation for the Rights Shares on the ACE Market of Bursa Securities.

The market price of the Warrants may be influenced by, amongst others, the market price of SerSol Shares, and the remaining exercise period of the Warrants and the volatility of SerSol Shares. There can be no assurance that the Warrants will be "in-the-money" during their exercise period of the Warrants. In the event the Warrants are not exercised during the Exercise period, the unexercised Warrants will lapse and cease thereafter to be valid for any purpose.

(ii) Delay in or failure of the Rights Issue of Shares with Warrants

The Rights Issue of Shares with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of anyone or more of the following events:

(a) we are unable to meet the public shareholding spread requirement of the Listing Requirements of which at least 25% of our Shares are in the hands of the public shareholders;

(b) Force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue of Shares with Warrants. Such events or circumstances include inter-alia, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership; or

(c) The Undertaking Shareholders as set out in Section 2.5 of this AP who have provided the Undertakings is not able to fulfill its obligation for whatsoever reason, despite TA Securities has verified, to the extent possible, that the Undertaking Shareholders have sufficient financial resources pursuant to their Undertakings.

In this respect, all proceeds arising from the Rights Issue of Shares with Warrants will be refunded without interest to the Entitled Shareholders and/or their renouncees in the event the Rights Issue of Shares with Warrants is aborted and if such monies are not repaid within fourteen (14) days after it becomes liable, we will repay such monies with interest at the rate of ten percent (10%) per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the Capital Markets and Services Act, 2007. Notwithstanding the above, our Company will exercise its best endeavor to ensure the successful implementation of the Rights issue of Shares with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue of Shares with Warrants.

(iii) No prior market for the Warrants

As there is no prior market for the Warrants, there can be no assurance that an active and liquid market for the Warrants will be developed or if developed, can be sustained upon the listing of and quotation for the Warrants on the ACE Market of Bursa Securities.

The price at which Warrants will be traded on Bursa Securities upon or subsequent to their listing is dependent upon market forces, which are beyond our control. Accordingly, there is no assurance that the market price of the Warrants will be at a level that meets the specific investment objectives or targets of any of the Warrants holder.

(iv) Capital market risks

The performance of the local stock market is dependent on the economic and political condition in Malaysia as well as external factors such as, amongst others, the performance of the world bourses, flows of foreign funds and prices of commodities. These factors invariably contribute to the volatility and the liquidity of Bursa Securities, thus adding risk to the market price of the Warrants.

(v) Forward-looking statements

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this AP are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, among others, the risk factors as set out in this section. In view of the above, the inclusion of any forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

7 INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

7.1 Overview of the Malaysian economy

The Malaysian economy recorded a higher growth of 6.4% (the third quarter of 2012 "**3Q 2012**": 5.3%), supported by the continued strength in domestic demand. Total investment remained robust and was the main driver of growth during the quarter. The growth of private consumption continued to remain strong although the pace of increase moderated. The growth during the quarter also benefited from a significantly lower negative contribution from net exports. On the supply side, most economic sectors recorded improvements in growth during the quarter. For the year as a whole, the Malaysian economy expanded by 5.6%.

During the quarter, domestic demand continued to expand at the pace of 7.5% (3Q 2012: 11.4%) with gross fixed capital formation remaining strong, registering double-digit growth of 15% in the fourth quarter (3Q 2012: 22.7%). Private sector investment advanced by 20.2% (3Q 2012: 22.9%), supported by capital spending in the domestic-oriented manufacturing and consumer-related services sub-sectors, namely, telecommunications, real estate and aviation and the on-going implementation of projects in the oil and gas sector. Investment was also supported by capacity expansion in the primary-related manufacturing cluster and capital spending in new growth areas such as medical and communications equipment. Public investment expanded by 11.1% (3Q 2012: 22.4%), driven by capital spending by public enterprises in the transportation, utilities, oil and gas and communications sectors.

Private consumption registered a growth of 6.1% in the fourth quarter (3Q 2012: 8.5%), supported by stable labour market conditions and improved consumer sentiments. The stronger growth in the first half of the year reflected the effects of the various government transfers to households disbursed during the period. Public consumption grew by 1.1% (3Q 2012: 2.3%), attributable to continued spending on emoluments amidst lower spending on supplies and services.

On the supply side, growth in most economic sectors improved in the fourth quarter. Growth was led by the manufacturing and services sectors, supported by domestic demand and a gradual improvement in the external environment. The agriculture sector expanded at a faster pace amidst higher crude palm oil output and production of poultry, while growth in the mining sector rebounded following a recovery in the production of natural gas. Meanwhile, growth in the construction sector continued to be robust, driven by the civil engineering and residential sub-sectors.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), continued to moderate to 1.3% in the fourth quarter (3Q 2012: 1.4%), reflecting lower inflation in the food and non-alcoholic beverages category.

(Source: Bank Negara Malaysia Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2012)

In addition to the transformation initiatives and active involvement of the private sector in the programmes under the National Transformation Policy, Malaysia's strong economic fundamentals provide sufficient buffers against further shocks from the external.

With prospects for global growth remaining modest at 3.9%, domestic demand will continue to drive the Malaysian economy boosted by the measures in the 2013 Budget. Against this backdrop, the gross domestic product forecast for the Malaysian economy is between 4.5% and 5.5% in 2013.

(Source: Economic management and prospects, Economic report 2012/2013, Ministry of Finance)

7.2 Overview and prospects of paints and coatings industry

The paints and coatings industry consists of two (2) distinct segments:

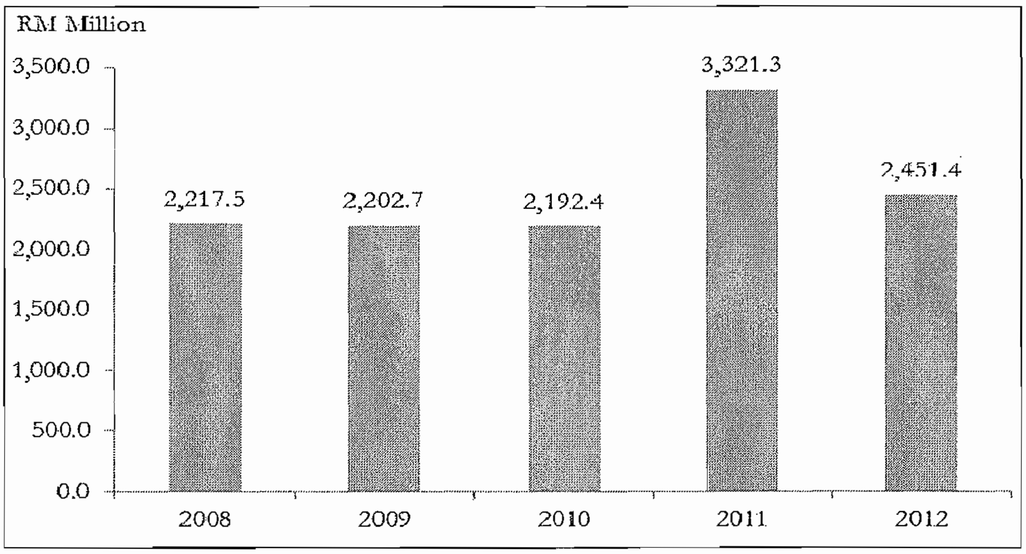
- The industrial paints and coatings segment is linked closely to the oil and gas, shipbuilding and ship repairing, automotive, electrical and electronics, furniture, and industrial machinery industries. Most of the paints and coatings in this segment are sold direct to the end users or their vendors, bypassing the retailers. In this segment, a company's ability to compete successfully is dependent on its experience and knowledge on formulations, compounding and raw materials used; and

- The architectural paints and coatings segment is closely correlated to the performance of the property development industry. They are sold to contractors and the general public through retail and wholesale outlets, as well as direct to large commercial accounts. In architectural paints and coatings, a majority of the formulations, compounding and raw materials used are analogous in the industry. In this case, product differentiation is created through superior marketing and customer service.

The Ex-Factory Sales of paints and coatings in Malaysia increased by a CAGR of 2.5% between 2008 and 2012, from RM2.2 billion to RM2.5 billion.

It is estimated that the market size for architectural paints and coatings in 2012 amounted to RM1,715.9 million, while the estimated market size for industrial paints and coatings totalled RM735.4 million.

Ex-Factory Sales of paints and coatings in Malaysia between 2008 and 2012 are as follows:



(Source: Department of Statistics)

(Source: An Overview on the Paints and Coatings Industry in Malaysia, Infobusiness)

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7.2.1 Overview and prospects of marine paints and coatings industry

Marine paints and coatings are essential products used for protective and maintenance functions in the oil and gas industry, particularly for offshore facilities.

The consumption of marine paints and coatings is mainly driven by the capital expenditures of oil and gas companies. Their annual capital spending include, inter alia, construction and commissioning of oilfield facilities, pipelines, gas processing plants and petrochemical plants, as well as the maintenance of existing facilities. Strong crude oil prices have transformed uneconomical oil and gas projects into viable ones, as well as spurring new oil and gas projects.

This trend of capital expenditure is expected to continue, offering opportunities for suppliers of marine paints and coatings.

The capital expenditures of selected oil and gas companies in Malaysia for the FYEs in 2007 to 2011 (RM Million) are as follows:

Company	2007	2008	2009	2010	2011	CAGR
Petroliam Nasional Bhd(1)	14,700	20,000	26,200	26,800	23,400	12.3%
Shell Refining Company (Federation of Malaya) Bhd(2)	8.1	16.1	108.2	833.5	558.7	188.2%
Esso Malaysia Bhd(3)	37	61	57	98	55	10.4%

Notes:

(1) *Capital expenditures for domestic operations only.*

(2) *Shell Refining Company (Federation of Malaya) Bhd is mainly involved in oil refining activities.*

(3) *Esso Malaysia Bhd is involved in operating an oil refinery and a network of service stations in Malaysia. In 2012, it was announced that Esso Malaysia Bhd has changed its name to Petron Malaysia Refining & Marketing Bhd.*

The marine environment is one of the most corrosive, natural occurring environments in the world. Marine paints and coatings are used to protect metal or concrete structures from tough environmental conditions such as abrasion, extreme temperature, high humidity and moisture, fumes, fungi, frequent chemical cleaning, and exposure to other chemicals including acids, alkalis, and solvents. The primary function of these paints and coatings is to protect the structures against corrosion and erosion.

Marine paints and coatings are mainly used for the purpose of extending the service life of oil and gas facilities and minimising the repair downtime. These facilities demand continuous maintenance and upkeep to maintain operational efficiencies. Marine paints and coatings with long durability play a crucial role in enhancing the productivity of oil and gas facilities.

The current high prices of crude oil stimulate oil and gas companies to extend the lifespan of their operating facilities so as to ensure optimum production. The numerous oil and gas facilities in Malaysia, including offshore facilities, crude oil terminals, refinery plants, liquefaction plants, petrochemical plants and gas processing plants are expected to continue to generate business opportunities for marine paints and coatings companies.

The ETP was launched in 2010 to serve as a catalyst of economic growth over the next 10 years. One (1) of the 12 National Key Economic Areas under the ETP is the oil, gas and energy industry.

The availability of domestic hydrocarbon reserves has provided Malaysia a natural impetus to develop the oil and gas industry, so as to generate foreign exchange and to spur the economy, in view of the industry's widespread multiplier effects. There is also the assurance of sustainable and sufficient energy supply at reasonable and affordable prices. The output of crude oil in Malaysia is anticipated to continue on account of firm prices and the expansion of new oilfields, as well as efforts at enhancing crude oil recovery in existing oilfields. In turn, this is anticipated to spur the demand for marine paints and coatings.

Once a by-product of crude oil production, natural gas now plays a major role in the world's energy consumption, including Malaysia. Natural gas fuels electric power generators, heats buildings, and is used as a raw material for chemicals utilised in both industrial and consumer products. Natural gas is rapidly becoming a key enabler of economic progress in many countries around the world, including Malaysia. This has spur Petroliam Nasional Bhd to undertake several initiatives, including exploration, development and production activities, in order to boost natural gas supply in the country.

Besides oil and gas facilities, marine paints and coatings applications on upstream oil and gas equipment include the following:

- directional drilling tools - the exposed surfaces of drill string components can be eroded by drilling mud;

- lifting operations components such as pump cylinders, pump barrels, plungers and valves - premature wear and corrosion due to hydrogen sulphide, sand, salt and water; and

- oil country tubular goods - production tubulars and casings are exposed to high downhole temperatures and ever-increasing levels of hydrogen sulphide and carbon dioxide; and enhanced recovery technologies such as steam injection create a more aggressive environment.

Petroliam Nasional Bhd is undertaking its refinery and petrochemical integrated development complex in Pengerang, at an estimated investment cost of RM60 billion and is scheduled to come on stream by 2016-2017.

The developments in both the upstream and downstream sectors of the oil and gas industry are anticipated to spawn massive economic spin-offs for oil and gas support services. Opportunities for suppliers of marine paints and coatings are present in both greenfield and brownfield projects.

The consumption of industrial paints and coatings is expected to expand by a CAGR of 4.2% between 2012 and 2016, driven by increased industrial activities. High crude oil and natural gas prices are anticipated to stimulate more investments in the oil and gas industry.

(Source: An Overview on the Paints and Coatings Industry in Malaysia, Infobusiness)

7.2.2 Overview and prospects of architectural paints and coatings industry

Architectural paints and coatings are used extensively for decorative and protective purposes in the property development industry.

The property market in Malaysia is mainly driven by the residential property market segment. In 2011, the residential property market segment accounted for 62.7% of the number of property transaction in the country. The supply of residential units grew from 4,063,167 units in 2007 to 4,510,623 units in 2011, yielding a CAGR of 2.7% during the corresponding period.

As at the third quarter of 2012, Selangor accounted for the highest number of incoming supply of residential units and industrial units in the country, at 22.4% and 36.2%, respectively. For shopping complexes (in square metres), the federal territory of Kuala Lumpur recorded the highest incoming supply in the country, at 27.0%.

In the case of the planned supply of residential properties as at the third quarter of 2012, Johor accounted for the highest number of residential units and shopping complexes (in square metres) in the country, at 25.5% and 70.7%, respectively. In the case of industrial units, Negeri Sembilan registered the highest planned supply, at 21.8%.

Summary of incoming supply and planned supply of new property developments as at third quarter of 2012 are as follows:

	Incoming supply			**Planned supply**		
Location	**Residential (units)**	**Commercial (square metres)**	**Industrial (units)**	**Residential (units)**	**Commercial (square metres)**	**Industrial (units)**
Kuala Lumpur	41,844	363,212	70	22,945	49,936	0
Putrajaya	1,050	5,024	0	2,802	0	0
Labuan	335	0	0	92	0	0
Selangor	134,776	16,604	2,939	116,361	31,661	2,037
Johor	97,231	205,594	779	152,815	875,146	2,786
Penang	44,530	147,208	133	40,052	35,558	144
Perak	36,452	59,291	210	22,863	42,752	306
Negeri Sembilan	62,671	71,182	1,246	92,046	74,927	3,742
Melaka	16,306	36,746	263	21,050	49,234	2,036
Kedah	39,383	31,660	120	30,185	39,568	3,183
Pahang	29,372	6,074	589	47,410	31,301	519
Terengganu	22,466	0	39	19,664	0	338
Kelantan	14,228	4,320	64	6,380	7,161	148
Perlis	2,740	6,869	22	2,493	0	68
Sabah	38,782	146,326	1,067	12,318	0	800
Sarawak	20,541	243,667	576	8,834	0	1,101
Total	602,707	1,343,777	8,117	598,310	1,237,244	17,208

(Source: Valuation and Property Services Department, Ministry of Finance)

In the case of architectural paints and coatings, their demand is expected to expand alongside the on-going growth of the property market. Demand is generated from new property development projects as well as existing property owners who undertake refurbishment work on a periodic basis.

The consumption of architectural paints and coatings is anticipated to increase by a CAGR of 15.6% between 2012 and 2016, spurred by developments in the property development industry. Over the medium and long-term, buoyed by demographics and urbanisation, the residential property market segment is anticipated to experience healthy growth, which in turn will lead to the consumption of more architectural paints and coatings.

(Source: An Overview on the Paints and Coatings Industry in Malaysia, Infobusiness)

7.3 Prospects and future plans of our Group

Currently, our Group is mainly involved in the manufacturing and trading of plastic paints and coatings and architectural paints and coatings. However, the plastic paints and coatings segment of our Group, which is the main contributor to our revenue, has not been profitable for the past three (3) financial years due to decrease in the demand of plastic paints and coatings since the FYE 31 December 2009. As such, our Board intends to widen our Group's product range to include marine paints and coatings for the oil and gas industry and to expand our existing architectural paints and coatings for the property development industry in Malaysia to address our current financial performance.

(i) Marine paints and coatings

The demand for marine paints and coatings depends highly on the capital expenditure of oil and gas companies, the construction and commissioning of oilfield facilities, pipelines, gas processing plants and petrochemical plants as well as the maintenance of existing facilities by the oil and gas companies. As highlighted in Section 7.2.1 of this AP, the CAGR of the capital expenditure of the selected oil and gas companies in Malaysia from 2007 to 2011 ranges between 10.4% and 188.2% and this trend of capital expenditure is expected to continue *(Source: An Overview on the Paints and Coatings Industry in Malaysia, Infobusiness)*. Please refer to Section 7.2.1 of this AP on the prospects of oil and gas industry in Malaysia which the marine paints and coatings is highly dependent on.

Our Group is currently focusing on the R&D of marine paints and coatings for the oil and gas industry, which is developed, based on the technical specification of Petronas Tech and currently in the midst of submitting our marine paints and coating to SIRIM for qualification test. The qualification testing process is expected to take at least eight (8) months to complete.

Our Managing Director, namely Tan Fie Ping has about twenty (20) years of experience in the paints and coatings industry and is well-versed with the technical know-how on products compliance. As such, we are confident in obtaining the necessary approvals from SIRIM on our marine paints and coatings and recognised by Petronas Tech as the supplier for the marine paints and coatings to any contractor in the oil and gas industry in Malaysia. Our Board believes that we will be able to gain access into the marine paints and coatings market for the oil and gas industry in Malaysia if our Group is successfully certified as the supplier of marine paints and coatings. This in turn is expected to address and enhance our current financial position.

(ii) Architectural paints and coatings

Currently, our Group manufactures and supplies architectural paints and coatings to the property development industry.

Demand for architectural paints and coatings are expected to expand alongside with the on-going growth of the property market in Malaysia. Demand is generated from new property development projects as well as existing property owners who undertake refurbishment work on a periodic basis. Positive industry prospects are anticipated for the architectural paints and coatings market as over the medium and long-term, buoyed by demographics and urbanisation, the residential property market segment is expected to continue to experience healthy growth *(Source: An Overview on the Paints and Coatings Industry in Malaysia, Infobusiness).* Please refer to Section 7.2.2 of this AP on the prospects of property development industry in Malaysia which the architectural paints and coatings is highly dependent on.

As highlighted in Section 5 of this AP, the Interested Property Developers have expressed their interest to purchase our products for the use of their development and/or construction projects. However, the quantum of the purchase has not been determined at this juncture and will only be finalised upon the Interested Property Developers placing their orders with us. Our Board believes that we will be able to expand our architectural paints and coatings if our Group is successfully appointed by the Interested Property Developers as the supplier of architectural paints and coatings for their property projects. This in turn is expected to address and enhance our current financial position.

