

PERISAI

Petroleum Teknologi

Perisai Petroleum Teknologi Bhd
632811-X

Value
Creating
Technologists...



annual
report **05**

To be the
Number **One**
Value Creating
Technology Company
for the **Oil** and **Gas**
sector in the
ASEAN region

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notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of PERISAI PETROLEUM TEKNOLOGI BHD. ("Perisai" or the "Company") will be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 27 June 2006 at 10.30 a.m. to transact the following businesses :-

AGENDA

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon.

(Ordinary Resolution 1)

2. To declare a final dividend of 10% per share less tax at 28% for the year ended 31 December 2005.

(Ordinary Resolution 2)

3. To approve the payment of Directors' fees for the year ended 31 December 2005.

(Ordinary Resolution 3)

4. To re-elect the following Directors who are retiring in accordance to the Company's Articles of Association and being eligible offer themselves for re-election:

Under Article 98:

- (i) Mohd. Jeffrey De Jong Bin Abdullah

(Ordinary Resolution 4)

- (ii) Aloysius Albert Michael

(Ordinary Resolution 5)

- (iii) Chan Feoi Chun

(Ordinary Resolution 6)

Under Article 93:

- (i) Yogesvaran A/L T. Arianayagam

(Ordinary Resolution 7)

- (ii) Dato' Dr. Mohamed Ariffin Bin Hj. Aton

(Ordinary Resolution 8)

5. To re-appoint Messrs. Kumpulan Naga as Auditors of the Company and to authorise the Directors to fix their remuneration.

(Ordinary Resolution 9)

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary Resolutions of the Company:

6. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES**

(Ordinary Resolution 10)

"THAT pursuant to Section 132D of the Companies Act, 1965 ("Act") and subject always to the approval of the relevant authorities, if any, the Directors be and are hereby empowered to issue ordinary shares of RM0.10 each in the Company ("Shares") from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of Shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional Shares issued on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and that such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

(Ordinary Resolution 11)

"THAT, subject always to the provisions of the Act, the Memorandum & Articles of Association of the Company, the Listing Requirements of Bursa Securities for the MESDAQ Market ("Listing Requirements") and the regulations, guidelines and guidance notes issued from time to time by Bursa Securities or any other regulatory authorities, approval be and is hereby given for Perisai and its subsidiaries ("Perisai RRPT Group") to enter into recurrent



related party transactions of a revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations of the Perisai RRPT Group as specified in Section 2.3 of the Company's Circular to shareholders dated 2 June 2006 ("Circular") on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders and that authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the shareholders' mandates shall continue to be in force until:

- (i) the conclusion of the next AGM of Perisai following this AGM at which the ordinary resolution for the shareholders' mandates were passed, at which time they will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

AND THAT, authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this ordinary resolution.

AND THAT, as the estimates given on the recurrent related party transactions specified in Section 2.3 of the Circular are provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.4 of the Circular.

- 8. To transact any other business for which due notice has been given in accordance with the Company's Articles of Association and the Act.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that, a final dividend of 10% per RM 0.10 ordinary share less 28% income tax for the year ended 31 December 2005, subject to the approval of the shareholders at the Third Annual General Meeting, will be paid on 25 August 2006 to depositors whose names appear in the Record of Depositors at the close of business on 28 July 2006.

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

- a) shares transferred to the Depositor's Securities Account before 4.00 p.m. on 28 July 2006 in respect of transfers; and
- b) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities

By Order of the Board,

SHOBHA NARAYANI A/P VENKATACHALAM (MAICSA 7030303)
Company Secretary

Kuala Lumpur
2 June 2006

I. NOTES ON APPOINTMENT OF PROXY:

1. A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to attend and vote on his/her behalf.
2. A proxy or attorney or corporate representative need not be a member of the Company and if not a member he/she need not be a qualified legal practitioner, an approved Company Auditor or a person approved by the Registrar.
3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two or more proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
5. Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
7. The instrument of proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the Registered Office of the Company, at Suite 2, Penthouse, Lobby A, Wisma Leopad, No. 9, Jalan Tun Sambanthan, 50470 Kuala Lumpur, not less than forty-eight (48) hours before the time of meeting or any adjournment thereof.

II. EXPLANATORY NOTES ON SPECIAL BUSINESS:**ORDINARY RESOLUTION 10****Resolution Pursuant to Section 132D of The Companies Act, 1965**

The ordinary resolution proposed under Ordinary Resolution 10, if passed, will give the Directors of the Company immediate authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in the general meeting, would expire at the conclusion of the next AGM.

ORDINARY RESOLUTION 11**Resolution on Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature**

Further information on the above ordinary resolution proposed under Ordinary Resolution 11 is set out in the Circular to Shareholders dated 2 June 2006.

statement accompanying notice of annual general meeting

1. The Directors who are standing for re-election pursuant to Articles 98 and 93 of the Company's Articles of Association are:

Under Article 98:

- (i) Mohd. Jeffrey De Jong Bin Abdullah
- (ii) Aloysius Albert Michael
- (iii) Chan Feoi Chun

Under Article 93:

- (i) Yogesvaran A/L T. Arianayagam
- (ii) Dato' Dr. Mohamed Ariffin Bin Hj. Aton

The aforesaid Directors' shareholdings are set out on page 34 of this Annual Report. Further details of the Directors are set out in the Profile of Directors on pages 9 to 12 of this Annual Report.

2. Attendance of Board of Directors' Meetings

A total of six (6) Board Meetings were held during the financial year from 1 January 2005 to 31 December 2005. Details of attendance can be found on page 19 of the Annual Report.

3. Place, Date and Time of the Annual General Meeting

The Third Annual General Meeting will be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 27 June 2006 at 10.30 a.m.

corporate information

BOARD OF DIRECTORS

Dato' Dr. Mohamed Ariffin Bin Hj. Aton
(Independent Non-Executive Chairman)

Yogesvaran A/L T. Arianayagam
(Non-Independent Non-Executive Director)

Chan Feoi Chun
(Independent Non-Executive Director)

Tengku Daud Shaifuddin Bin Tengku Zainudin
(Executive Director)

Nagendran A/L C. Nadarajah
(Executive Director)

Mohd. Jeffrey De Jong Bin Abdullah
(Executive Director)

Aloysius Albert Michael
(Executive Director)

Juhari Bin Husin
(Alternate Director to *Tengku Daud Shaifuddin Bin Tengku Zainudin*)

AUDIT COMMITTEE

Chan Feoi Chun
– Chairman

Dato' Dr. Mohamed Ariffin Bin Hj. Aton
- Member

Yogesvaran A/L T. Arianayagam
– Member

SECRETARY

Shobha Narayani A/P Venkatachalam

REGISTERED OFFICE

Suite 2, Penthouse, Lobby A,
Wisma Leopad,
No. 9, Jalan Tun Sambanthan,
50470 Kuala Lumpur.
Tel : 03-22731702
Fax : 03-22601906

PRINCIPAL PLACE OF BUSINESS

Lot No. 9, Jalan P10/15,
Kawasan Perindustrian
MIEL, Fasa 4,
43680 Bandar Baru Bangi,
Selangor Darul Ehsan.
Tel : 03-89261261
Fax : 03-89261263
Website : www.perisai.biz
E-mail : admin@perisai.biz

REGISTRAR

Mega Corporate Services Sdn. Bhd.
Level 15-2 Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur.
Tel : 03-26924271
Fax : 03-27325388

SOLICITORS

Paul Cheah & Associates
Kamarudin & Partners

PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad

AUDITORS

Kumpulan Naga
Chartered Accountants
Suite 1, 1st Floor Wisma Leopad,
No. 5, Jalan Tun Sambanthan,
50470 Kuala Lumpur.
Tel : 03-22746577
Fax : 03-22731710