Due to the nature of the industry our Group operates in, we do not foresee that we will enter into any long-term contracts for our marine and architectural paints and coatings in the future and the orders for these products will be via purchase orders.

In addition to the above efforts taken to turnaround our Group, we had disposed of our non-performing foreign subsidiary company in China, namely Asset Capital Holdings Limited and had on 19 December 2012 entered into a share sale agreement to dispose our non-performing subsidiary company in Indonesia, namely PT Multi Square. On 16 November 2012, an application has been submitted to the Company Registrar, Singapore to strike-off Multi Square (S) Pte Ltd pursuant to Section 344 of the Companies Act (Cap 50) of Singapore. We will make the relevant announcement for the above in due course upon completion of the disposal of PT Multi Square and striking-off of Multi Square (S) Pte Ltd. In addition, we have ceased the trading and marketing of ferrous and non-ferrous metal commodities during the FYE 31 December 2012.

Our Board is of the opinion that the proceeds from the Rights Issue of Shares with Warrants will enhance the capital base of our Company. This is to ensure that our Group's future growth is not impeded by lack of funds in order to enable us to capitalise on the marine and architectural paints and coatings, which would in turn contribute to improve our sale and financial position.

Taking into account of the growth prospects of the oil and gas industry and property development industry in Malaysia and the current efforts undertaken by our Group, our Board is of the opinion that the prospects of our Group are expected to be positive in the future.

(Source: Our management)

8 EFFECTS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue of Shares with Warrants on the issued and paid-up share capital of our Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	RM ('000)	No. of Shares ('000)	RM ('000)
Issued and paid-up share capital as at the LPD	96,351	9,635	96,351	9,635
To be issued pursuant to the Rights Issue of Shares with Warrants	90,994	9,099	96,351	9,635
	187,345	18,734	192,702	19,270
To be issued upon full exercise of the Warrants	90,994	9,099	96,351	9,635
Enlarged issued and paid-up share capital	278,339	27,834	289,053	28,905

8.2 NA and gearing

The pro-forma effects of the Rights Issue of Shares with Warrants on the NA and gearing of our Group are as follows:

<u>Minimum Scenario</u>

	(Audited) As at 31 December 2011 (RM'000)	(I) After Special Bumiputera Issue* (RM'000)	(II) After (I) and the Disposal (RM'000)	(III) After (II) and Rights Issue of Shares with Warrants (RM'000)	(IV) After (III) and full exercise of the Warrants (RM'000)
Share capital	9,493	9,635	9,635	18,734	27,833
Share premium	3,538	3,751(1)	3,751	3,251(2)	10,531(5)
Translation reserve	(57)	(57)	(144)	(144)	(144)
Warrant reserve	-	-	-	10,919(3)	-
Other reserves	-	-	-	(10,919)	-
Accumulated losses	(3,280)	(3,280)	(3,029)	(3,029)	(3,029)
Shareholders' funds / NA	9,694	10,049	10,213	18,812	35,191
No. of Shares in issue ('000)	94,931	96,351	96,351	187,345	278,339
NA per Share (RM)	0.10	0.10	0.11	0.10	0.13
Total borrowings	6,555	6,555	6,555	4,055(4)	4,055
Gearing (time)	0.68	0.65	0.64	0.22	0.12

Maximum Scenario

	(Audited) As at 31 December 2011 (RM'000)	(I) After Special Bumiputera Issue* (RM'000)	(II) After (I) and the Disposal (RM'000)	(III) After (II) and Rights Issue of Shares with Warrants (RM'000)	(IV) After (III) and full exercise of the Warrants (RM'000)
Share capital	9,493	9,635	9,635	19,270	28,905
Share premium	3,538	3,751$^{(1)}$	3,751	3,251$^{(2)}$	10,959$^{(5)}$
Translation reserve	(57)	(57)	(144)	(144)	(144)
Warrant reserve	-	-	-	11,562$^{(3)}$	-
Other reserve				(11,562)	-
Accumulated losses	(3,280)	(3,280)	(3,029)	(3,029)	(3,029)
Shareholders' funds / NA	9,694	10,049	10,213	19,348	36,691
No. of Shares in issue ('000)	94,931	96,351	96,351	192,702	289,053
NA per Share (RM)	0.10	0.10	0.11	0.10	0.13
Total borrowings	6,555	6,555	6,555	4,055$^{(4)}$	4,055
Gearing (time)	0.68	0.65	0.64	0.21	0.11

Notes:

* *The issuance of 1,420,000 SerSol Shares pursuant to the Special Bumiputera Issue.*

(1) *After taking into consideration the share premium arising from the Special Bumiputera Issue.*

(2) *After deducting estimated expenses of RM500,000 for the Corporate Exercises.*

(3) *Arises from the issuance of the Warrants pursuant to the Rights Issue of Shares with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.12 each based on the Black Scholes option valuation model. The warrants reserve will be transferred to the other reserves account upon the exercise of the Warrants.*

(4) *After part repayment of bank borrowings of RM2.5 million.*

(5) *Based on the exercise price of RM0.18 per Warrant.*

8.3 Earnings and EPS

The Rights Issue of Shares with Warrants is not expected to have an immediate material effect on the consolidated earnings and our EPS for the FYE 31 December 2013 as the proceeds to be raised are expected to be utilised between six (6) months and eighteen (18) months from the date of the listing of the Rights Shares. However, it is expected to contribute positively to the future earnings of our Group when the benefits of the utilisation of proceeds are realised.

Our EPS shall be correspondingly diluted as a result of the increase in the number of SerSol Shares in issue pursuant to the issuance of the Rights Shares and the new SerSol Shares arising from the exercise of the Warrants in the future. The effect of any exercise of Warrants on our Company's consolidated EPS would be dependent on the returns generated by our Group from the utilisation of proceeds arising from the exercise of the Warrants.

9 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds from the Rights Issue of Shares with Warrants, cash in hand, funds generated from our operation and banking facilities available, our Group will have adequate working capital for the next twelve (12) months from the date of this AP.

9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of RM3.19 million, all of which are interest-bearing and from local financial institutions, details of which are as follows:

	Interest-bearing borrowing (RM'000)
Short term borrowings:	
Bank overdraft	820
Bankers acceptance	1,774
Long term borrowings:	
Hire purchase payables	352
Term loans	248
Total	**3,194**

There is no non-interest bearing and foreign currency denominated borrowings as at the LPD.

There was no default on payment of either interest or principal sums in respect of any borrowing, throughout the past one (1) FYE 31 December 2011, and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

Save as disclosed below, our Board is not aware of any contingent liability incurred or known to be incurred by our Company or our Group as at the LPD, which may have material impact on the financial position of our Group:

	Company Level	
	As at the LPD (RM'000)	As at 31 December 2011 (RM'000)
Corporate guarantees given to licensed banks for credit facilities granted to our subsidiary	11,090	11,490

9.4 Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by our Group which, upon becoming enforceable, may have material impact on our Group's financial position.

10 TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue of Shares with Warrants is governed by the terms and conditions as set out in this AP, the Deed Poll, the NPA and the RSF enclosed herewith.

11 FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and behalf of the Board of
SERSOL BERHAD
(formerly known as SerSol Technologies Berhad)

TAN FIE PING
Chairman and Managing Director

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CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 23 FEBRUARY 2013

SERSOL TECHNOLOGIES BERHAD
(Company No. 602062-X)
(Incorporated in Malaysia)

CERTIFIED EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD ON 23 FEBRUARY 2013

ORDINARY RESOLUTION 1
PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 96,351,000 NEW ORDINARY SHARES OF RM0.10 EACH IN SERSOL ("SERSOL SHARES") ("RIGHTS SHARES"), TOGETHER WITH UP TO 96,351,000 FREE DETACHABLE NEW WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) RIGHTS SHARE TOGETHER WITH ONE (1) WARRANT FOR EVERY ONE (1) EXISTING SERSOL SHARE HELD AT AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS")

RESOLVED:-

"**THAT** subject to the passing of Ordinary Resolution 10 and Special Resolution 1 being obtained, approval be and is hereby given for SerSol to undertake the Proposed Rights Issue of Shares with Warrants as follows:

(i) To issue and allot up to 96,351,000 Rights Shares to the shareholders of SerSol whose names appear on the Record of Depositors of SerSol as at the close of business on an entitlement date to be determined later ("**Entitled Shareholders**"), at an issue price to be determined later, on the basis of one (1) Rights Share for every one (1) existing SerSol Share held;

(ii) To issue and allot up to 96,351,000 Warrants to those Entitled Shareholders who have successfully applied for the Rights Shares on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the Entitled Shareholders;

(iii) To constitute the Warrants upon the terms and conditions of a deed poll to be executed by SerSol ("**Deed Poll**"), the salient terms of which are as set out in Appendix II of the Circular to Shareholders dated 21 January 2013 ("**Circular**");

(iv) To issue and allot such other additional Warrants as may be required or permitted to be issued as a result of any adjustment under the provisions of the Deed Poll;

(v) To issue and allot such number of new SerSol Shares arising from the exercise of the Warrants during the tenure of the Warrants;

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 23 FEBRUARY 2013 (*CONT'D*)

(vi) To utilise the proceeds to be derived from the Proposed Rights Issue of Shares with Warrants in the manner as set out in Section 3 of the Circular and the Board of Directors of SerSol ("**Board**") be and are hereby authorised to revise the utilisation of the proceeds as they may deem fit and in the interest of the Company; and

(vii) To enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll;

THAT the Board be and is hereby authorised to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Board in their absolute discretion;

THAT the Board be and is hereby entitled to deal with all or any of the fractional entitlement of the Rights Shares and Warrants arising from the Proposed Rights Issue of Shares with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner as the Board may in their absolute discretion deem fit and in the best interest of the Company;

AND THAT the Rights Shares and new SerSol Shares to be issued pursuant to the exercise of the Warrants, shall upon allotment and issue, rank pari passu in all respects with the then existing SerSol Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the Rights Shares and new SerSol Shares to be issued pursuant to the exercise of the Warrants (as the case may be);

AND FURTHER THAT the Board be and is hereby authorised with full power to do all acts, deeds and things, to enter into all such transactions and arrangements, to execute, sign and deliver on behalf of the Company, all such documents and/or agreements as they may deem necessary, expedient and/or appropriate to implement, finalise and give full effect to and complete the Proposed Rights Issue of Shares with Warrants and to make, assent to and/or to effect any modifications, variations and/or amendments in any manner as they may deem necessary and in the best interest of the Company or as may be required by the relevant authority/authorities to give effect to the Proposed Rights Issue of Shares with Warrants, and to take all such steps as they may deem necessary or expedient in the best interests of the Company to implement, finalise and give full effect to the Proposed Rights Issue of Shares with Warrants."

CERTIFIED TRUE COPY:-

Director	Director
Tan Fie Ping	Tan Fie Jen

23 FEB 2013

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 28 December 2002 as a public limited company and was listed on the then MESDAQ Market (now known as ACE Market) of Bursa Securities on 12 October 2004.

Our Company is principally an investment holding company while our Group engages in the manufacture, sale, and trading of coatings, thinners, industrial chemicals, and related products primarily in Malaysia and Thailand.

Further details of the principal activities of our subsidiary companies are set out in Section 6 of this Appendix.

2. SHARE CAPITAL

Our authorised and issued and paid-up share capital as at the LPD are as follows:

Type	No. of Shares	Par value RM	Total RM
Authorised share capital	500,000,000	0.10	50,000,000
Issued and fully paid-up capital	96,351,000	0.10	9,635,100

Details of the changes in our issued and paid-up share capital since for the past three (3) years up to the LPD are as follows:

Date of allotment	No. of Shares alloted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
31 January 2012	1,420,000	0.10	Cash (Special Bumiputera Issue)	9,635,100

3. BOARD DIRECTORS

Please refer to the Corporate Directory on page 1 of this AP for details of the age, professions, nationalities, designations and addresses of our Board.

4. DIRECTORS' SHAREHOLDINGS

The proforma effects of the Rights Issue of Shares with Warrants on the shareholdings of our Directors based on their shareholdings as at the LPD are as follows:

(i) **Minimum Scenario**

Name	As at the LPD				(I) After the Rights Issue of Shares with Warrants				(II) After (I) and full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%
Tan Fie Ping	-	-	41,131(1)	42.69	-	-	81,432(1)	43.47	-	-	121,733(1)	43.74
TFJ	373	0.39	40,301(2)	41.83	746	0.40	80,602(2)	43.03	1,118	0.40	120,903(2)	43.44
THC	5,000	5.19	-	-	52,320	27.93	-	-	99,640	35.80	-	-
Tan Lay Beng	-	-	-	-	-	-	-	-	-	-	-	-
OCL	3,000	3.11	-	-	6,000	3.20	-	-	9,000	3.23	-	-
Low Kim Leng	-	-	-	-	-	-	-	-	-	-	-	-
Seow Thiam Fatt	-	-	-	-	-	-	-	-	-	-	-	-

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INFORMATION ON OUR COMPANY (*CONT'D*)

(ii) **Maximum Scenario**

Name	As at the LPD				(I) After the Rights Issue of Shares with Warrants				(II) After (I) and full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%
Tan Fie Ping	-	-	41,131[(1)]	42.69	-	-	82,262[(1)]	42.69	-	-	123,393[(1)]	42.69
TFJ	373	0.39	40,301[(2)]	41.83	746	0.39	80,602[(2)]	41.83	1,118	0.39	120,903[(2)]	41.83
THC	5,000	5.19	-	-	10,000	5.19	-	-	15,000	5.19	-	-
Tan Lay Beng	-	-	-	-	-	-	-	-	-	-	-	-
OCL	3,000	3.11	-	-	6,000	3.11	-	-	9,000	3.11	-	-
Low Kim Leng	-	-	-	-	-	-	-	-	-	-	-	-
Seow Thiam Fatt	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

(1) Deemed interest by virtue of his spouse's shareholding in SerSol and his interests in SHSB and CSB pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of his interests in SHSB and CSB pursuant to Section 6A of the Act.

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5. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The proforma effects of the Rights Issue of Shares with Warrants on the shareholdings of our substantial shareholders based on their shareholdings as at the LPD are as follows:

(i) Minimum Scenario

Name	As at the LPD				(I) After the Rights Issue of Shares with Warrants				(II) After (I) and full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%
SHSB	30,001	31.14	-	-	60,002	32.03	-	-	90,003	32.34	-	-
CSB	10,300	10.69	-	-	20,600	11.00	-	-	30,900	11.10	-	-
THC	5,000	5.19	-	-	52,320	27.93	-	-	99,640	35.80	-	-
Tan Fie Ping	-	-	41,131[(1)]	42.69	-	-	81,432[(1)]	43.47	-	-	121,733[(1)]	43.74
TFJ	373	0.39	40,301[(2)]	41.83	746	0.40	80,602[(2)]	43.03	1,118	0.40	120,903[(2)]	43.44

(ii) Maximum Scenario

Name	As at the LPD				(I) After the Rights Issue of Shares with Warrants				(II) After (I) and full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%	No. of SerSol Shares ('000)	%
SHSB	30,001	31.14	-	-	60,002	31.14	-	-	90,003	31.14	-	-
CSB	10,300	10.69	-	-	20,600	10.69	-	-	30,900	10.69	-	-
THC	5,000	5.19	-	-	10,000	5.19	-	-	15,000	5.19	-	-
Tan Fie Ping	-	-	41,131[(1)]	42.69	-	-	82,262[(1)]	42.69	-	-	123,393[(1)]	42.69
TFJ	373	0.39	40,301[(2)]	41.83	746	0.39	80,602[(2)]	41.83	1,118	0.39	120,903[(2)]	41.83

Notes:

(1) Deemed interest by virtue of his spouse's shareholding in SerSol and his interests in SHSB and CSB pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of his interests in SHSB and CSB pursuant to Section 6A of the Act.

6. SUBSIDIARY AND ASSOCIATE COMPANIES

The details of our subsidiary companies as at the LPD are as follows:

Name	Date and place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest %
Multi Square Sdn Bhd	20/10/1992 Malaysia	Manufacture and sale of coatings, thinners and industrial chemicals	RM1,620,000	100
Multi Square (S) Pte. Ltd. (1)	07/02/2005 Singapore	Trading of coatings, thinners and related products	SGD100,000	100
PT Multi Square (2)	11/05/2005 Republic of Indonesia	Manufacture and sale of coatings, thinners and industrial chemicals	IDR3,792,000,000	60
Subsidiaries of Multi Square Sdn Bhd				
Deco Coatings Sdn Bhd	28/11/2006 Malaysia	Distribution of coating paints	RM250,000	100
Multi Square Coating (Thailand) Co. Ltd	16/01/2007 Thailand	Manufacture and sale of coatings, thinners and industrial chemicals	THB18,000,000	100

Notes:

(1) We have on 16 November 2012 submitted an application to the Company Registrar, Singapore to strike off Multi Square (S) Pte Ltd. The Strike-Off is expected to be completed upon receipt of notification for strike-off from the Company Registrar Singapore. Please refer to Section 2.6(i) of this AP for further information of the Strike-Off.

(2) We have on 19 December 2012 entered into a share sale agreement to dispose of PT Multi Square to Tuanku Muhammad Zumadilla Narukaya for a total consideration of RM1.00. The completion of the said disposal is expected to be within six (6) months from the date of the share sale agreement. Please refer to Section 2.6(ii) of this AP for further information of the said disposal.

We do not have any associate companies as at the LPD.

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7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements from the FYE 31 December 2009 to 31 December 2011 and the unaudited consolidated financial statements for the FYE 31 December 2012 are as follows:

	Audited FYE 31 December 2009	Audited FYE 31 December 2010 (Restated)	Audited FYE 31 December 2011	Unaudited FYE 31 December 2012
	RM'000	RM'000	RM'000	RM'000
Revenue	22,144	25,021	30,116	17,960
Gross profit	6,283	5,971	6,744	3,795
Other income	581	321	342	407
Share of results in an associate	1	33	61	(1)
Finance costs	(241)	(273)	(409)	(262)
EBITDA/(LBITDA)	721	(858)	(526)	(2,485)
Interest income	7	3	1	2
Interest expense	(177)	(205)	(336)	(217)
Depreciation and amortisation	(1,529)	(1,448)	(1,374)	(2,048)
LBT	(978)	(2,508)	(2,235)	(4,748)
Taxation	(370)	(5)	(163)	373
LAT	(1,348)	(2,513)	(2,398)	(4,375)
LAT attributable to:				
Owners of the Company	(828)	(1,940)	(1,554)	(4,424)
Non-controlling interests	(520)	(573)	(844)	49
	(1,348)	(2,513)	(2,398)	(4,375)
Gross profit margin (%)	28.37	23.86	22.39	21.13
LAT margin (%)	6.09	10.04	7.96	24.36
Basic net (loss) per Share (sen)	(0.87)	(2.04)	(1.64)	(4.60)
Diluted net (loss) per Share (sen)	(0.87)	(2.04)	(1.64)	(4.60)
Dividend	-	-	-	-

Commentaries on financial performance

FYE 31 December 2012 compared to FYE 31 December 2011

In the FYE 31 December 2012, our revenue decreased by approximately RM12.16 million or 40.36% from RM30.12 million in the FYE 31 December 2011 to RM17.96 million in the FYE 31 December 2012. This was due to the decrease in the revenue of our manufacturing division in view of lower demand for plastic paints and coatings.

Our gross profit margin decreased from 22.39% in the FYE 31 December 2011 to 21.13% in the FYE 31 December 2012.

Our Group recorded a LBT of RM4.75 million in the FYE 31 December 2012 as compared to RM2.24 million in the FYE 31 December 2011, representing an increase in the LBT of approximately RM2.51 million or 112.44% mainly due to additional depreciation expenses as a result of change in depreciation policy, write off of property, plant and equipment of RM0.61 million which no future economic benefits are expected from its usage, and additional expenses incurred in the cessation of metal trading division, striking off of our Singapore subsidiary, namely Multi Square (S) Pte Ltd and disposal of our Indonesia subsidiary, namely PT Multi Square.

FYE 31 December 2011 compared to FYE 31 December 2010

In the FYE 31 December 2011, our revenue increased by approximately RM5.09 million or 20.36% from RM25.02 million in the FYE 31 December 2010 to RM30.12 million in the FYE 31 December 2011. This was due to the increase in the sales of our coating products which contributed approximately 34% increase in revenue and the remaining 66% increase of revenue was generated from copper trading business.

Our gross profit margin decreased from 23.86% in the FYE 31 December 2010 to 22.39% in the FYE 31 December 2011 mainly due to the higher increase in raw material costs as compared to the increase in revenue.

Our Group recorded a LBT of RM2.24 million in the FYE 31 December 2011 as compared to RM2.51 million in the FYE 31 December 2010, representing a decrease in the LBT of approximately RM0.27 million due to the increase in sales of coating products and improved copper trading business in the FYE 31 December 2011. However, there is no significant improvement in our LBT in the FYE 31 December 2011 due to the impairment of property, plant and equipment of RM0.52 million of our 50% owned subsidiary in China.

FYE 31 December 2010 compared to FYE 31 December 2009

In the FYE 31 December 2010, our revenue increased by approximately RM2.88 million or 12.99% from RM22.14 million in the FYE 31 December 2009 to RM25.02 million in the FYE 31 December 2010 mainly due to the increase in the sales of our coating products in Malaysia.

Our gross profit margin decreased from 28.37% in the FYE 31 December 2009 to 23.86% in the FYE 31 December 2010 mainly due to the increase in raw material costs to produce our plastic coating products which increased our cost of sales correspondingly.

Our Group recorded a LBT of RM2.51 million in the FYE 31 December 2010 as compared to RM0.98 million in the FYE 31 December 2009, representing an increase in the LBT of approximately RM1.53 million or 156.44% mainly due to lower GP margin as well as the increase in selling and distribution expenses.

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8. HISTORICAL PRICES OF SERSOL SHARES

The monthly high and low traded market prices of SerSol Shares for the past twelve (12) months from March 2012 to February 2013 are as follows:

	High RM	Low RM
2012		
March	0.560	0.465
April	0.480	0.320
May	0.480	0.340
June	0.450	0.360
July	0.430	0.365
August	0.450	0.350
September	0.400	0.270
October	0.315	0.210
November	0.340	0.280
December	0.300	0.235
2013		
January	0.350	0.250
February	0.290	0.250

Last transacted market price on 8 November 2012 (being the last trading date prior to the announcement of the Rights Issue of Shares with Warrants) was RM0.295 each.

Last transacted market price of our Shares on 26 March 2013 (being the last day on which our Shares were traded prior to the ex-date of the Rights Issue of Shares with Warrants) was RM0.290 each.

Last transacted market price on 8 March 2013 (being the LPD prior to printing of this AP) was RM0.260 each.

(Source: Bloomberg Finance LP)

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UHY

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REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Prepared for inclusion in the Abridged Prospectus ("the Abridged Prospectus"))

Date: 18 March 2013

The Board of Directors
SerSol Berhad
(Formerly known as SerSol Technologies Berhad)
No 28 Jalan Canggih 1
Taman Perindustrian Cemerlang
81800 Ulu Tiram, Johor

Dear Sirs,

SERSOL BERHAD ("SERSOL")
(FORMERLY KNOWN AS SERSOL TECHNOLOGIES BERHAD)
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

We have reviewed the Proforma Consolidated Statements of Financial Position of SerSol and its subsidiaries (collectively referred to as "SerSol Group") as at 31 December 2011 together with the accompanying notes thereto, for which the Board of Directors of SerSol ("Board") is solely responsible as set out in the accompanying statements (which we have stamped for the purpose of identification) prepared for inclusion in the Abridged Prospectus of SerSol in relation to the renounceable rights issue of up to 96,351,000 new ordinary shares of RM0.10 each in SerSol ("SerSol Shares") ("Rights Shares"), together with up to 96,351,000 free detachable new warrants ("Warrants") on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing SerSol Share.

Responsibilities

It is the responsibility of the Board of Directors of SerSol to prepare the Proforma Consolidated Statements of Financial Position to reflect the effects of the Rights Issue of Shares with Warrants.

It is our responsibility to form an opinion, as to the proper compilation of the Proforma Consolidated Statements of Financial Position and to report that opinion to you.

In providing this opinion, we are not responsible in updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Statements of Financial Position, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

UHY

Basis of opinion

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000: Assurance Engagement Other Than Audits or Review of Historical Financial Information. The work that we performed for the purpose of making this letter, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information to the source documents, considering the evidence supporting the adjustments and discussing the Proforma Consolidated Statements of Financial Position with the Board and responsible officers of SerSol.

We planned and performed our work so as to obtain the information and explanation we considered necessary in order to provide us with reasonable assurance that the Proforma Consolidated Statements of Financial Position have been properly compiled on the basis stated in the accompanying notes using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the consolidated statement of financial position and the accounting policies of SerSol. Our work also involves assessing whether the adjustments made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position.

Opinion

In our opinion, the abovementioned Proforma Consolidated Statements of Financial Position together with the notes thereon (which are provided for illustrative purposes only):

(i) have been properly compiled on a basis of preparation as stated in the notes thereon; such basis is consistent with the accounting policies normally adopted by the SerSol Group;

(ii) the adjustments are appropriate for the purpose of the Proforma Consolidated Statements of Financial Position; and

(iii) the financial statements used in the preparation of the Proforma Consolidated Statements of Financial Position were prepared in accordance with Financial Reporting Standards issued by Malaysian Accounting Standards Board, and in manner consistent with both the format of the audited financial statements and the accounting policies of SerSol Group for the financial year ended 31 December 2011.

This report has been prepared for the information of the Board for the purpose of inclusion in the Abridged Prospectus of SerSol in respect of the Rights Issue of Shares with Warrants. As such, this report is not to be reproduced, referred to in any other document or used for any other purpose without our prior written consent.

Yours faithfully,

Uhy

UHY
Firm Number: AF 1411
Chartered Accountants

SERSOL BERHAD
(FORMERLY KNOWN AS SERSOL TECHNOLOGIES BERHAD)
(Incorporated in Malaysia)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Basis of Preparation and Consolidation

The Proforma Consolidated Statements of Financial Position have been prepared solely for illustrative purposes based on the accounting policies and bases which are consistent with those adopted in the preparation of the audited financial statements of the SerSol Group as at 31 December 2011 on the assumption that the following proposals as set out in Notes 1 and 2 had taken place on 31 December 2011.

Fair value of Warrants

The fair value of the Warrants is estimated using Black Scholes Model from Bloomberg Finance based on the following key assumption:

a) Exercise Price	RM0.18 per Warrant
b) Theoretical ex-rights price	RM0.18 per SerSol Share (based on 5-day volume weighted average market price up to and including 14 March 2013, of RM0.26)
c) Borrowing cost^	7.73%
d) Expected dividend yield	Nil
e) Tenure of Warrants	10 years
f) Expected share price volatility	101.89 % (SerSol determined the expected share price volatility based on 90 days volatility of the historical stock price of SerSol)

Based on the assumptions and basis described above and applying all the inputs into the Black Scholes Model, the fair value of the Warrant is assumed to approximately RM0.12 per Warrant for the purpose of the proforma consolidated statements of financial position as at 31 December 2011.

Note:

^ *Based on average bank borrowings interest rates of Sersol Group*

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

1. Maximum Scenario

Special Bumiputera Issue

Incorporated the effect of the special Bumiputera issue to facilitate the compliance with the Bumiputera Equity Condition ("Special Bumiputera Issue") of 1,420,000 number of shares at the issue price of RM0.25 per Share, into SerSol's existing issued and paid-up share capital thus increasing the share capital from RM9,493,100 comprising 94,931,000 Shares to RM9,635,100 comprising 96,351,000 Shares. The Special Bumiputera Issue was completed on 31 January 2012.

Disposal of Subsidiary

Incorporated the effect of the disposal of the entire shareholdings in Asset Capital Holdings Limited comprises of 1,328,000 shares of HKD1.00 each to Ever Bright Printing Machine Factory Limited and Mr. Lim Wei Hsien for a total cash consideration of HKD1.00 and RM1.00. The disposal was completed on 18 July 2012.

1.1 Proforma I

Rights Issue of Shares with Warrants

Proforma I incorporated the renounceable rights issue of 96,351,000 Rights Shares together with Warrants on the basis of one (1) Rights Share with one (1) free detachable Warrant for every one (1) existing Share held in SerSol, at an issue price of RM0.10 per Rights Share.

It is also assumed that the fair value of Warrants is RM0.12 per Warrant. The actual quantum of Warrants Reserve only will be determined upon issuance of the Warrants. As such, the actual quantum may differ from the indicative fair value of Warrants.

The fair value recognised in reserves would be as follows:

Total Warrants (no. of Warrants)	96,351,000
Fair value per Warrant (RM)	0.12
Total fair value (RM)	11,562,120

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

1.1 Proforma I (Cont'd)

The proceeds arising from the Rights Issue of Shares with Warrants are proposed to be utilised as follows:

	RM'000
Research and development ("R&D")[(1)]	900
Repayment of bank borrowings	2,500
Purchase of plant and machinery	500
Working capital [(2)]	5,235
Defraying estimated expenses [(3)]	500
	9,635

Notes:

(1) The breakdown of the R&D are as follow:

	RM'000
Product verification test costs	318
Technical service cost	225
R&D staff cost	185
Purchase of raw material for R&D	70
Purchase of testing equipment	102
	900

(2) For illustrative purposes, the working capital is included in cash and bank balances when received.

(3) For illustrative purposes, the defraying estimated expenses relating to Corporate Exercises are estimated to be RM0.50 million will be set off against the share premium account.

1.2 Proforma II

After Proforma I and Full Exercise of Warrants

Proforma II incorporated the effect of Proforma I and the full exercise of Warrants at an exercise price of RM0.18 into 96,351,000 new Shares in SerSol.

The quantum of proceed to be received by the Company pursuant to the Warrants would depend upon the actual number of warrant exercised. Such proceeds shall be utlised for working capital and/or repayment of bank borrowing (if any) of the Sersol Group. For illustration purposes, the proceed will retained as cash and cash equivalents.

STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF1411)

SERSOL BERHAD
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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

The movements of the issued and paid-up share capital, share premium and reserves of SerSol are as follows:

Maximum Scenario	Share capital RM	Share premium RM	Foreign exchange translation reserves RM	Warrants reserves RM	Other reserves RM	Accumulated losses RM
As at 31 December 2011	9,493,100	3,538,387	(57,299)	-	-	(3,280,403)
Special Bumiputera Issue	142,000	213,000	-	-	-	-
	9,635,100	3,751,387	(57,299)	-	-	(3,280,403)
Disposal of subsidiary	-	-	(86,357)	-	-	250,635
	9,635,100	3,751,387	(143,656)	-	-	(3,029,768)
Rights Issue of Shares with Warrants	9,635,100	(500,000)	-	11,562,120	(11,562,120)	-
Proforma I	19,270,200	3,251,387	(143,656)	11,562,120	(11,562,120)	(3,029,768)
Full Exercise of Warrants	9,635,100	7,708,080	-	(11,562,120)	11,562,120	-
Proforma II	28,905,300	10,959,467	(143,656)	-	-	(3,029,768)

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UHY CHARTERED ACCOUNTANTS (AF1411)

SERSOL BERHAD
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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

2. **Minimum Scenario**

Special Bumiputera Issue

Incorporated the effect of special Bumiputera issue to facilitate the compliance with the Bumiputera Equity Condition ("Special Bumiputera Issue") of 1,420,000 number of shares at the issue price of RM0.25 per Share, into SerSol's existing issued and paid-up share capital thus increasing the share capital from RM9,493,100 comprising 94,931,000 shares to RM9,635,100 comprising 96,351,000 shares. The Special Bumiputera Issue was completed on 31 January 2012.

Disposal of Subsidiary

Incorporated the effect of the disposal of the entire shareholdings in Asset Capital Holdings Limited comprises of 1,328,000 shares of HKD1.00 each to Ever Bright Printing Machine Factory Limited and Mr. Lim Wei Hsien for a total cash consideration of HKD1.00 and RM1.00. The disposal was completed on 18 July 2012.

2.1 **Proforma I**

Rights Issue of Shares with Warrants

Proforma I incorporated the renounceable rights issue of 90,994,000 Rights Shares together with Warrants on the basis of one (1) Rights Share with one (1) free detachable Warrant for every one (1) existing Share held in SerSol, at an issue price of RM0.10 per Rights Share.

It is also assumed that the fair value of Warrants is RM0.12 per Warrant. The actual quantum of Warrants Reserve only will be determined upon issuance of the Warrants. As such, the actual quantum may differ from the indicative fair value of Warrants.

The fair value recognised in reserves would be as follows:

Total Warrants (no. of Warrants)	90,994,000
Fair value per Warrant (RM)	0.12
Total fair value (RM)	10,919,280

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

2.1 Proforma I (Cont'd)

The proceeds arising from the Rights Issue of Shares with Warrants are proposed to be utilised as follows:

	RM'000
Research and development ("R&D")(1)	900
Repayment of bank borrowings	2,500
Purchase of plant and machinery	500
Working capital (2)	4,699
Defraying estimated expenses (3)	500
	9,099

Note:

(1) The breakdown of the R&D are as follow:

	RM'000
Product verification test cost	318
Technical service cost	225
R&D staff cost	185
Purchase of raw material	70
Purchase of testing equipment	102
	900

(2) For illustrative purposes, the working capital is included in cash and bank balances when received.

(3) For illustrative purposes, the defraying estimated expenses relating to Corporate Exercises are estimated to be RM0.50 million will be set off against the share premium account.

2.2 Proforma II

After Proforma I and Full Exercise of Warrants

Proforma II incorporated the effect of Proforma I and the full exercise of Warrants at an exercise price of RM0.18 into 90,994,000 new Shares in SerSol.

The quantum of proceed to be received by the Company pursuant to the Warrants would depend upon the actual number of warrant exercised. Such proceeds shall be utilised for working capital and/or repayment of bank borrowing (if any) of the Sersol Group. For illustration purposes, the proceed will retained as cash and cash equivalents.

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UHY CHARTERED ACCOUNTANTS (AF1411)

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

The movements of the issued and paid-up share capital, share premium and reserves of SerSol are as follows:

Minimum Scenario	Share capital RM	Share premium RM	Foreign exchange translation reserves RM	Warrants reserves RM	Other reserves RM	Accumulated losses RM
As at 31 December 2011	9,493,100	3,538,387	(57,299)	-	-	(3,280,403)
Special Bumiputera Issue	142,000	213,000	-	-	-	-
	9,635,100	3,751,387	(57,299)	-	-	(3,280,403)
Disposal of subsidiary	-	-	(86,357)	-	-	250,635
	9,635,100	3,751,387	(143,656)	-	-	(3,029,768)
Rights Issue of Shares with Warrants	9,099,400	(500,000)	-	10,919,280	(10,919,280)	-
Proforma I	18,734,500	3,251,387	(143,656)	10,919,280	(10,919,280)	(3,029,768)
Full Exercise of Warrants	9,099,400	7,279,520	-	(10,919,280)	10,919,280	-
Proforma II	27,833,900	10,530,907	(143,656)	-	-	(3,029,768)

STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY
CHARTERED ACCOUNTANTS
(AF1411)

SERSOL BERHAD
(FORMERLY KNOWN AS SERSOL TECHNOLOGIES BERHAD)
(Incorporated in Malaysia)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

3. **Development Expenditure**

	Maximum Scenario RM	Minimum Scenario RM
As at 31 December 2011 (Audited)	132,414	132,414
Rights Issue of Shares with Warrants	900,000	900,000
As per Proforma I and II	1,032,414	1,032,414

4. **Cash and Bank Balances**

	Maximum Scenario RM	Minimum Scenario RM
As at 31 December 2011 (Audited)	1,270,441	1,270,441
Special Bumiputera Issue	355,000	355,000
	1,625,441	1,625,441
Disposal of subsidiary	(320,564)	(320,564)
	1,304,877	1,304,877
Proceeds from Rights Issue of Shares with Warrants	9,635,100	9,099,400
Utilisation of proceeds from the Rights Issue of Shares with Warrants:		
Purchase of plant and machinery	(500,000)	(500,000)
Research and development expenditure	(900,000)	(900,000)
Repayment of bank borrowings	(2,500,000)	(2,500,000)
Estimated expenses related to the Corporate Exercises	(500,000)	(500,000)
As per Proforma I	6,539,977	6,004,277
Full Exercise of Warrants	17,343,180	16,378,920
As per Proforma II	23,883,157	22,383,197

For illustrative purposes, the proceeds for working capital is included in cash and bank balances when received.

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

5. **Loan and Borrowings**

	Maximum Scenario RM	Minimum Scenario RM
As at 31 December 2011 (Audited):		
Non-current portion	870,908	870,908
Current portion	4,188,176	4,188,176
Repayment of loan and borrowings from utilisation of proceeds from the Rights Issue of Shares with Warrants	(2,500,000)	(2,500,000)
As per Proforma I and II	1,688,176	1,688,176

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2011 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON *(CONT'D)*

SerSol Berhad ("SERSOL")
(Formerly known as SerSol Technologies Berhad)
Proforma Consolidated Statement of Financial Position as at 31 December 2011

The Proforma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the proforma consolidated statements of financial position of the SerSol Group as at 31 December 2011 and also based on the assumptions that the following events had been effected on that date.