SPONSOR

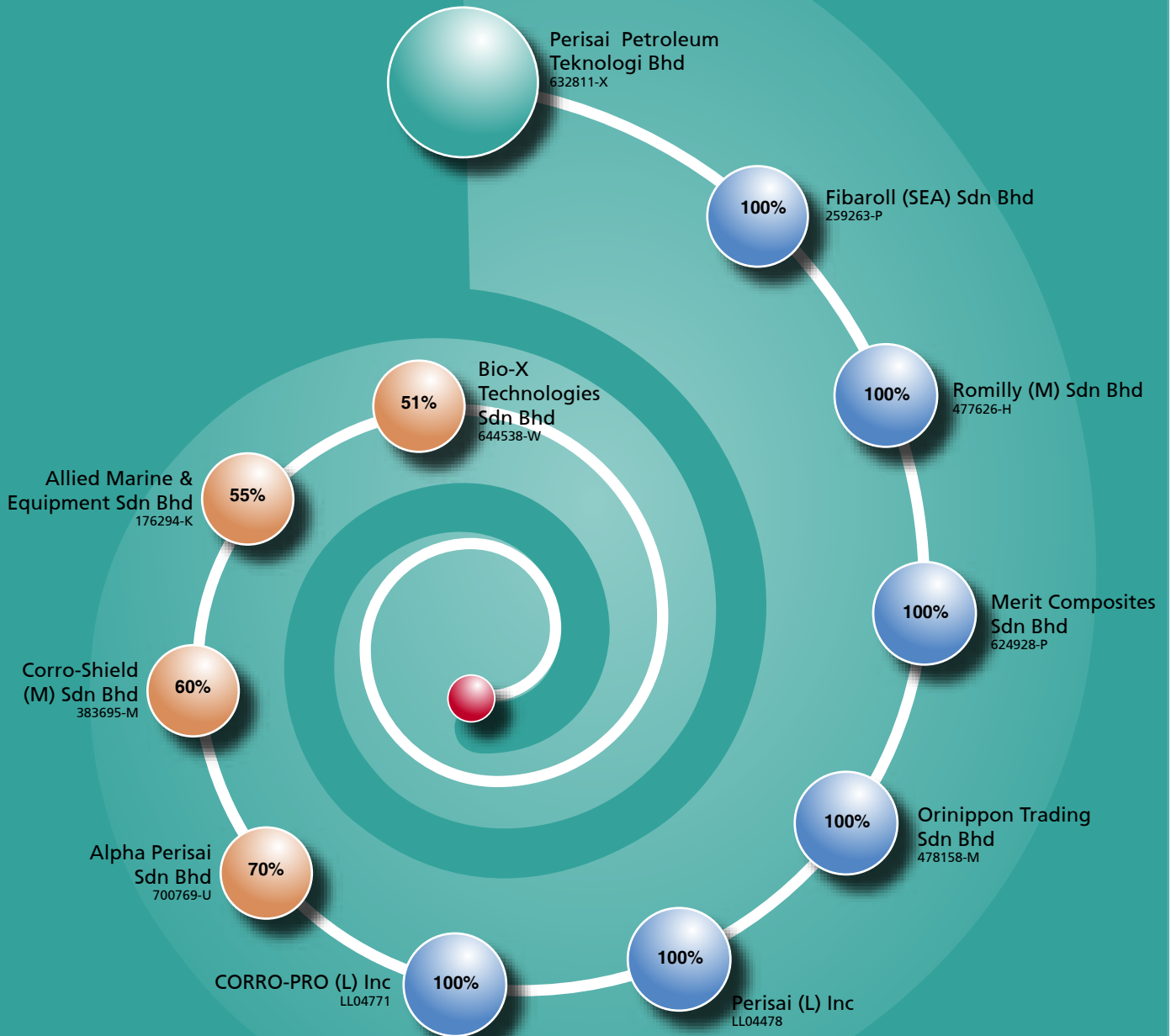
RHB Sakura Merchant
Bankers Berhad
Level 8 Tower Three RHB Centre,
Jalan Tun Razak,
50400 Kuala Lumpur.
Tel : 03-92873888