MINIMUM SCENARIO	Note	Sersol Group Level 31 December 2011 RM	After Special Bumiputera Issue Adjustment RM	After Disposal of Subsidiary RM	Proforma I After Rights Issue of Shares with Warrants RM	Proforma II After full exercise of Warrants RM
NON-CURRENT ASSETS						
Property, plant and equipment		6,788,596	6,788,596	6,808,460	7,308,460	7,308,460
Investment in associate company		257,453	257,453	257,453	257,453	257,453
Development expenditure	3	132,414	132,414	132,414	1,032,414	1,032,414
		7,178,463	7,178,463	7,198,327	8,598,327	8,598,327
CURRENT ASSETS						
Property, plant and equipment		99,759	99,759	-	-	-
Inventories		4,475,582	4,475,582	4,113,257	4,113,257	4,113,257
Trade receivables		6,605,312	6,605,312	6,595,258	6,595,258	6,595,258
Other receivables		1,158,773	1,158,773	1,176,526	1,176,526	1,176,526
Amount owing by an associate company		58,527	58,527	58,527	58,527	58,527
Tax recoverable		58,924	58,924	58,924	58,924	58,924
Marketable securities		183,662	183,662	183,662	183,662	183,662
Cash and bank balances	4	1,270,441	1,625,441	1,304,877	6,004,277	22,383,197
		13,910,980	14,265,980	13,491,031	18,190,431	34,569,351
		21,089,443	21,444,443	20,689,358	26,788,758	43,167,678
EQUITY						
Share capital		9,493,100	9,635,100	9,635,100	18,734,500	27,833,900
Share premium		3,538,387	3,751,387	3,751,387	3,251,387 *	10,530,907
Foreign exchange translation reserve		(57,299)	(57,299)	(143,656)	(143,656)	(143,656)
Warrant reserves		-	-	-	10,919,280	-
Other reserves		-	-	-	(10,919,280)	-
Accumulated losses		(3,280,403)	(3,280,403)	(3,029,768)	(3,029,768)	(3,029,768)
		9,693,785	10,048,785	10,213,063	18,812,463	35,191,383
Minority interest		(289,164)	(289,164)	108,543	108,543	108,543
		9,404,621	9,759,621	10,321,606	18,921,006	35,299,926
NON-CURRENT LIABILTIES						
Loan and borrowings	5	870,908	870,908	870,908	870,908	870,908
Deferred tax liabilities		490,320	490,320	490,320	490,320	490,320
		1,361,228	1,361,228	1,361,228	1,361,228	1,361,228
CURRENT LIABILTIES						
Trade payables		3,412,975	3,412,975	2,629,205	2,629,205	2,629,205
Other payables		1,225,022	1,225,022	691,722	691,722	691,722
Amount owing to an associate company		1,112	1,112	1,112	1,112	1,112
Short term borrowings	5	4,188,176	4,188,176	4,188,176	1,688,176	1,688,176
Bank overdrafts		1,496,309	1,496,309	1,496,309	1,496,309	1,496,309
		10,323,594	10,323,594	9,006,524	6,506,524	6,506,524
		21,089,443	21,444,443	20,689,358	26,788,758	43,167,678
		-	-	-	-	-
No of shares		94,931,000 @ RM0.10 per share	96,351,000 @ RM0.10 per share	96,351,000 @ RM0.10 per share	187,345,000 @ RM0.10 per share	278,339,000 @ RM0.10 per share
Net assets		9,693,785	10,048,785	10,213,063	18,812,463	35,191,383
NA per share (RM)		0.10	0.10	0.11	0.10	0.13
Borrowings		6,555,393	6,555,393	6,555,393	4,055,393	4,055,393
Gearing (times)		0.68	0.65	0.64	0.22	0.12

* After deducting estimated expenses in relation to the Corporate Exercises of RM500,000.

STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF1411)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2011 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON *(CONT'D)*

SerSol Berhad ("SERSOL")
(Formerly known as SerSol Technologies Berhad)
Proforma Consolidated Statement of Financial Position as at 31 December 2011

The Proforma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the proforma consolidated statements of financial position of the SerSol Group as at 31 December 2011 and also based on the assumptions that the following events had been effected on that date.

MAXIMUM SCENARIO	Note	Sersol Group Level 31 December 2011 RM	After Special Bumiputera Issue Adjustment RM	After Disposal of Subsidiary RM	Proforma I After Rights Issue of Shares with Warrants RM	Proforma II After full exercise of Warrants RM
NON-CURRENT ASSETS						
Property, plant and equipment		6,788,596	6,788,596	6,808,460	7,308,460	7,308,460
Investment in associate company		257,453	257,453	257,453	257,453	257,453
Development expenditure	3	132,414	132,414	132,414	1,032,414	1,032,414
		7,178,463	7,178,463	7,198,327	8,598,327	8,598,327
CURRENT ASSETS						
Property, plant and equipment		99,759	99,759	-	-	-
Inventories		4,475,582	4,475,582	4,113,257	4,113,257	4,113,257
Trade receivables		6,605,312	6,605,312	6,595,258	6,595,258	6,595,258
Other receivables		1,158,773	1,158,773	1,176,526	1,176,526	1,176,526
Amount owing by an associate company		58,527	58,527	58,527	58,527	58,527
Tax recoverable		58,924	58,924	58,924	58,924	58,924
Marketable securities		183,662	183,662	183,662	183,662	183,662
Cash and bank balances	4	1,270,441	1,625,441	1,304,877	6,539,977	23,883,157
		13,910,980	14,265,980	13,491,031	18,726,131	36,069,311
		21,089,443	21,444,443	20,689,358	27,324,458	44,667,638
EQUITY						
Share capital		9,493,100	9,635,100	9,635,100	19,270,200	28,905,300
Share premium		3,538,387	3,751,387	3,751,387	3,251,387 *	10,959,467
Foreign exchange translation reserve		(57,299)	(57,299)	(143,656)	(143,656)	(143,656)
Warrant reserves		-	-	-	11,562,120	-
Other reserves		-	-	-	(11,562,120)	-
Accumulated losses		(3,280,403)	(3,280,403)	(3,029,768)	(3,029,768)	(3,029,768)
		9,693,785	10,048,785	10,213,063	19,348,163	36,691,343
Minority interest		(289,164)	(289,164)	108,543	108,543	108,543
		9,404,621	9,759,621	10,321,606	19,456,706	36,799,886
NON-CURRENT LIABILTIES						
Loan and borrowings	5	870,908	870,908	870,908	870,908	870,908
Deferred tax liabilities		490,320	490,320	490,320	490,320	490,320
		1,361,228	1,361,228	1,361,228	1,361,228	1,361,228
CURRENT LIABILTIES						
Trade payables		3,412,975	3,412,975	2,629,205	2,629,205	2,629,205
Other payables		1,225,022	1,225,022	691,722	691,722	691,722
Amount owing to an associate company		1,112	1,112	1,112	1,112	1,112
Short term borrowings	5	4,188,176	4,188,176	4,188,176	1,688,176	1,688,176
Bank overdrafts		1,496,309	1,496,309	1,496,309	1,496,309	1,496,309
		10,323,594	10,323,594	9,006,524	6,506,524	6,506,524
		21,089,443	21,444,443	20,689,358	27,324,458	44,667,638
		-	-	-	-	-
No of shares		94,931,000 @ RM0.10 per share	96,351,000 @ RM0.10 per share	96,351,000 @ RM0.10 per share	192,702,000 @ RM0.10 per share	289,053,000 @ RM0.10 per share
Net assets		9,693,785	10,048,785	10,213,063	19,348,163	36,691,343
NA per share (RM)		0.10	0.10	0.11	0.10	0.13
Borrowings		6,555,393	6,555,393	6,555,393	4,055,393	4,055,393
Gearing (times)		0.68	0.65	0.64	0.21	0.11

* After deducting estimated expenses in relation to the Corporate Exercises of RM500,000.

STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF1411)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2011 TOGETHER WITH THE AUDITORS' REPORT THEREON

CERTIFIED TRUE COPY

....

WONG TAK MUN
Partner
Crowe Horwath AF 1018
Chartered Accountants

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

FINANCIAL REPORT
for the financial year ended 31 December 2011

CONTENTS

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

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 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 6 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 tax for the financial year	(2,398,252)	(1,405,173)
Attributable to:-		
Owners of the Company	(1,554,426)	(1,405,173)
Non-controlling interests	(843,826)	-
	(2,398,252)	(1,405,173)

DIVIDENDS

No dividend was paid since the end of the previous financial year and 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 statements of changes in equity.

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

DIRECTORS' REPORT

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share 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 impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment losses on receivables had been made.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the making of additional allowance for impairment losses on receivables 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 value 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 is disclosed in Note 37 to the financial statements. At the date of this report, there does not exist:-

(i) 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

(ii) 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 other than the effects arising from the cash embezzlement fraud which occurred in the Group's China subsidiary the effects of which is discussed in Note 40.

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

HOLDING COMPANY

The holding company is Sersol Holdings Sdn. Bhd., a company incorporated in Malaysia.

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

DIRECTORS' REPORT

DIRECTORS

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

AZAHAR BIN BAHARUDIN
TAN FIE JEN
TAN FIE PING
TAN LAY BENG
WINSTON PAUL WONG CHI HUANG
LAU LEE CHENG
TOH HONG CHYE (APPOINTED ON 1 MARCH 2012)

Pursuant to Article 101 of the Articles of Association of the Company, Azahar Bin Baharudin and Winston Paul Wong Chi Huang will retire by rotation at the forthcoming annual general meeting and, have indicated their intention not to seek re-election.

Pursuant to Article 106 of the Articles of Association of the Company, Toh Hong Chye retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself 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			
THE COMPANY	AT 1.1.2011	BOUGHT	SOLD	AT 31.12.2011
Direct Interests				
TAN FIE JEN	372,824	-	-	372,824
TAN FIE PING	547,448	-	-	547,448
Indirect Interests				
TAN FIE JEN	50,328,949	-	-	50,328,949
TAN FIE PING	50,328,949	-	-	50,328,949

	NUMBER OF ORDINARY SHARES OF RM1.00 EACH			
HOLDING COMPANY ***SERSOL HOLDINGS SDN. BHD.***	AT 1.1.2011	BOUGHT	SOLD	AT 31.12.2011
Direct Interests				
TAN FIE JEN	725	-	-	725
TAN FIE PING	1,195	-	-	1,195

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

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

None of the other directors holding office at the end of financial year had any interests in shares in the Company or its related corporations during the financial year.

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.

Neither during nor at the end of the financial year was the Group or 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. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 21 APR 2012

Tan Fie Jen

Tan Fie Ping

SERSOL TECHNOLOGIES BERHAD
(Incorporated in Malaysia)
Company No : 602062-X

STATEMENT BY DIRECTORS

We, Tan Fie Jen and Tan Fie Ping, being two of the directors of SerSol Technologies Berhad, state that, in the opinion of the directors, the financial statements set out on pages 10 to 89 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2011 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 21 APR 2012

Tan Fie Jen **Tan Fie Ping**

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 10 to 89 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 Declaration 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 21 APR 2012

PESURUHJAYA SUMPAH
No. J 204
MOHDZAR BIN KHALID
P.L.P., P.I.S.,
MALAYSIA

Before me

Tan Fie Ping

No. 89, Jalan Trus,
80000 Johor Bahru

Crowe Horwath™

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

Report on the Financial Statements

We have audited the financial statements of SerSol Technologies Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 89.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath™

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERSOL TECHNOLOGIES BERHAD (CONT'D)

(Incorporated in Malaysia)
Company No : 602062-X

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) 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 purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 39 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Crowe Horwath™

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERSOL TECHNOLOGIES BERHAD (CONT'D)

(Incorporated in Malaysia)
Company No : 602062-X

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No.: AF 1018
Chartered Accountants

Wong Tak Mun
Approval No: 1793/09/12 (J)
Chartered Accountant

21 APR 2012

Johor Bahru

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

CERTIFIED TRUE COPY

WONG TAK MUN
Partner
Crowe Horwath AF 1018
Chartered Accountants

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2011

		THE GROUP		THE COMPANY	
	NOTE	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	7,371,705	8,515,557
Investment in an associate	7	257,453	196,572	150,000	150,000
Property, plant and equipment	8	6,788,596	7,733,769	148,990	161,337
Amount owing by subsidiaries	14	-	-	705,161	1,239,587
Goodwill on consolidation	9	-	-	-	-
Development expenditures	10	132,414	296,818	-	-
		7,178,463	8,227,159	8,375,856	10,066,481
CURRENT ASSETS					
Property, plant and equipment	8	99,759	-	-	-
Inventories	11	4,475,582	4,515,074	-	-
Trade receivables	12	6,605,312	7,175,977	-	-
Other receivables, deposits and prepayments	13	1,158,773	1,232,038	1,000	5,918
Amount owing by subsidiaries	14	-	-	1,237,744	832,569
Amount owing by an associate	15	58,527	237,529	-	-
Tax recoverable		58,924	93,485	32,432	32,432
Marketable securities	16	183,662	421,573	29,570	59,557
Cash and bank balances		1,270,441	1,050,900	21,015	192,563
		13,910,980	14,726,576	1,321,761	1,123,039
TOTAL ASSETS		21,089,443	22,953,735	9,697,617	11,189,520

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

CERTIFIED TRUE COPY

WONG TAK MUN
Partner
Crowe Horwath AF 1018
Chartered Accountants

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2011 (CONT'D)

	NOTE	THE GROUP 2011 RM	THE GROUP 2010 RM (Restated)	THE COMPANY 2011 RM	THE COMPANY 2010 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	9,493,100	9,493,100	9,493,100	9,493,100
Reserves	18	200,685	1,778,157	111,430	1,592,159
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		9,693,785	11,271,257	9,604,530	11,085,259
NON CONTROLLING INTERESTS		(289,164)	578,389	-	-
TOTAL EQUITY		9,404,621	11,849,646	9,604,530	11,085,259
NON-CURRENT LIABILITIES					
Long term borrowings	19	870,908	774,918	-	-
Deferred tax liabilities	20	490,320	543,286	-	-
		1,361,228	1,318,204	-	-
CURRENT LIABILITIES					
Trade payables	21	3,412,975	4,306,034	-	-
Other payables and accruals	22	1,225,022	1,298,039	93,087	104,261
Amount owing to an associate	23	1,112	274,416	-	-
Short term borrowings	24	4,188,176	3,443,420	-	-
Bank overdrafts	27	1,496,309	463,976	-	-
		10,323,594	9,785,885	93,087	104,261
TOTAL LIABILITIES		11,684,822	11,104,089	93,087	104,261
TOTAL EQUITY AND LIABILITIES		21,089,443	22,953,735	9,697,617	11,189,520

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
Company No : 602062-X

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WONG TAK MUN
Partner
Crowe Horwath AF 1018
Chartered Accountants

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		THE GROUP		THE COMPANY	
	NOTE	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
REVENUE	28	30,115,879	25,020,929	1,079,940	494,343
COST OF SALES		(23,372,075)	(19,049,932)	-	-
GROSS PROFIT		6,743,804	5,970,997	1,079,940	494,343
OTHER INCOME		341,737	320,674	-	7,105
ADMINISTRATIVE AND GENERAL EXPENSES		(4,326,026)	(4,696,087)	(1,336,861)	(1,212,987)
SELLING AND DISTRIBUTION EXPENSES		(3,574,468)	(3,579,167)	-	-
SHARE OF RESULTS IN AN ASSOCIATE		60,881	32,605	-	-
FINANCE COSTS		(409,266)	(273,442)	(412)	(879)
OTHER OPERATING EXPENSES		(1,071,853)	(283,900)	(1,223,396)	(499,237)
LOSS BEFORE TAX	29	(2,235,191)	(2,508,320)	(1,480,729)	(1,211,655)
TAX EXPENSE	30	(163,061)	(5,078)	-	-
LOSS AFTER TAX		(2,398,252)	(2,513,398)	(1,480,729)	(1,211,655)
OTHER COMPREHENSIVE EXPENSES, NET OF TAX - Foreign currency translation		(46,773)	(203,648)	-	-
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL YEAR		(2,445,025)	(2,717,046)	(1,480,729)	(1,211,655)

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

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STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

		THE GROUP		THE COMPANY	
	NOTE	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
LOSS AFTER TAX ATTRIBUTABLE TO:-					
Owners of the Company		(1,554,426)	(1,940,180)	(1,480,729)	(1,211,655)
Non-controlling interests		(843,826)	(573,218)	-	-
		(2,398,252)	(2,513,398)	(1,480,729)	(1,211,655)
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:-					
Owners of the Company		(1,577,472)	(2,044,409)	(1,480,729)	(1,211,655)
Non-controlling interests		(867,553)	(672,637)	-	-
		(2,445,025)	(2,717,046)	(1,480,729)	(1,211,655)
LOSS PER SHARE (SEN)					
- basic	31	(1.64)	(2.04)		
- diluted	31	(1.64)	(2.04)		

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

			Non-Distributable		Distributable			
THE GROUP	NOTE	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Retained Profits/ (Accumulated Losses) RM	Attributable to Owners of the Company RM	Non-Controlling Interests RM	Total Equity RM
At 1.1.2010								
As per previously reported		9,493,100	3,538,387	69,976	541,603	13,643,066	1,578,430	15,221,496
Prior year adjustment	40	-	-	-	(327,400)	(327,400)	(327,404)	(654,804)
Restated balance as at 1.1.2010		9,493,100	3,538,387	69,976	214,203	13,315,666	1,251,026	14,566,692
Loss after taxation for the financial year		-	-	-	(1,884,456)	(1,884,456)	(517,497)	(2,401,953)
Other comprehensive expenses for the financial year, net of tax - Foreign currency translation		-	-	(135,247)	-	(135,247)	(99,418)	(234,665)
Total comprehensive expenses for the financial year as previous reported		-	-	(135,247)	(1,884,456)	(2,019,703)	(616,915)	(2,636,618)
Prior year adjustment	40	-	-	31,018	(55,724)	(24,706)	(55,722)	(80,428)
Restated balance at 31.12.2010		9,493,100	3,538,387	(34,253)	(1,725,977)	11,271,257	578,389	11,849,646

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Non-Distributable		Distributable			
THE GROUP	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Retained Profits/ (Accumulated Losses) RM	Attributable to Owners of the Company RM	Non-Controlling Interests RM	Total Equity RM
Restated balance at 31.12.2010/1.1.2011	9,493,100	3,538,387	(34,253)	(1,725,977)	11,271,257	578,389	11,849,646
Loss after taxation for the financial year	-	-	-	(1,554,426)	(1,554,426)	(843,826)	(2,398,252)
Other comprehensive expenses for the financial year, net of tax							
- Foreign currency translation	-	-	(23,046)	-	(23,046)	(23,727)	(46,773)
Total comprehensive expenses for the financial year	-	-	(23,046)	(1,554,426)	(1,577,472)	(867,553)	(2,445,025)
Balance at 31.12.2011	9,493,100	3,538,387	(57,299)	(3,280,403)	9,693,785	(289,164)	9,404,621

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

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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

		Non-Distributable	Distributable	
THE COMPANY	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
Balance at 1.1.2010	9,493,100	3,538,387	(734,573)	12,296,914
Total comprehensive expenses for the financial year	-	-	(1,211,655)	(1,211,655)
Balance at 31.12.2010/1.1.2011	9,493,100	3,538,387	(1,946,228)	11,085,259
Total comprehensive expenses for the financial year	-	-	(1,480,729)	(1,480,729)
Balance at 31.12.2011	9,493,100	3,538,387	(3,426,957)	9,604,530

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STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	NOTE	THE GROUP 2011 RM	THE GROUP 2010 RM (Restated)	THE COMPANY 2011 RM	THE COMPANY 2010 RM
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Loss before tax		(2,235,191)	(2,508,320)	(1,480,729)	(1,211,655)
Adjustments for:-					
Allowance for impairment losses on receivables		33,191	5,290	-	-
Allowance for impairment losses on amount owing by related companies		-	-	49,557	-
Amortisation of development expenditure		164,404	214,515	-	-
Bad debts recovered		(8,565)	(579)	-	-
Bad debts written off		17,104	59,759	-	-
Deposit forfeited		-	(2,000)	-	-
Depreciation of property, plant and equipment		1,210,050	1,233,128	20,347	19,356
Dividend income		(8,033)	(13,814)	-	-
Fair value loss on marketable securities		54,587	5,639	29,987	20,649
Loss/(Gain) on disposal of marketable securities		28,189	(37,171)	-	406
Gain on disposal of plant and equipment		(69,201)	(38,798)	-	-
Impairment of goodwill		-	166,392	-	-
Impairment of investment in a subsidiary		-	-	1,143,852	478,588
Impairment of plant and equipment		522,417	-	-	-
Interest expenses		336,399	204,904	-	-
Interest income		(1,155)	(3,346)	(225,574)	-
Inventory written down		245,103	-	-	-
(Gain)/Loss on foreign exchange - unrealised		(97,680)	97,649	5,360	-
Plant and equipment written off		37,118	423	-	-
Reversal of obsolete stocks		-	(14,862)	-	-
Share of results in an associate		(60,881)	(32,605)	-	-
Operating profit/(loss) before working capital changes/Balance carried forward		167,856	(663,796)	(457,200)	(692,656)

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STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

	NOTE	THE GROUP 2011 RM	THE GROUP 2010 RM (Restated)	THE COMPANY 2011 RM	THE COMPANY 2010 RM
Operating profit/(loss) before working capital changes/ Balance brought forward		167,856	(663,796)	(457,200)	(692,656)
Increase in inventories		(205,611)	(978,915)	-	-
Decrease/(Increase) in trade and other receivables		699,880	(1,528,849)	4,918	(1,878)
Decrease in amount owing by subsidiaries		-	-	299,908	933,456
(Increase)/Decrease in amount owing by an associate		(94,302)	246,734	-	-
(Decrease)/Increase in trade and other payables		(966,076)	853,298	(11,174)	12,437
CASH (FOR)/FROM OPERATIONS		(398,253)	(2,071,528)	(163,548)	251,359
Interest paid		(336,399)	(204,904)	-	-
Tax paid		(181,500)	(192,334)	-	-
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(916,152)	(2,468,766)	(163,548)	251,359
CASH FLOWS FOR INVESTING ACTIVITIES					
Dividend received		3,682	11,184	-	-
Interest received		1,155	3,141	-	-
Proceeds from disposal of marketable securities		176,916	814,909	-	21,077
Proceeds from disposal of plant and equipment		223,108	42,000	-	-
Purchase of marketable securities		(17,430)	(916,286)	-	(101,689)
Purchase of plant and equipment	32	(656,390)	(338,643)	(8,000)	(6,500)
NET CASH FOR INVESTING ACTIVITIES		(268,959)	(383,695)	(8,000)	(87,112)

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SERSOL TECHNOLOGIES BERHAD

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

	NOTE	THE GROUP 2011 RM	THE GROUP 2010 RM (Restated)	THE COMPANY 2011 RM	THE COMPANY 2010 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Net drawdown of bankers' acceptances		739,108	1,759,910	-	-
Repayment of hire purchase obligations		(148,931)	(208,098)	-	-
Repayment of term loans		(159,431)	(431,284)	-	-
NET CASH FROM FINANCING ACTIVITIES		430,746	1,120,528	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(754,365)	(1,731,933)	(171,548)	164,247
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		586,924	2,456,399	192,563	28,316
Effect of changes in exchange rates		(58,427)	(137,542)	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33	(225,868)	586,924	21,015	192,563

SERSOL TECHNOLOGIES BERHAD

(Incorporated in Malaysia)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION

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

Registered office	:	31-04, Level 31, 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 21 APR 2012

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 6 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.

4. 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 Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following new applicable accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 3 (Revised) Business Combinations

FRS 127 (Revised) Consolidated and Separate Financial Statements

Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7: Improving Disclosures about Financial Instruments

Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)

Annual Improvement to FRSs (2010)

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

(i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

4. BASIS OF PREPARATION (CONT'D)

(a) (ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

(iii) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy, as shown in Note 36 to the financial statements. Comparatives are not presented by virtue of the exemption given in the amendments. As the Group and the Company does not have any financial instrument carried at fair value as at the end of the financial year, there will be no impact on the financial statements of the Group and the Company for the current financial year but may impact the disclosure for future transactions or arrangement.

(iv) IC Interpretation 4 aims to provide guidance for determining whether certain arrangements are, or contain, leases that should be accounted for in accordance with FRS 117; it does not provide guidance whether such a lease should be classified as a finance lease or an operating lease. It clarifies that an arrangement, although does not take the legal form of a lease, is a lease when the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

(v) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes. These amendments have no material impact on the financial statements of the Group upon their initial application.

The amendments to FRS 101 (Revised) clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the items of other comprehensive income in the statement of changes in equity

4. BASIS OF PREPARATION (CONT'D)

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	**Effective date**
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
Amendments to FRS 7: Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

4. BASIS OF PREPARATION (CONT'D)

(b) The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(i) FRS 9 replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. FRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity□s business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the FRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

(ii) FRS 10 replaces the consolidation guidance in FRS 127 and IC Interpretation 121. Under FRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control.

(iii) FRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. FRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(iv) The amendments to FRS 7 intend to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

4. BASIS OF PREPARATION (CONT'D)

(b) (v) The amendments to FRS 112 replace IC Interpretation 121 and provide an exception to the general principles in FRS 112 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with FRS 140 are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

(vi) IC Interpretation 19 clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. Equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

(c) The Group's next set of financial statements for the annual period beginning 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") issued by the MASB that will also comply with International Financial Reporting standards ("IFRS"). As a result, the Group will not be adopting the above accounting standards and interpretations (including the consequential amendments) that are effective for annual periods beginning after 1 January 2012.

Following the issuance of MFRSs (equivalent to IFRSs) by the MASB on 19 November 2011, the Group will be adopting the new accounting standards in the next financial year. The Group is currently in the process of assessing the impact of the adoption of these new accounting standards and the directors do not expect any significant impact on the financial statements arising from the adoption.

5. 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 accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, incomes 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 provisions in the year in which such determination is made.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(iii) Impairment of Non-financial 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 and therefore future amortisation charges could be revised.

(v) Write-down of 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.

(vi) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(viii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2011.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on control ceases, as appropriate.

Intragroup transactions, balances income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each financial year, the carrying amount of non-controlling interests is the amount of those interest at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139.

<u>Business combinations from 1 January 2010 onwards</u>

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

<u>Business combinations before 1 January 2010</u>

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are 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.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill

Goodwill 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, liabilities and contingent liabilities 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 profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

(d) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period 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 recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Functional and Foreign Currencies (Cont'd)

(iii) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

(e) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions 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.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

- *Held-to-maturity Investments*

  As at the end of the reporting period, there were no financial assets classified under this category.

- *Loans and Receivables Financial Assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

  As at the end of the reporting period, there were no financial assets classified under this category.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(ii) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) 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.

(f) Investments

(i) Investments in Subsidiaries

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

On the disposal of such investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(ii) Marketable Securities

Marketable securities are stated at fair value in accordance with FRS 139 Financial Instrument: Recognition and Measurement. Any gain or losses arising on remeasurement recognized in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investments in 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 an associate is accounted for under the equity method, based on the financial statements of the associate made up to 31 December 2011. The Group's share of the post acquisition profits of the associate is included in the consolidated statement of comprehensive income and the Group's interest in the associate is carried in the consolidated statement of financial position 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.

(h) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and 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 asset becomes 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%
Furniture, fittings and office equipment	10%
Motor vehicles	20%
Renovation and electrical installation	10%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, Plant and Equipment (Cont'd)

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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 recognised in profit or loss.

(i) Research and Development Expenditure

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

Development expenditure is recognised as an expense except that costs 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 developed 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 is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of not exceeding 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than investment in subsidiaries financial assets and inventories, are reviewed at the end of each reporting period 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 their value-in-use, which is measured by reference to discounted future cash flow. An impairment loss is recognised in profit or loss immediately.

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 profit or loss immediately.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Assets under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(h) 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 recognised in profit or loss over the period of the respective hire purchase agreements.

(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 purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress 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 necessary to make the sale.

Where necessary, write down is made for all damaged, obsolete and slow-moving items.

(m) Income Taxes

Income tax 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 substantively enacted at the end of the reporting period.

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 costs 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income Taxes (Cont'd)

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 profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period 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.

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 substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination 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 costs.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits pledged with financial institutions and bank overdrafts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employee Benefits (Cont'd)

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss 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.

(p) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives its significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(q) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue Recognition

(i) Sale of Goods

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

(ii) Services

Revenue is recognised upon the 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) Interest Income

Interest income is recognised on an accrual basis.

(iv) Dividend Income

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

(v) Rental Income

Rental income is recognised on an accrual basis.

(s) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

6. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2011 RM	2010 RM
Unquoted shares, at cost		
- in Malaysia	7,119,859	7,119,859
- outside Malaysia	2,105,865	2,105,865
	9,225,724	9,225,724
Accumulated impairment losses:-		
At 1 January	(710,167)	(231,579)
Addition during the financial year	(1,143,852)	(478,588)
At 31 December	(1,854,019)	(710,167)
	7,371,705	8,515,557

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6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2011 %	2010 %	
Multi Square Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of coatings, thinners, industrial chemicals and trading of metal products.
Asset Capital Holdings Limited *	Hong Kong	50	50	Investment holding and trading of coatings, thinners and related products.
Multi Square (S) Pte. Ltd. *	Singapore	100	100	Trading of coatings, thinners and related products.
PT Multi Square **	Republic of Indonesia	60	60	Manufacture and sale of coatings, thinners and industrial chemicals.
Subsidiaries of Multi Square Sdn. Bhd.				
Deco Coatings Sdn. Bhd.	Malaysia	100	100	Distribution of coating paints.
Multi Square Coating (Thailand) Co. Ltd. *	Thailand	100	100	Manufacture and sale of coatings, thinners and industrial chemicals.
Subsidiary of Asset Capital Holdings Limited				
Zhuhai MS Coating Ltd.***	The People's Republic of China	50	50	Manufacture and sale of coatings, thinners and industrial chemicals.

* *Not audited by Messrs. Crowe Horwath*
** *Audited by a member firm of Crowe Horwath International*
*** *The financial statements of this subsidiary has been prepared on "break-up" basis as there is inadequate assurance that the subsidiary will continue to operate as a going concern.*

7. INVESTMENT IN AN ASSOCIATE

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Unquoted shares in Malaysia, at cost	150,000	150,000	150,000	150,000
Share of post acquisition reserves	107,453	46,572	-	-
	257,453	196,572	150,000	150,000

(a) Share of results in an associate is based on the unaudited financial statements of the associate.

(b) The details of the associate are as follows:-

Name of Company	**Country of Incorporation**	**Effective Equity Interest** 2011 %	2010 %	**Principal Activities**
TN Industries Sdn. Bhd. *	Malaysia	30	30	Blending and trading of chemical products.

** Not audited by Messrs. Crowe Horwath*

(c) The summarised unaudited financial information of the associate is as follows:-

	THE GROUP 2011 RM	2010 RM
Assets and liabilities		
Total assets	1,276,696	1,604,401
Total liabilities	478,897	1,009,540
Results		
Revenue	3,980,232	4,544,792
Profit after tax	202,938	108,682

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8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	At 1.1.2011 RM	Exchange differences RM	Additions RM	Written off/ Disposal RM	Depreciation charge RM	Impairment RM	Transfer to Current Assets RM	At 31.12.2011 RM
Net book value								
Freehold land	1,234,600	-	-	-	-	-	-	1,234,600
Buildings	1,963,026	-	-	-	(48,239)	-	-	1,914,787
Factory equipment	2,564,994	6,307	545,100	(101,167)	(624,259)	(145,703)	(80,005)	2,165,267
Furniture, fittings and office equipment	616,073	1,853	94,880	(34,127)	(138,623)	(19,932)	(19,754)	500,370
Motor vehicles	643,627	(120)	186,000	(55,731)	(220,474)	-	-	553,302
Renovation and electrical installation	711,449	3,648	240,410	-	(178,455)	(356,782)	-	420,270
	7,733,769	11,688	1,066,390	(191,025)	(1,210,050)	(522,417)	(99,759)	6,788,596

	At 1.1.2010 RM	Exchange differences RM	Additions RM	Written off RM	Depreciation charge RM	At 31.12.2010 RM
Net book value						
Freehold land	1,234,600	-	-	-	-	1,234,600
Buildings	2,011,265	-	-	-	(48,239)	1,963,026
Factory equipment	3,127,864	(20,952)	153,708	(3,202)	(692,424)	2,564,994
Furniture, fittings and office equipment	678,278	(7,127)	85,788	(423)	(140,443)	616,073
Motor vehicles	272,947	(6,785)	537,448	-	(159,983)	643,627
Renovation and electrical installation	928,430	(31,641)	6,699	-	(192,039)	711,449
	8,253,384	(66,505)	783,643	(3,625)	(1,233,128)	7,733,769

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

THE GROUP	At cost RM	Accumulated Impairment RM	Accumulated depreciation RM	Transfer to Current Assets RM	Net book value RM
At 31.12.2011					
Freehold land	1,234,600	-	-	-	1,234,600
Buildings	2,370,545	-	(455,758)	-	1,914,787
Factory equipment	8,616,816	(154,840)	(6,216,704)	(80,005)	2,165,267
Furniture, fittings and office equipment	1,733,570	(80,621)	(1,132,825)	(19,754)	500,370
Motor vehicles	1,753,456	-	(1,200,154)	-	553,302
Renovation and electrical installation	1,950,809	(379,155)	(1,151,384)	-	420,270
	17,659,796	(614,616)	(10,156,825)	(99,759)	6,788,596

	At cost RM	Accumulated depreciation RM	Net book value RM
At 31.12.2010			
Freehold land	1,234,600	-	1,234,600
Buildings	2,370,545	(407,519)	1,963,026
Factory equipment	8,239,054	(5,674,060)	2,564,994
Furniture, fittings and office equipment	1,728,381	(1,112,308)	616,073
Motor vehicles	2,112,630	(1,469,003)	643,627
Renovation and electrical installation	1,916,091	(1,204,642)	711,449
	17,601,301	(9,867,532)	7,733,769

The plant and equipment of a subsidiary has been impaired to estimated residual value and transferred to current assets as the financial statements of the subsidiary has been prepared on "break-up" basis due to reasons mentioned in note 6.

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

THE COMPANY	At 1.1.2011 RM	Additions RM	Depreciation charge RM	At 31.12.2011 RM
Net book value				
Office equipment	161,337	8,000	(20,347)	148,990

	At 1.1.2010 RM	Additions RM	Depreciation charge RM	At 31.12.2010 RM
Net book value				
Office equipment	174,193	6,500	(19,356)	161,337

THE COMPANY	2011 RM	2010 RM
Office equipment, at cost	205,476	197,476
Accumulated depreciation	(56,486)	(36,139)
Net book value	148,990	161,337

(a) Included in the assets of the Group at the end of the reporting period were motor vehicles and factory equipment with a total net book value of RM1,006,396 (2010: RM540,513) respectively which were acquired under hire purchase terms.

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

(b) The following assets of the Group have been pledged to financial institutions as securities for banking facilities as disclosed in Notes 24, 26 and 27 to the financial statements:-

	2011 RM	2010 RM
At net book value:-		
Freehold land	1,234,600	1,234,600
Buildings	1,914,787	1,963,026
Factory equipment	-	407,059
	3,149,387	3,604,685

9. GOODWILL ON CONSOLIDATION

	THE GROUP 2011 RM	2010 RM
At 1 January	-	166,392
Impairment of goodwill	-	(166,392)
At 31 December	-	-
At 31 December		
Cost	-	486,272
Accumulated amortisation	-	(9,180)
Impairment of goodwill	-	(377,257)
Realised on deemed disposal	-	(99,835)
Carrying value	-	-

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10. DEVELOPMENT EXPENDITURES

	THE GROUP 2011 RM	2010 RM
At Cost	1,341,496	1,341,496
Accumulated amortisation		
At 1 January	(1,044,678)	(830,163)
Amortisation for the financial year	(164,404)	(214,515)
	(1,209,082)	(1,044,678)
At 31 December	132,414	296,818

11. INVENTORIES

	THE GROUP 2011 RM	2010 RM
At cost:-		
Raw materials	3,313,106	3,230,860
Work-in-progress	16,903	86,625
Finished goods	967,480	1,197,589
	4,297,489	4,515,074
At net realisable value:-		
Raw materials	115,948	-
Finished goods	62,145	-
	4,475,582	4,515,074

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12. TRADE RECEIVABLES

	THE GROUP	
	2011 RM	2010 RM (Restated)
Trade receivables	6,643,788	7,183,716
Less : Allowance for impairment losses	(38,476)	(7,739)
	6,605,312	7,175,977

	THE GROUP	
	2011 RM	2010 RM
Allowance for impairment losses		
At 1 January	7,739	2,667
Addition during the financial year	33,191	5,290
Write off	(4,579)	-
Exchange differences	2,125	(218)
At 31 December	38,476	7,739

The Group's normal trade credit term is 120 days. Other credit terms are assessed and approved on a case-by-case basis.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
Other receivables	678,606	840,231	-	-
Deposits	341,854	206,844	1,000	1,000
Prepayments	138,313	184,963	-	4,918
	1,158,773	1,232,038	1,000	5,918

14. AMOUNT OWING BY SUBSIDIARIES

	THE COMPANY 2011 RM	2010 RM
Non-current		
Non-trade balance	705,161	1,239,587
Current		
Non-trade balances	1,287,301	832,569
	1,992,462	2,072,156
Allowance for impairment losses	(49,557)	-
	1,942,905	2,072,156

	THE COMPANY 2011 RM	2010 RM
Represented by:-		
At cost	1,237,744	832,569
At amortised cost	705,161	1,239,587
	1,942,905	2,072,156

(a) The non-trade debts of RM705,161 owing by a subsidiary represents unsecured, bearing interest at 8% per annum and repayable within the next 12 months. The amount owing is to be settled in cash. and is carried at amortised cost.

(b) The non-trade debts of RM49,557 owing by a subsidiary has been fully impaired.

(c) The balance of the non-trade debts represents unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

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15. AMOUNT OWING BY AN ASSOCIATE

	THE GROUP 2011 RM	THE GROUP 2010 RM
Current		
Trade related balance	58,527	237,529
Represented by:-		
At cost	58,527	237,529

The trade balance is subject to the normal trade credit term of 90 days. The amount owing is to be settled in cash.

16. MARKETABLE SECURITIES

	THE GROUP 2011 RM	THE GROUP 2010 RM	THE COMPANY 2011 RM	THE COMPANY 2010 RM
Quoted securities, at cost				
- in Malaysia	148,602	298,506	-	-
- outside Malaysia	89,647	128,706	59,557	80,206
	238,249	427,212	59,557	80,206
Less: Fair value loss on marketable securities	(54,587)	(5,639)	(29,987)	(20,649)
	183,662	421,573	29,570	59,557
Market value of quoted securities	183,662	421,573	29,570	59,557

Marketable securities are classified as financial asset at fair value through profit or loss instruments, measured at fair value.