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia
Securities Berhad



group
structure



board of directors



**Dato' Dr. Mohamed Ariffin
Bin Hj. Aton, *Chairman***



Yogesvaran A/L T. Arianayagam



Chan Feoi Chun



**Tengku Daud Shaifuddin
Bin Tengku Zainudin**



Nagendran A/L C. Nadarajah



**Juhari Bin Husin
*(Alternate Director to Tengku Daud
Shaifuddin Bin Tengku Zainudin)***



**Mohd. Jeffrey De Jong
Bin Abdullah**



Aloysius Albert Michael

profile of directors

Dato' Dr. Mohamed Ariffin Bin Hj. Aton

Dato' Dr. Mohamed Ariffin Bin Hj. Aton, aged 61, a Malaysian, was appointed to the Board of PPTB as an Independent Non-Executive Director on 1 June 2004. He attended five (5) of the six (6) Board Meetings held in the financial year under review. He is the Chairman of the Risk Management Committee and a member of the Audit Committee and Nomination Committee. He holds a Doctrate in Chemical Engineering from the University of Leeds. Dato' Dr. Mohamed Ariffin started his professional career as a process engineer with Esso Refinery in Port Dickson in 1970. In November 1975, he joined the academia, as a Lecturer in Chemical Technology, Chemistry Department at Universiti Kebangsaan Malaysia ("UKM"). After numerous appointments he left UKM in 1989 when he was the Dean (Founder) of the Engineering Faculty and professor to join Petronas Research & Scientific Services Sdn. Bhd. ("PRSS") as the Deputy Director Downstream. Upon the corporatisation of PRSS in 1994 he was appointed as the Managing Director/Chief Executive Officer. He was subsequently appointed as the President and Chief Executive Officer of SIRIM Berhad ("SIRIM") in September 1996. He also serves as the Chairman of a number of SIRIM subsidiaries, namely SIRIM QAS International Sdn Bhd, SIRIM Projass Engineering Sdn Bhd and SIRIM Sime Technologies Sdn Bhd, and also as an Executive Director for SIRIM Training Services Sdn Bhd.

Dato' Dr. Mohamed Ariffin is the President of the Malaysian Association of Research Scientists (MARS) and he sits in various national committees such as National Council For Scientific Research & Development, Selangor Information Technology Council, Malaysian Scientific & Technology Information Council, Government IT & Internet Committee, Malaysian Nuclear Technology Advisory Board, the Asian Pacific Centre for Transfer of Technology (APCTT) and Malaysian Standards & Accreditation Council. Dato' Dr. Mohamed Ariffin is a Member of the Industrial Advisory Board for University of Nottingham Malaysia Campus as well as a special professor of the University.

He also sits on the Board of Titan Chemicals Corp. Sdn. Bhd., Sime Engineering Services Berhad and MEMS Technology Berhad, as well as a number of other private limited companies.

Yogesvaran A/L T. Arianayagam

Yogesvaran A/L T. Arianayagam, aged 54, a Malaysian, was appointed to the Board of PPTB as a Non-Independent Non-Executive Director on 30th October 2003. He attended five (5) of the six (6) Board Meetings held in the financial year under review. He is the Chairman of the Nomination Committee and Remuneration Committee and a member of the Audit Committee. He is a Fellow of the Chartered Institute of Management Accountants, UK (CIMA), a Chartered Accountant with the Malaysian Institute of Accountants and an Associate Member of the British Institute of Management.