17. SHARE CAPITAL

	THE COMPANY			
	2011	2010	2011	2010
	Number of shares		RM	RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	100,000,000	100,000,000	10,000,000	10,000,000
ISSUED AND FULLY PAID-UP	94,931,000	94,931,000	9,493,100	9,493,100

18. RESERVES

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
Non-distributable reserves:-				
- Share premium	3,538,387	3,538,387	3,538,387	3,538,387
- Translation reserve	(57,298)	(34,253)	-	-
	3,481,089	3,504,134	3,538,387	3,538,387
Distributable reserve:-				
- Accumulated losses	(3,280,404)	(1,725,977)	(3,426,957)	(1,946,228)
	200,685	1,778,157	111,430	1,592,159

Share premium

The share premium arose from the issuance of shares by way of private placement and public offer net of share issue expenses. The share premium reserve is not distributable by way of dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act 1965.

18. RESERVES (CONT'D)

Translation reserve

Translation reserve represents the exchange differences arising from the translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

Retained Profits

The Company has elected for the irrevocable option for the single tier tax system. Therefore, at the balance sheet date, the Company will be able to distribute dividends out of its entire retained profits, if any, under the single tier tax system.

19. LONG TERM BORROWINGS

	THE GROUP 2011 RM	2010 RM
Hire purchase payables (Note 25)	580,756	357,419
Term loans (Note 26)	290,152	417,499
	870,908	774,918

20. DEFERRED TAX LIABILITIES

	THE GROUP 2011 RM	2010 RM
At 1 January	543,286	684,427
Recognised in profit or loss (Note 30)	(53,000)	(141,000)
Exchange differences	34	(141)
At 31 December	490,320	543,286

20. DEFERRED TAX LIABILITIES (CONT'D)

The deferred tax asset and liabilities are attributable to the following:-

	THE GROUP 2011 RM	2010 RM
Deferred tax liabilities:-		
- Accelerated capital allowances	436,320	518,286
- Development expenditure	33,000	74,000
- Unrealised foreign exchange gain	21,000	-
	490,320	592,286
Deferred tax asset:-		
- Unrealised foreign exchange loss	-	(49,000)
Net deferred tax liabilities	490,320	543,286

21. TRADE PAYABLES

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

22. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
Other payables	424,745	590,193	-	36,816
Accrued expenses	536,391	553,386	49,534	32,446
Payroll liabilities	230,290	123,104	43,553	34,999
Staff welfare obligation	33,596	31,356	-	-
	1,225,022	1,298,039	93,087	104,261

22. OTHER PAYABLES AND ACCRUALS (CONT'D)

A subsidiary of the Group has appropriated 5% of its profit after tax to the staff welfare obligation. The staff welfare obligation would be used for the collective welfare of the employees. This obligation represents amount set aside in compliance with the local laws in the People's Republic of China where the subsidiary operates.

23. AMOUNT OWING TO AN ASSOCIATE

	THE GROUP	
	2011	2010
	RM	RM
Current		
Trade related balance	1,112	274,416

The trade balance is subject to the normal trade credit term of 90 days. The amount owing is to be settled in cash.

24. SHORT TERM BORROWINGS

	THE GROUP	
	2011	2010
	RM	RM
Bankers' acceptances	3,894,027	3,154,919
Hire purchase payables (Note 25)	169,918	132,186
Term loans (Note 26)	124,231	156,315
	4,188,176	3,443,420

Bankers' acceptances are drawn for a period of up to 150 days (2010: 150 days) which are renewable on maturity. Interest is charged at rates ranging from 3.32% to 5.17% (2010: 4.00% to 7.05%) per annum.

Bankers' acceptances are secured by way of:-

(i) corporate guarantee from the Company; and

(ii) legal charges over the landed properties of the Group as disclosed in Note 8 to the financial statements.

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25. HIRE PURCHASE PAYABLES

	THE GROUP 2011 RM	2010 RM
Minimum hire purchase payments:		
- not later than one year	211,457	154,205
- later than one year and not later than five years	647,826	391,335
	859,283	545,540
Less: Future finance charges	(108,609)	(55,935)
Present value of hire purchase payables	750,674	489,605
Current portion:		
- not later than one year (Note 24)	169,918	132,186
Non-current portion:		
- later than one year and not later than five years (Note 19)	580,756	357,419
	750,674	489,605

26. TERM LOANS

	THE GROUP 2011 RM	2010 RM
Current portion:		
- later than one year (Note 24)	124,231	156,315
Non-current portion:		
- later than one year and not later than two years	133,673	125,247
- later than two years and not later than five years	156,479	292,252
Total non-current portion (Note 19)	290,152	417,499
	414,383	573,814

26. TERM LOANS (CONT'D)

Term loans are secured by way of:-

(i) corporate guarantee from the Company;

(ii) legal charges over the landed properties of the Group as disclosed in Note 8 to the financial statements; and

(iii) fixed charges over the machineries of the Group as disclosed in Note 8 to the financial statements.

The repayment terms of the term loans are as follows:-

Term loan 1 at BLR + 1.0% per annum	Repayable in 96 monthly instalments of RM12,977, effective from November 2006.
Term loan 2 at fixed 8% per annum	Repayable in 60 monthly instalments of RM20,276, effective from March 2006.

27. BANK OVERDRAFTS

The bank overdrafts are secured in the same manner as the short term borrowings as disclosed in Note 24 to the financial statements.

28. REVENUE

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Sale of goods	30,115,879	25,020,929	-	-
Rendering of services to subsidiaries	-	-	1,078,473	493,839
Dividend income	-	-	1,467	504
	30,115,879	25,020,929	1,079,940	494,343

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29. LOSS BEFORE TAX

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Loss before tax is arrived at after charging:-				
Allowance for impairment losses on receivables	33,191	5,290	-	-
Allowance for impairment losses on related companies	-	-	49,557	-
Amortisation of development expenditure	164,404	214,515	-	-
Audit fees - current year	97,998	83,821	18,000	17,750
- under provision in prior year	23,518	14,345	-	-
Bad debts written off	17,104	59,759	-	-
Depreciation of property, plant and equipment	1,210,050	1,233,128	20,347	19,356
Directors' remuneration:-				
- fees	139,164	120,000	120,000	120,000
- other emoluments	1,028,704	862,073	598,554	604,305
Fair value loss on marketable securities	54,587	5,639	29,987	20,649
Impairment of goodwill	-	166,392	-	-
Impairment of investment in a subsidiary	-	-	1,143,852	478,588
Impairment loss on plant and equipment	522,417	-	-	-
Interest expenses	336,399	204,904	-	-
Inventories written down	245,103	-	-	-
Loss on disposal of plant and equipment	24,120	-	-	-
Loss on disposal of marketable securities	28,189	-	-	406
Loss on foreign exchange				
- realised	189,480	16,489	76,196	14,207
- unrealised	27,513	97,649	5,360	-
Plant and equipment written off	37,118	423	-	-

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29. LOSS BEFORE TAX (CONT'D)

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Rental of equipment	-	2,100	-	-
Rental of hostel	16,350	14,820	-	-
Rental of motor vehicles	111,130	15,068	-	-
Rental of premises	385,302	355,971	-	-
Research and development expenditure:-				
- Defined contribution plan	23,386	23,679	-	-
- Staff costs	271,072	254,246	-	-
- Other expenses	1,520	28,401	-	-
Staff cost				
- Defined contribution plan	156,742	172,847	25,086	20,915
- Short term employees benefits	2,778,897	3,121,731	253,654	212,635
And crediting:-				
Bad debts recovered	8,565	579	-	-
Dividend income	8,033	13,814	-	-
Gain on disposal of marketable securities	-	37,171	-	-
Gain on disposal of plant and equipment	93,321	38,798	-	-
Gain on foreign exchange				
- realised	8,002	-	-	7,105
- unrealised	125,193	-	-	-
Interest income	1,155	3,346	225,574	-
Rental of premises	60,000	25,000	-	-
Reversal of obsolete stocks	-	14,862	-	-

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30. TAX EXPENSE

	THE GROUP 2011 RM	THE GROUP 2010 RM	THE COMPANY 2011 RM	THE COMPANY 2010 RM
Income tax:				
- Malaysian tax	216,000	146,400	-	-
- Under/(Over) provision in the previous financial year	61	(322)	-	-
	216,061	146,078	-	-
Deferred taxation (Note 20):				
- Relating to originating and recognition of temporary differences	(64,000)	(138,000)	-	-
- Under/(Over) provision in the previous financial year	11,000	(3,000)	-	-
	(53,000)	(141,000)	-	-
	163,061	5,078	-	-

30. TAX EXPENSE (CONT'D)

A reconciliation of the tax expense applicable to the loss before tax at the statutory tax rates to tax expense at the effective tax rates of the Group and the Company is as follows:-

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
Loss before tax	(2,235,191)	(2,508,320)	(1,480,729)	(1,211,655)
Tax expense at statutory rate of 25%	(558,798)	(627,080)	(370,182)	(302,914)
Tax effects of:-				
Deferred tax assets not recognised	469,819	543,806	145,500	153,640
Different tax rates in other countries	100,970	(17,814)	-	-
Income tax incentive	-	(15,449)	-	-
Non-deductible expenses	166,472	138,134	224,682	150,981
Non-taxable income	(26,463)	(8,983)	-	(1,707)
Utilisation of deferred tax assets not recognised in prior years	-	(4,214)	-	-
Under/(Over) provision of current tax in prior year	61	(322)	-	-
Under/(Over) provision of deferred tax in prior year	11,000	(3,000)	-	-
	163,061	5,078	-	-

31. LOSS PER SHARE

	THE GROUP	
	2011 RM	2010 RM (Restated)
Loss attributable to owners of the Company	(1,554,426)	(1,940,180)
Number of shares at 31 December	94,931,000	94,931,000
Basic loss per share (sen)	(1.64)	(2.04)

The diluted loss per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

32. PURCHASE OF PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Cost of plant and equipment purchased	1,066,390	783,643	8,000	6,500
Amount financed through hire purchase	(410,000)	(445,000)	-	-
Cash disbursed for purchase of plant and equipment	656,390	338,643	8,000	6,500

33. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
Cash and bank balances	1,270,441	1,050,900	21,015	192,563
Bank overdrafts (Note 27)	(1,496,309)	(463,976)	-	-
	(225,868)	586,924	21,015	192,563

34. DIRECTORS' REMUNERATION

(a) The aggregate amounts of emoluments received and receivable by directors of the Group and the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Executive directors:-				
- fees	48,000	48,000	48,000	48,000
- other emoluments	1,014,404	845,023	584,255	587,255
	1,062,404	893,023	632,255	635,255
Non-executive directors:-				
- fees	91,164	72,000	72,000	72,000
- other emoluments	14,300	17,050	14,300	17,050
	105,464	89,050	86,300	89,050
	1,167,868	982,073	718,555	724,305

(b) Details of directors' emoluments of the Group and the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
Non-executive directors				
Below RM50,000	5	3	3	3
Executive directors				
Below RM50,000	-	-	1	2
RM50,001 - RM100,000	-	2	-	-
RM100,001 - RM150,000	1	1	-	-
RM150,001 - RM200,000	2	-	-	-
RM200,001 - RM250,000	1	1	1	1
RM350,001 - RM400,000	1	1	1	1
RM400,001 - RM450,000	-	-	-	-
	5	5	3	4

35. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) In addition to the information detailed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with the related parties during the financial year:-

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest on loan from a subsidiary	-	-	(160,000)	-
Management fees from subsidiaries	-	-	(852,899)	(472,500)
Technical transfer fee from a subsidiary	-	-	-	(21,339)
Key management personnel compensation:				
- Short-term employee benefits	951,461	798,583	553,283	554,099
- Defined contribution plan	110,943	94,440	78,972	81,156

36. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance.

The Group is organised into the 3 main geographical segments as follows:-

(i) Malaysia - (a) manufacture and sale of coatings, thinners and industrial chemicals
(b) investment holding and provision of management services
(c) trading of aluminium and metal products

(ii) The People's Republic of China and Hong Kong - manufacture and sale of coatings, thinners and industrial chemicals

(iii) Others - manufacture and sale of coatings, thinners and industrial chemicals

36. OPERATING SEGMENTS (CONT'D)

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the geographical segments are presented under unallocated items. Unallocated items comprise mainly loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between geographical segments are at arm's length basis in a manner similar to transactions with third parties.

GEOGRAPHICAL SEGMENTS

	Malaysia RM	People's Republic of China and Hong Kong RM	Others RM	Group RM
2011				
Revenue				
External revenue	21,846,825	4,194,902	4,074,152	30,115,879
Inter-segment revenue	3,271,561	-	50,615	3,322,176
	25,118,386	4,194,902	4,124,767	33,438,055
Adjustments and eliminations				(3,322,176)
Consolidated revenue				30,115,879
Results				
Segment results	4,650,008	(550,605)	(136,748)	3,962,655
Adjustments and eliminations	(1,914,307)	-	-	(1,914,307)
	2,735,701	(550,605)	(136,748)	2,048,348
Interest income	576	-	579	1,155
Amortisation of development expenditure	(164,404)	-	-	(164,404)
Depreciation of property and equipment	(973,607)	(138,912)	(97,531)	(1,210,050)
Other material items of expenses	(281,841)	(819,114)	(264,748)	(1,365,703)
Other material items of income	159,656	10,263	-	169,919
	1,476,081	(1,498,368)	(498,448)	(520,735)
Finance costs				(409,266)
Share of results in associate				60,881
Unallocated expenses				(1,366,071)
Tax expense				(163,061)
Consolidated loss after tax				(2,398,252)

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36. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL SEGMENTS (CONT'D)

	Malaysia RM	People's Republic of China and Hong Kong RM	Others RM	Group RM
2011				
Assets				
Segment assets	16,370,200	1,545,400	2,857,466	20,773,066
Investment in an associate				257,453
Unallocated asset				58,924
Consolidated total assets				21,089,443
Liabilities				
Segment liabilities	961,093	2,217,085	1,460,931	4,639,109
Deferred tax liabilities				490,320
Unallocated liabilities				6,555,393
Consolidated total liabilities				11,684,822
Other segment item				
Additions to non-current assets other than financial instruments:-				
- property, plant and equipment	976,575	1,370	88,445	1,066,390

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36. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL SEGMENTS (CONT'D)

	Malaysia RM	People's Republic of China and Hong Kong RM	Others RM	Group RM
2010 (Restated)				
Revenue				
External revenue	16,978,806	4,094,527	3,947,596	25,020,929
Inter-segment revenue	2,474,936	-	14,599	2,489,535
	19,453,742	4,094,527	3,962,195	27,510,464
Adjustments and eliminations				(2,489,535)
Consolidated revenue				25,020,929
Results				
Segment results	(1,328,277)	1,527,537	624,843	824,103
Adjustments and eliminations	140,653	(207,899)	53,474	(13,772)
	(1,187,624)	1,319,638	678,317	810,331
Interest income	2,210	-	1,136	3,346
Amortisation of development expenditure	(214,515)	-	-	(214,515)
Depreciation of property and equipment	(934,441)	(153,003)	(145,684)	(1,233,128)
Other material items of expenses	(70,220)	(198,279)	(302,017)	(570,516)
Other material items of income	114,783	-	15,441	130,224
	(2,289,807)	968,356	247,193	(1,074,258)
Finance costs				(273,442)
Share of results in associate				32,605
Unallocated expenses				(1,193,225)
Tax expense				(5,078)
Consolidated loss after tax				(2,513,398)

36. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL SEGMENTS (CONT'D)

	Malaysia RM	People's Republic of China and Hong Kong RM	Others RM	Group RM
2010 (Restated)				
Assets				
Segment assets	15,603,362	3,694,468	3,365,848	22,663,678
Investment in an associate				196,572
Unallocated asset				93,485
Consolidated total assets				22,953,735
Liabilities				
Segment liabilities	1,692,516	2,665,854	1,520,119	5,878,489
Deferred tax liabilities				543,286
Unallocated liabilities				4,682,314
Consolidated total liabilities				11,104,089
Other segment item				
Additions to non-current assets other than financial instruments:-				
- property, plant and equipment	744,864	12,906	25,873	783,643

36. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL SEGMENTS (CONT'D)

(a) Other material items of income consist of the following:-

	THE GROUP 2011 RM	2010 RM (Restated)
Bad debts recovered	8,565	579
Dividend income	8,033	13,814
Gain on disposal of marketable securities	-	37,171
Gain on disposal of plant and equipment	93,321	38,798
Rental of premises	60,000	25,000
Reversal of obsolete stocks	-	14,862
	169,919	130,224

(b) Other material items of expenses consist of the following:-

	THE GROUP 2011 RM	2010 RM (Restated)
Allowance for impairment losses on receivables	33,191	5,290
Bad debts written off	17,104	59,759
Cash embezzlement	160,315	111,446
Fair value loss on marketable securities	54,587	5,639
Impairment losses on plant and machinery	522,417	-
Loss on disposal on marketable securities	28,189	-
Plant and equipment written off	37,118	423
Rental of equipment	-	2,100
Rental of hostel	16,350	14,820
Rental of motor vehicles	111,130	15,068
Rental of premises	385,302	355,971
	1,365,703	570,516

36. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS

	REVENUE 2011 RM	REVENUE 2010 RM	NON-CURRENT ASSETS 2011 RM	NON-CURRENT ASSETS 2010 RM
Coating manufacturing	22,123,367	20,382,920	7,178,463	8,227,159
Metal trading	7,992,512	4,638,009	-	-
	30,115,879	25,020,929	7,178,463	8,227,159

MAJOR CUSTOMERS

There are no major customers contributing to 10% or more of the Group's revenue.

37. CONTINGENT LIABILITY

	THE COMPANY 2011 RM	THE COMPANY 2010 RM
Corporate guarantees given to licensed banks for credit facilities granted to a subsidiary	11,490,000	13,240,000

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38. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group has significant exposure to the following foreign currencies:-

THE GROUP **FINANCIAL ASSETS**	TRADE RECEIVABLES RM	CASH AND CASH EQUIVALENTS RM	TOTAL RM
2011			
Chinese Renminbi	147,884	44,194	192,078
Thai Baht	255,525	109,773	365,298
United States Dollar	1,438,378	574,032	2,012,410
Others	134,331	178,457	312,788
	1,976,118	906,456	2,882,574

FINANCIAL LIABILITY	TRADE PAYABLES RM
2011	
Chinese Renminbi	1,085,324
Thai Baht	152,614
United States Dollar	289,785
Others	38,379
	1,566,102

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38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group has significant exposure to the following foreign currencies:- (Cont'd)

THE GROUP **FINANCIAL ASSETS**	TRADE RECEIVABLES RM	CASH AND CASH EQUIVALENTS RM	TOTAL RM
2010 (Restated)			
Chinese Renminbi	613,126	91,136	704,262
Thai Baht	312,723	46,514	359,237
United States Dollar	1,955,522	593,190	2,548,712
Others	7,518	251,412	258,930
	2,888,889	982,252	3,871,141

FINANCIAL LIABILITY	TRADE PAYABLES RM
2010 (Restated)	
Chinese Renminbi	1,249,002
Thai Baht	221,455
United States Dollar	270,732
Others	23,821
	1,765,010

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Company has no significant exposure to foreign currency risk.

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies which the Group is significantly exposed to as at the end of the reporting period, with all other variables held constant:-

Foreign currency risk sensitivity analysis

	2011 Increase/ (Decrease) RM	2010 Increase/ (Decrease) RM
Effects on loss after tax		
Chinese Renminbi:-		
- strengthened by 8% (2010: 6%)	(60,258)	43,536
- weakened by 8% (2010: 6%)	47,919	23,987
Thai Baht:-		
- strengthened by 2% (2010: 1%)	3,109	1,087
- weakened by 2% (2010: 1%)	(3,190)	(981)
United States Dollar:-		
- strengthened by 3% (2010: 8%)	52,080	200,754
- weakened by 3% (2010: 8%)	(26,214)	(82,096)

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 38(a)(iii) to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2011	2010
	Increase/ (Decrease)	Increase/ (Decrease)
	RM	RM
Effects on loss after tax		
Increase of 100 basis points (bp)	(49,165)	(24,638)
Decrease of 100 bp	49,165	24,638

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risks by maintaining a portfolio of equities with different risk profiles.

<u>Equity price sensitivity analysis</u>

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2011 Increase/ (Decrease) RM	2010 Increase/ (Decrease) RM
Effects on loss after tax		
Increase of 54% (2010: 4%)	37,373	31,321
Decrease of 54% (2010: 4%)	(37,373)	(31,321)

(iii) Equity Price Risk

	THE COMPANY	
	2011 Increase/ (Decrease) RM	2010 Increase/ (Decrease) RM
Effects on loss after tax		
Increase of 103% (2010: 24%)	45,855	10,885
Decrease of 103% (2010: 24%)	(45,855)	(10,885)

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

<u>Credit risk concentration profile</u>

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

<u>Exposure to credit risk</u>

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

The significant exposure of credit risk for trade and other receivables (including amount owing by related parties and an associate) by geographical region is as follows:-

	THE GROUP	
	2011 RM	2010 RM (Restated)
Malaysia	5,138,014	5,905,782
China	627,906	817,732
Indonesia	1,245,207	857,121
Vietnam	-	720,280
Others	331,318	344,629
	7,342,445	8,645,544

	THE COMPANY	
	2011 RM	2010 RM
Malaysia	1,652,734	1,591,529
Hong Kong	77,920	284,843
Others	212,251	201,702
	1,942,905	2,078,074

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables as at 31 December 2011 is as follows:-

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	COLLECTIVE IMPAIRMENT RM	CARRYING VALUE RM
2011				
Not past due	5,929,980	-	-	5,929,980
Past due :-				
- less than 3 months	539,885	-	-	539,885
- 3 to 6 months	43,905	-	-	43,905
- over 6 months	130,018	(38,476)	-	91,542
	6,643,788	(38,476)	-	6,605,312

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	COLLECTIVE IMPAIRMENT RM	CARRYING VALUE RM
2010 (Restated)				
Not past due	6,423,220	-	-	6,423,220
Past due :-				
- less than 3 months	498,815	-	-	498,815
- 3 to 6 months	161,563	-	-	161,563
- over 6 months	100,118	(7,739)	-	92,379
	7,183,716	(7,739)	-	7,175,977

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM
2011					
Bankers' acceptances	3.32 – 5.71	3,894,027	3,894,027	3,894,027	-
Hire purchase payables	3.75 - 7.94	750,674	859,283	211,457	647,826
Term loans	7.30 - 8.00	414,383	480,781	155,724	325,057
Trade payables	-	3,412,975	3,412,975	3,412,975	-
Other payables and accruals	-	1,225,022	1,225,022	1,225,022	-
Amount owing to an associate	-	1,112	1,112	1,112	-
Bank overdrafts	7.60 - 7.85	1,496,309	1,496,309	1,496,309	-
		11,194,502	11,369,509	10,396,626	972,883

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38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

THE GROUP	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM
2010 (Restated)					
Bankers' acceptances	4.00 - 7.05	3,154,919	3,154,919	3,154,919	-
Hire purchase payables	3.75 - 7.34	489,605	489,605	132,186	357,419
Term loans	7.30 - 8.00	573,814	573,814	156,315	417,499
Trade payables	-	4,306,034	4,306,034	4,306,034	-
Other payables and accruals	-	1,298,039	1,298,039	1,298,039	-
Amount owing to an associate	-	274,416	274,416	274,416	-
Bank overdrafts	7.30 - 7.80	463,976	463,976	463,976	-
		10,560,803	10,560,803	9,785,885	774,918

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

THE COMPANY	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM
2011				
Other payables and accruals	-	93,087	93,087	93,087

	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM
2010				
Other payables and accruals	-	104,261	104,261	104,261

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

38. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP 2011 RM	THE GROUP 2010 RM (Restated)
Bankers' acceptances	3,894,027	3,154,919
Hire purchase payables	750,674	489,605
Term loans	414,383	573,814
Trade payables	3,412,975	4,306,034
Other payables and accruals	1,225,022	1,298,039
Amount owing to an associate	1,112	274,416
Bank overdrafts	1,496,309	463,976
	11,194,502	10,560,803
Less: Cash and bank balances	(1,270,441)	(1,050,900)
Net debt	9,924,061	9,509,903
Total equity	9,548,825	11,849,646
Debt-to-equity ratio	104%	80%

(c) Bursa Malaysia Listing Requirements

Under the requirement of Bursa Malaysia Guidance Note No. 3/2009, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) not less than the 25% of the issued and paid-up share capital. The Company has complied with this requirement.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

38. FINANCIAL INSTRUMENTS (CONT'D)

(d) Classification Of Financial Instruments

	THE GROUP 2011 RM	THE GROUP 2010 RM (Restated)	THE COMPANY 2011 RM	THE COMPANY 2010 RM
Financial assets				
Loans and receivables financial assets				
Trade receivables	6,605,312	7,175,977	-	-
Other receivables	678,606	840,231	-	-
Amount owing by subsidiaries	-	-	1,942,905	2,072,156
Amount owing by an associate	58,527	237,529	-	-
Cash and bank balances	1,270,441	1,050,900	21,015	192,563
	8,612,886	9,304,637	1,963,920	2,264,719
Fair value through profit and loss				
Marketable securities	183,662	421,573	29,570	59,557
Financial liabilities				
Other financial liabilities				
Bankers' acceptances	3,894,027	3,154,919	-	-
Hire purchase payables	750,674	489,605	-	-
Term loans	414,383	573,814	-	-
Trade payables	3,412,975	4,306,034	-	-
Other payables and accruals	1,225,022	1,298,039	93,087	104,261
Amount owing to an associate	1,112	274,416	-	-
Bank overdrafts	1,496,309	463,976	-	-
	11,194,502	10,560,803	93,087	104,261

38. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:-

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
THE GROUP	RM	RM	RM	RM
Hire purchase payables	750,674	771,944	489,605	489,257

The following summarises the methods used to determine the fair values of the financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair value of quoted investments is estimated based on their quoted market prices as at the end of the reporting period.

(iii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

The interest rates used to discount estimated cash flows, where applicable, are as follows:-

	2011	2010
THE GROUP	%	%
Hire purchase payables	3.75 - 7.94	3.75 - 7.34

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NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair Value Hierarchy

Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

As at 31 December 2011, the Group's financial instruments carried at fair values are analysed as below:-

	2011 RM
Financial assets	
Marketable securities	183,662

39. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at the end of the reporting period into realised and unrealised losses are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM (Restated)	2011 RM	2010 RM
Total accumulated losses:				
- realised	(3,016,950)	(1,641,693)	(3,396,970)	(1,925,579)
- unrealised	(156,000)	(37,712)	(29,987)	(20,649)
Total share of retained profits o associate:				
- realised	(107,353)	(44,547)	-	-
- unrealised	(100)	(2,025)	-	-
At 31 December	(3,280,403)	(1,725,977)	(3,426,957)	(1,946,228)

40. Prior Year Adjustment

During the year, the Group discovered that there was a cash embezzlement fraud of RM 926,569 which occurred in Zhuhai MS Coating Limited. The quantified losses sustained by the Group over the financial years are set out as follows:

	RM
FYE 31 December 2009	654,804
FYE 31 December 2010	111,446
FYE 31 December 2011	160,319
	926,569

As a result of the fraud, a prior year adjustment has been made to recognise losses sustained by the Company over the aforesaid financial periods.

The effects of the prior year adjustment save for accumulated losses which is disclosed in the Statement of Changes in Equity, are summarised as below:-

	2010 RM	2009 RM
Trade receivables		
Balance as at 31 December, as previously reported	7,632,659	6,401,995
Prior year adjustment	(456,682)	(289,987)
Balance as at 31 December, as restated	7,175,977	6,112,008
Other receivables, deposits and prepayments		
Balance as at 31 December, as previously reported	1,205,336	929,277
Prior year adjustment	26,702	-
Balance as at 31 December, as restated	1,232,038	929,277
Cash and bank balances		
Balance as at 31 December, as previously reported	1,234,637	2,653,689
Prior year adjustment	(183,737)	(280,274)
Balance as at 31 December, as restated	1,050,900	2,373,415

40. Prior Year Adjustment (Cont'd)

	2010 RM	2009 RM
Trade payables		
Balance as at 31 December, as previously reported	4,229,532	3,496,656
Prior year adjustment	76,502	79,122
Balance as at 31 December, as restated	4,306,034	3,575,778
Other payables and accruals		
Balance as at 31 December, as previously reported	1,253,026	1,171,577
Prior year adjustment	45,013	5,421
Balance as at 31 December, as restated	1,298,039	1,176,998
Translation reserve		
Balance as at 31 December, as previously reported	(65,271)	69,976
Prior year adjustment	31,018	-
Balance as at 31 December, as restated	(34,253)	69,976

41. COMPARATIVE FIGURES

The following comparative figures of the Group and the Company have been reclassified to conform with the presentation of the current financial year:-

	As Restated RM	As Previously Reported RM
The Group		
Statement of Comprehensive income (extract):-		
Administrative and general expenses	4,696,087	5,501,851
Other operating expenses	283,900	-
The Company		
Statement of Comprehensive income (extract):-		
Administrative and general expenses	1,212,987	1,124,628
Other operating expenses	499,237	-

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APPENDIX V

UNAUDITED CONSOLIDATED RESULTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012

CERTIFIED TRUE COPY

TAN AI NING - Secretary
MAICSA 7015852
06 MAR 2013

SERSOL TECHNOLOGIES BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31 December 2012	Preceding Year Corresponding Quarter 31 December 2011	Current Year To Date 31 December 2012	Preceding Year Corresponding Period 31 December 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	3,521	5,625	17,960	30,116
Other operating income	247	99	407	342
Operating expenses	(7,036)	(7,205)	(22,852)	(32,185)
Loss from operations	(3,268)	(1,481)	(4,485)	(1,727)
Loss due to embezzlement	-	-	-	(160)
Finance costs	(43)	(98)	(262)	(409)
Share of Profit of an associate	-	(6)	(1)	61
Loss before tax	(3,311)	(1,585)	(4,748)	(2,235)
Income tax expense	388	29	373	(163)
Loss for the period	(2,923)	(1,556)	(4,375)	(2,398)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign subsidiaries	(32)	(100)	96	(47)
Total comprehensive income for the period	**(2,955)**	**(1,656)**	**(4,279)**	**(2,445)**
Loss attributable to:				
Owners of the parent	(2,848)	(1,085)	(4,424)	(1,554)
Non-controlling interests	(75)	(470)	49	(843)
Loss for the period	(2,923)	(1,555)	(4,375)	(2,397)
Total comprehensive income attributable to:				
Owners of the parent	(2,869)	(1,125)	(4,533)	(1,577)
Non-controlling interests	(86)	(531)	254	(868)
Total comprehensive income for the period	(2,955)	(1,656)	(4,279)	(2,445)
Loss per share (sen)				
Basic (note B10)	(2.96)	(1.14)	(4.60)	(1.64)
Diluted (note B10)	(2.96)	(1.14)	(4.60)	(1.64)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

UNAUDITED CONSOLIDATED RESULTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 *(CONT'D)*

SERSOL TECHNOLOGIES BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Unaudited As At 31 December 2012 RM'000	Audited As At 31 December 2011 RM'000
ASSETS		
Non-current assets		
Investment in an associate	-	257
Property, plant and equipment	9,067	6,789
Other intangible assets	-	132
	9,067	7,178
Current assets		
Property, plant and equipment	-	100
Inventories	2,206	4,475
Trade receivables	3,136	6,605
Amount owing by an associate	-	59
Other receivables, deposits and prepayments	309	1,159
Tax recoverable	173	59
Marketable securities	125	184
Fixed deposits	191	-
Cash and bank balances	670	1,270
	6,810	13,911
TOTAL ASSETS	15,877	21,089
EQUITY AND LIABILITIES		
Equity		
Share capital	9,635	9,493
Share premium	3,751	3,538
Exchange translation reserve	(166)	(57)
Accumulated loss	(7,700)	(3,280)
Revaluation reserve	4,145	-
Equity attributable to owners of the parent	9,665	9,694
Non-controlling interests	(35)	(289)
TOTAL EQUITY	9,630	9,405
Non-current liabilities		
Finance lease payables	211	581
Bank borrowings	145	290
Deferred tax liabilities	805	490
	1,161	1,361
Current liabilities		
Trade payables	2,089	3,413
Other payables and accruals	626	1,225
Amount owing to an associate	-	1
Finance lease payables	115	170
Bank borrowings	1,563	4,018
Bank overdraft	693	1,496
	5,086	10,323
TOTAL LIABILITIES	6,247	11,684
TOTAL EQUITY AND LIABILITIES	15,877	21,089
Net assets per ordinary share attributable to owners of the parent (RM)	0.10	0.10

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for

UNAUDITED CONSOLIDATED RESULTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 (*CONT'D*)

SERSOL TECHNOLOGIES BERHAD
Company No. 602062-X
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012
(The figures have not been audited)

	Current Year To Date 31 December 2012 RM'000	Preceding Year Corresponding Period 31 December 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(4,748)	(2,235)
Adjustments for:-		
Non-cash items	3,003	2,229
Non-operating items	52	174
Operating (loss) / profit before changes in working capital	(1,693)	168
Net changes in current assets	5,355	494
Net changes in current liabilities	(192)	(1,060)
CASH FROM OPERATIONS	3,470	(398)
Interest paid	(217)	(336)
Income tax refunded	11	-
Tax paid	(182)	(182)
NET CASH FROM OPERATING ACTIVITIES	3,082	(916)
NET CASH FOR INVESTING ACTIVITIES		
Dividend received	1	4
Interest received	2	1
Proceed from disposal of quoted investment	58	177
Proceed from disposal of plant and equipment	444	223
Proceed from disposal of an associate	180	-
Net cash inflow from disposal of investment in subsidiary	78	-
Purchase of quoted investment	-	(17)
Purchase of plant and equipment	(530)	(657)
NET CASH FOR INVESTING ACTIVITIES	233	(269)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net (repayment) / drawdown of other short-term bank borrowings	(2,472)	739
Proceed from issuance of share capital	355	-
Repayments of finance lease payables	(424)	(149)
Repayments of term loans	(129)	(159)
NET CASH FOR FINANCING ACTIVITIES	(2,670)	431
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	645	(754)
Effect of changes in exchange rates	(251)	(59)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(226)	587
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	168	(226)

* Cash and cash equivalents included in the statement of cash flows comprise of the following:

	RM'000	RM'000
Fixed deposits	191	-
Cash and bank balances	670	1,270
Bank overdraft	(693)	(1,496)
	168	(226)

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

UNAUDITED CONSOLIDATED RESULTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 (*CONT'D*)

SERSOL TECHNOLOGIES BERHAD
Company No. 602062-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012
(The figures have not been audited)

	Attributable to Owners of the Parent						Non-controlling Interests	Total Equity
	← Non - distributable			→ Distributable				
	Share capital RM'000	Share premium RM'000	Exchange Translation reserve RM'000	Revaluation reserve RM'000	Accumulated losses RM'000	Total RM'000	RM'000	RM'000
As at 1 January 2012	9,493	3,538	(57)	-	(3,280)	9,694	(289)	9,405
Issuance of Shares	142	213	-	-	-	355	-	355
Total comprehensive income for the period	-	-	(109)	-	(4,424)	(4,533)	254	(4,279)
Revaluation of property, plant and equipment, net of deferred tax	-	-	-	4,149	-	4,149	-	4,149
Realisation of revaluation reserve			-	(4)	4	-	-	-
As at 31 December 2012	9,635	3,751	(166)	4,145	(7,700)	9,665	(35)	9,630
As at 1 January 2011	9,493	3,538	(34)	-	(1,726)	11,271	579	11,850
Total comprehensive income for the period	-	-	(23)	-	(1,554)	(1,577)	(868)	(2,445)
As at 31 December 2011	9,493	3,538	(57)	-	(3,280)	9,694	(289)	9,405

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

SERSOL TECHNOLOGIES BERHAD
Company No. 602062-X
(Incorporated in Malaysia)

A. EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the fourth quarter ended 31 December 2012 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

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

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

MFRS, Amendments to MFRS and IC Interpretations	**Effective for annual periods beginning on or after**
MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in November 2009) and October 2010)	1 January 2015
MFRS 10 : Consolidated Financial Statements	1 January 2013
MFRS 11 : Joint Arrangements	1 January 2013
MFRS 12 : Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 : Fair Value Measurement	1 January 2013
MFRS 119 : Employee Benefits	1 January 2013
MFRS 127 : Separate Financial Statements	1 January 2013
MFRS 128 : Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7 : Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101 : Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 : Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The transition to MFRS framework does not have any significant effects on these interim financial statements.

SERSOL TECHNOLOGIES BERHAD
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A2. Seasonality or Cyclicality Factors

The Group's interim operations for the quarter under review and financial year-to-date were not significantly affected by any seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

The Group has reassessed the estimated useful lives to reflect the future economic benefit of Group's property, plant and equipment and changed the depreciation policies in the current financial period. The major assets of the Group have been revised from 10 years to 5 years. The impact to the financial statements on the accelerated depreciation is RM0.974 million.

The Group has revalued its land and buildings and this represents a change in the measurement of the land and buildings from the cost model to revaluation model. Total gross upward revaluation is approximately RM4.894 million and the net upward revaluation is approximately RM4.149 million (net of deferred tax liability).

Save as disclosed above, there were no other items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence during the quarter under review and financial year-to-date.

A4. Material Change in Estimates

There were no changes in estimates amount reported as at to date that would have a material effect on the results for the current quarter under review and financial year-to-date.

A5. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

On 31 January 2012, the Company issued 1,420,000 ordinary shares at RM0.25 per share to the Bumiputera Investors identified by Ministry of International Trade and Industry (MITI).

A6. Dividend Paid

There was no dividend paid during the quarter under review and financial year-to-date.

SERSOL TECHNOLOGIES BERHAD
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A7. Segmental Reporting

Segmental reporting of the Group's result for the financial year-to-date is as follows:

(a) Primary Reporting Format - Geographical Segment:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31 December 2012	Preceding Year Corresponding Quarter 31 December 2011	Current Year To Date 31 December 2012	Preceding Year Corresponding Period 31 December 2011
Revenue	RM'000	RM'000	RM'000	RM'000
Malaysia	2,873	4,873	14,926	25,118
People's Republic of China and Hong Kong	-	906	1,177	4,195
Others	878	914	3,497	4,125
Total including inter-segment sales	3,751	6,693	19,600	33,438
Eliminations of inter-segment sales	(230)	(1,068)	(1,640)	(3,322)
Total Revenue	3,521	5,625	17,960	30,116
Loss Before Tax				
Segment results				
Malaysia	(3,100)	(3,092)	(4,630)	(2,690)
People's Republic of China and Hong Kong	-	(869)	371	(1,498)
Others	(118)	(201)	(569)	(497)
	(3,218)	(4,162)	(4,828)	(4,685)
Finance costs	(43)	(98)	(262)	(409)
Share of profit of an associate	-	(6)	(1)	61
Eliminations	(50)	2,681	343	2,798
Total Loss Before Tax	(3,311)	(1,585)	(4,748)	(2,235)

At 31 December 2012	Malaysia RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	24,417	1,269	(9,982)	15,704
Income tax assets	173	-	-	173
Total assets				15,877
Segment liabilities	5,298	1,398	(3,981)	2,715
Interest bearing -borrowings	2,725	2	-	2,727
Income tax liabilities	805	-	-	805
Total liabilities				6,247
Other segment information				
Capital expenditure	530	-	-	530
Depreciation of property, plant and equipment	1,995	53	-	2,048

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(b) Secondary Reporting Format - Business Segments:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment Holdings	42	564	278	1,080
Coatings Manufacturing	3,617	4,954	17,301	24,102
High Precision, Ferrous and Non-Ferrous Metal Trading	-	1,155	1,720	7,993
Others	92	20	301	263
Eliminations	(230)	(1,068)	(1,640)	(3,322)
Total Revenue	3,521	5,625	17,960	30,116
Loss Before tax				
Segment results				
Investment Holdings	(988)	(1,015)	(1,431)	(1,480)
Coatings Manufacturing	(1,876)	(2,987)	(2,333)	(3,128)
High Precision, Ferrous and Non-Ferrous Metal Trading	(112)	(100)	(586)	246
Others	(242)	(60)	(478)	(323)
	(3,218)	(4,162)	(4,828)	(4,685)
Finance costs	(43)	(98)	(262)	(409)
Share of profit of an associate	-	(6)	(1)	61
Eliminations	(50)	2,681	343	2,798
Total Loss Before Tax	(3,311)	(1,585)	(4,748)	(2,235)

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

There was no material event subsequent to the end of the quarter under review that has not been reflected in the interim financial statement.

A9. Changes in the composition of the Group

The Group had on 25 June 2012 announced to dispose its entire shareholding in its 50% owned subsidiary, Asset Capital Holdings Limited (ACHL). The disposal was completed on 18 July 2012.

A10. Changes in Contingent Liabilities or Contingent Assets

There were no changes in the contingent liabilities or contingent assets of the Group during the quarter under review and financial year-to-date.

SERSOL TECHNOLOGIES BERHAD
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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET

B1. Review of Group's Results for the Current Quarter and Financial Year-to-date Ended 31 December 2012

For the current quarter under review, our Group's revenue is RM3.521 million, showing a decrease of revenue by RM2.104 million, representing a decrease of approximately 37.40% as compared to the corresponding financial quarter ended 31 December 2011. Our Group recorded a loss after taxation of RM2.923 million for the current quarter ended 31 December 2012 as compared to the loss after taxation of RM1.556 million for the corresponding quarter ended 31 December 2011.

For the current financial year-to-date under review, our Group's revenue is RM17.960 million, showing a decrease of revenue by RM12.156 million, representing a decrease of approximately 40.36% as compared to the corresponding financial year ended 31 December 2011. Our Group recorded a loss after taxation of RM4.375 million for the current financial year-to-date ended 31 December 2012 as compared to the loss after taxation of RM2.398 million for the corresponding year-to-date ended 31 December 2011. The increase in losses for current quarter is mainly due to additional depreciation expenses as a result of change in depreciation policies as highlighted in Note A3. The increase in losses for financial year-to-date is mainly due to decrease in revenue in business operation, additional depreciation expenses and written off property, plant and equipment of RM0.610 million which no future economic benefits are expected from the usage.

B2. Variation of Results For the Current Quarter Ended 31 December 2012 against Immediate Preceding Quarter

During the current quarter ended 31 December 2012, our Group's revenue is RM3.521 million, showing a decrease of revenue of RM0.397 million, representing a decrease of approximately 10.13% as compared to the revenue of RM3.918 million in the preceding quarter ended 30 September 2012. Our Group recorded a loss after taxation of RM2.923 million in the current quarter ended 31 December 2012, as compared to a loss after taxation of RM0.629 million in the previous quarter ended 30 September 2012. The losses in current quarter is mainly due to the accelerated depreciation and written off property, plant and equipment as mentioned above.

B3. Prospects for 2013

Currently, the Group is mainly involved in the manufacturing and trading of plastic paints and coatings and architectural paints and coatings. However, the plastic paints and coatings segment of the Group, which is the main contributor to the Group's revenue, has not been profitable for the past financial years due to decrease in the demand of plastic paints and coatings since the FYE 31 December 2009. As such, the Board intends to widen the Group's product range to include marine paints and coatings for the oil and gas industry and to expand its existing architectural paints and coatings for the property development industry in Malaysia to address the current financial performance of the Group.

B4. Variance of Profit Forecast

Not applicable as no profit forecast has been issued.

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B5. Tax Expense

Tax expense comprises the following:

	Individual quarter ended		Cumulative quarter ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
In respect of the current period:-				
Taxation	(46)	(26)	-	216
Deferred taxation	(493)	(14)	(524)	(64)
	(539)	(40)	(524)	152
Under provision in previous financial years:-				
Taxation	56		56	-
Deferred taxation	95	11	95	11
	151	11	151	11
	(388)	**(29)**	**(373)**	**163**

The effective tax rate for previous year is higher due to certain expenses are not deductible for tax purpose.

B6. Status of Corporate Proposal Announced

(A) Proposals (as defined herein)

On behalf of SerSol Technologies Berhad ("SerSol" or the "Company"), TA Securities Holdings Berhad ("TA Securities") had on 9 November 2012 announced that the Company proposes to undertake the following:

(i) proposed renounceable rights issue of up to 96,351,000 new ordinary shares of RM0.10 each in SerSol ("SerSol Shares" or "Shares") ("Rights Shares"), together with up to 96,351,000 free detachable new warrants ("Warrants") on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing SerSol Share held at an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue of Shares with Warrants");

(ii) proposed establishment of a share issuance scheme ("SIS") of up to thirty percent (30%) of the issued and paid-up share capital of SerSol (excluding treasury shares) at any point in time for the eligible directors and employees of SerSol and its subsidiaries ("SerSol Group" or "Group") ("Proposed SIS");

(iii) proposed increase in the authorised share capital of SerSol from RM25,000,000 comprising 250,000,000 SerSol Shares to RM50,000,000 comprising 500,000,000 SerSol Shares ("Proposed Increase in Authorised Share Capital"); and

(iv) proposed amendments to the Memorandum and Articles of Association of SerSol which are intended to facilitate the Proposed Increase in Authorised Share Capital ("Proposed Amendment I").

SERSOL TECHNOLOGIES BERHAD
Company No. 602062-X
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The Controller of Foreign Exchange (via Bank Negara Malaysia) had vide its letter dated 22 November 2012, approved the issuance of Warrants to the non-resident shareholders of SerSol pursuant to the Proposed Rights Issue of Shares with Warrants.

Bursa Malaysia Securities Berhad had vide its letter dated 26 November 2012 approved the following:

(i) Listing of up to 96,351,000 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;

(ii) Admission to the Official List and listing and quotation of up to 96,351,000 Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;

(iii) Listing of up to 96,351,000 new SerSol Shares to be issued pursuant to the exercise of the Warrants; and

(iv) Listing of such number of additional new SerSol Shares, representing up to thirty percent (30%) of the issued and paid-up share capital of SerSol (excluding treasury shares), to be issued pursuant to exercise of options under Proposed SIS.

On 9 January 2013, SerSol announced that the Company proposes to undertake the following:

(i) proposed change of company's name from SerSol Technologies Berhad to SerSol Berhad ("Proposed Change of Name"); and

(ii) proposed amendments Memorandum and Articles of Association of SerSol to align with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, prevailing laws, guidelines or requirements of the relevant authorities as well as to enhance clarity and administrative efficiency of the Company ("Proposed Amendment II").

(The Proposed Rights Issue of Shares with Warrants, Proposed SIS, Proposed Increase in Authorised Share Capital, Proposed Change of Name, Proposed Amendment I and Proposed Amendment II are collectively referred to as "Proposals")

On 21 January 2013, a notice of the Extraordinary General Meeting ("EGM") was despatched to the shareholders of SerSol for the EGM to be held on 23 February 2013 to approve the Proposals.

All the resolutions set out in the Notice of EGM were duly passed by the shareholders of SerSol at the EGM held on 23 February 2013.

(B) Strike-Off of Multi Square (S) Pte Ltd

On 16 November 2012, the Company announced that an application had been submitted to the Company Registrar, Singapore to strike-off Multi Square (S) Pte Ltd ("MSPL"), a wholly-owned subsidiary of the Company, pursuant to Section 344 of the Companies Act (Cap 50) of Singapore ("Strike-Off").

The Strike-Off is expected to be completed upon the receipt of notification for strike-off from the Company Registrar, Singapore.

(C) Disposal of PT Multi Square

On 19 December 2012, the Company announced that the Company had entered into a Share Sale Agreement to dispose its entire holdings in its 60% owned subsidiary, PT Multi Square. The completion of the Disposal is expected to be within six (6) months from the date of the Sale Share Agreement.

Save as disclosed above, there were no other corporate proposals as at 18 February 2013 (being the latest practicable date not earlier than seven (7) days from the date of issuance of this report) which were pending for completion.

SERSOL TECHNOLOGIES BERHAD
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B7. Group Borrowings and Debt Securities

The Group's borrowings, all repayable in Ringgit Malaysia, as at the end of the quarter under review are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings			
Term Loans	141	-	141
Trade Financing	1,422	-	1,422
Finance Lease Payables	115	-	115
Bank Overdraft	693	-	693
	2,371	-	**2,371**
Long Term Borrowings			
Term Loans	145	-	145
Finance Lease Payables	211	-	211
	356	-	**356**
Total	**2,727**	-	**2,727**

B8. Changes in Material Litigation Since the Last Annual Balance Sheet Date

There were no changes in material litigation, including the status of pending material litigation since the date of issue of last report.

B9. Dividend Proposed

No dividend has been proposed during the quarter under review.

B10. Loss Per Share

Basic loss per share

	Current quarter ended		Cumulative quarter ended	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Net Loss attributed to owners of the parent for the period (RM'000)	(2,848)	(1,085)	(4,424)	(1,554)
Weighted Average Number of shares in issue ('000)	96,351	94,931	96,233	94,931
Basic loss per share (sen)	(2.96)	(1.14)	(4.60)	(1.64)

Diluted loss per share

Diluted loss per share is equal to the basic loss per share as there were no potential ordinary shares outstanding in both the previous and current financial period.

SERSOL TECHNOLOGIES BERHAD
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B11. Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2011 was not qualified.

B12. Realised and unrealized losses disclosure

The accumulated losses may be analysed as follows:

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Realised	(8,121)	(3,124)
Unrealised	421	(156)
	(7,700)	**(3,280)**

B13. Loss Before Tax

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

	Current Quarter ended		Cumulative quarter ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Allowance for impairment on receivables	(165)	(50)	(165)	(50)
Bad debts recovered	-	-	3	9
Depreciation expense and amortization	(1,317)	(296)	(2,048)	(1,210)
Dividend Income	1	1	6	8
Gain or (loss) on disposal of property, plant and equipment	54	(5)	(13)	69
Gain or (loss) on foreign exchange – Realised	6	(112)	(33)	(181)
Gain or (loss) on foreign exchange – Unrealised	12	78	(8)	98
Gain or (loss) on disposal of quoted investment	-	(27)	(88)	(28)
Gain on disposal of subsidiary	(312)	-	258	-
Gain or (loss) on derivatives	-	-	-	-
Interest expense	(36)	(91)	(217)	(336)
Interest income	1	-	2	1
Inventories written off	-	-	(17)	-
Loss on disposal of associate	-	-	(77)	-
Property, plant and equipment written off	(610)	-	(610)	-

DIRECTORS' REPORT

SERSOL

Registered Office:

Lot 6.05, Level 6, KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

21 MAR 2013

To: Shareholders of SerSol Berhad ("**SerSol**" or "**Company**")
(formerly known as SerSol Technologies Berhad)

Dear Sir/Madam,

On behalf of the Board of Directors of SerSol ("**Board**"), I wish to report that after making due enquiries in relation to our Company and its subsidiaries ("**Group**") during the period between 31 December 2011 (being the date on which the latest audited consolidated financial statements have been made up) to the date thereof, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus:

(i) in the opinion of the Board, the business of our Group has been satisfactorily maintained;

(ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;

(iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;

(v) since the last audited consolidated financial statements of our Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings in which our directors are aware of; and

(vi) save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the results of our Group since the last audited consolidated financial statements of our Group.

Yours faithfully
For and behalf of the Board of
SERSOL BERHAD
(formerly known as SerSol Technologies Berhad)

Tan Fie Ping
Chairman and Managing Director

ADDITIONAL INFORMATION

1. SHARE CAPITAL

1.1 Save for the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of the Warrants, no securities in our Company will be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.

1.2 As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.

1.3 As at the LPD, save for the provisional Warrants under the Rights Issue of Shares with Warrants, no person has been or is entitled to be granted an option to subscribe for any shares, stocks or debentures of our Company or our subsidiary companies.

2. REMUNERATION OF DIRECTORS

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:

Article 81. *(1)* *The remuneration of the Directors, who hold no executive office with the Company, for their services as Directors shall be determined by the Company by ordinary resolution at a general meeting and shall be payable by way of a fixed sum only and not by way of a commission on or percentage of profits or turnover and thereafter shall not be increased except by an ordinary resolution of the Company passed at an annual or other general meeting of the Company where notice of the proposed increase has been given in the notice convening the Meeting. If the remuneration of each such non-Executive Director is not specifically fixed by the Company in general meeting then the quantum of remuneration to be paid to each non-Executive Director, within the overall limits fixed by the Company in general meeting, shall be decided by resolution of the full Board of Directors. In default of any decision made in this respect by the full Board of Directors, the remuneration payable to the non-executive Directors shall be divided equally amongst them and such Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration. A non-Executive Director shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.*

(2) *Any Managing Director or Executive Director of the Company shall be remunerated in the manner referred to in Article 99 but such remuneration shall not include a commission on or percentage of turnover.*

Article 82. *Any Director who by request of the Board serves on any committee or performs special services for any purposes of the Company may be paid such extra remuneration by way or otherwise (subject to any other provisions of these presents) as the Board may determine. All the Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board or of committees of the Board or general meetings or otherwise in or about the business of the Company.*

Article 99. *Subject to any other provision of these presents, the remuneration of any Managing Director or Executive Director for his services as such shall be determined by the Directors and may be of any description and thereafter shall not be increased except by an ordinary resolution by the Company passed at an annual or other general meeting of the Company where notice of the proposed increase has been given in the notice convening the Meeting.*

Article 118. *Subject to these Articles, an Alternate Director shall not be entitled to receive any remuneration from the Company for his services as an Alternate Director, nor be required to hold any qualification provided that any fee paid by the Company to the Alternate Director shall be deducted from that Director's remuneration.*

3. MATERIAL CONTRACTS

Save as disclosed below, neither we nor our subsidiary companies have entered into any material contracts, (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this AP:

(i) the Deed Poll dated 15 March 2013 executed by our Company constituting the Warrants;

(ii) Share sale agreement dated 19 December 2012 entered into between SerSol with Tuanku Muhammad Zumadilla Narukaya for the disposal of PT Multi Square, a 60% owned subsidiary of SerSol, for a total consideration of RM1. The completion of the said disposal is expected to be within six (6) months from the date of the share sale agreement. Please refer to Section 2.6(ii) of this AP for further information of the said disposal; and

(iii) Sales and purchase agreement dated 25 June 2012 entered into between SerSol with Ever Bright Printing Machine Factory Limited and Mr Lim Wei Shien for the disposal of Asset Capital Holdings Limited, a 50% owned subsidiary of SerSol ("**AHCL**"), for a total consideration of one Hong Kong Dollar (HKD1) and RM1. The disposal of Asset Capital Holdings Limited was completed on 18 July 2012.

The Disposal is in the best interest of our Group in view of the uncertain business prospects of AHCL and its subsidiary company in China and the significant capital and resources would have to be committed to ACHL and its subsidiary company in order to maintain its operations.

The Disposal will not have any material effects on the EPS, NA and gearing of our Group for the FYE 31 December 2012. None of our Directors, substantial shareholders or persons connected to them has any interest, direct or indirect, in the Disposal.

4. MATERIAL LITIGATION

As at the LPD, neither we nor our subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board do not have any knowledge of any proceeding, pending or threatened, against us or our subsidiary companies or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of our Company or our subsidiary companies.

5. GENERAL

5.1 There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.

5.2 Save as disclosed in this AP and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:

(i) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

(ii) material commitments for capital expenditure of our Group;

(iii) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;

(iv) known trends or uncertainties that have had or that our Group reasonably expects will have, a material favourable or unfavourable impact on our Group's revenue or operating income;

(v) substantial increase in revenues; and

(vi) material information, including trading factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

6. CONSENTS

The Adviser, Company Secretaries, Principal Bankers, Share Registrar, Infobusiness, Solicitors for the Rights Issue of Shares with Warrants and Bloomberg Finance LP have given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto in the form and context in which they appear in this AP.

The written consent of our Reporting Accountants and Auditors to the inclusion in this AP of their names and letter relating to the proforma consolidated statements of financial position of our Group as at 31 December 2011 in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

The written consent of Crowe Horwath to the inclusion in this AP of their names and the audited consolidated financial statements of our Group for the FYE 31 December 2011 in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period of twelve (12) months from the date of this AP:

(i) the Memorandum of Association of SerSol;

(ii) the audited financial statements of SerSol Group for the past two (2) FYE 31 December 2011 and 31 December 2010 and the latest unaudited consolidated results of SerSol Group for the FYE 31 December 2012;

(iii) the proforma consolidated statements of financial position as at 31 December 2011 and the Reporting Accountants' letter thereon as set out in Appendix III of this AP;

(iv) Independent market research report on "An Overview on the Paints and Coatings Industry in Malaysia";

(v) the Undertakings referred to in Section 2.5 of this AP;

(vi) Directors' Report referred to Appendix VI of this AP;

(vii) the Deed Poll;

(viii) the material contracts referred to in Section 3 of this Appendix VII; and

(ix) the letters of consent referred to in Section 6 of this Appendix VII.

8. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning this Rights Issue of Shares with Warrants.

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