He started his professional career in 1974 as a Management Accountant with British Steel Corporation, England. Upon his return to Malaysia in 1976, he joined Aseambankers Malaysia Berhad and was the Head of the Corporate Finance Division. He left Aseambankers Malaysia Berhad in May 1984 and joined Sampoorna Holdings Berhad as its Chief Executive Officer. In November 1989, he joined Murnivest Sdn Bhd as Managing Director and subsequently in January 2003 he joined Asian Pac Management Sdn Bhd as its Managing Director. A. Yogesvaran brings along 26 years of experience in Corporate Finance, Financial Management and in Mergers and Acquisitions. He is currently the Chairman of the Executive Committee of Perisai Group of Companies.

A. Yogesvaran currently sits on the Board of Multi Purpose Insurance Berhad and on the Boards of a number of private limited companies in Malaysia, Singapore, New Zealand and India.

Chan Feoi Chun

Chan Feoi Chun, aged 53, a Malaysian, was appointed to the Board of PPTB as an Independent Non-Executive Director on 6 June 2005. He attended three (3) of the six (6) Board Meetings held in the financial year under review. He is the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Risk Management Committee. He is a Fellow of the Chartered Institute of Management Accountants, UK (CIMA), a Member of Malaysian Institute of Accountants and a Graduate member of the Institute of Chartered Secretaries and Administrators UK (ICSA). He also holds a Master of Business Studies (Banking & Finance) from University College Dublin, Ireland.

He is currently employed as the Chief Executive Officer of Swiss Garden International Vacation Club Bhd. He held various seniors positions in PJD Holdings Berhad Group of Companies. Prior to joining the PJD Group in 1994, he held senior management positions in the financial services Group of MBF Holdings. Mr. Chan who has international working experience in Britain and Thailand brings along 25 years experience in areas of financial management and business re-engineering.

He is also a Council member of CIMA, Malaysia Division and Chairman of the Student Development Committee.

Tengku Daud Shaifuddin Bin Tengku Zainudin

Tengku Daud Shaifuddin Bin Tengku Zainudin, aged 46, a Malaysian, was appointed to the Board of PPTB as an Executive Director on 1 June 2004. He attended six (6) of the six (6) Board Meetings held in the financial year under review. He is a member of the Risk Management Committee. He has more than fifteen years of experience in the Oil and Gas industry with Carigali and PETRONAS Mitco (Japan) Sdn. Bhd. He joined Carigali after graduating from the University of Exeter, England with a Bachelor of Science (Honours) in Physics with Geophysics.

He is currently employed as the Chief Executive Officer of Corro-Shield (M) Sdn. Bhd. which is 60% owned subsidiary of PPTB. He has international working experience in Vietnam, Turkmenistan, France, Taiwan and Syria. He was involved in the seismic operations and data processing for Carigali in Block PM12, PM6, PM5, Baram Delta, Tembungo, Block 1 and 2 in Vietnam, Tishreen Permit and East Ash Sham Block in Syria. With his in depth experience in offshore oil exploration, he has a good understanding of the corrosion problems encountered by offshore oil and gas structures as well as the practical limitations of various corrosion products and solutions, which enables him to effectively experiment with and evaluate the effectiveness of various corrosion control solutions. He directs the R&D activities of the Group towards the development of "home grown" corrosion control products and solutions that are innovative, effective and price competitive.

He is a Past-President of the Malaysian Society of Exploration Geophysicists and an active member of the International Society of Exploration Geophysicists. He currently sits on the Board of SAAG Consolidated (M) Bhd, as well as a number of other private limited companies.



Nagendran A/L C. Nadarajah

Nagendran A/L C. Nadarajah, aged 52, a Malaysian, was appointed to the Board of PPTB as an Executive Director on 1 June 2004. He attended six (6) of the six (6) Board Meetings held in the financial year under review. He is a member of the Nomination Committee. He is a Fellow member of the Chartered Association of Certified Accountants and has a Master in Business Administration, majoring in Finance from the City University, London.

He is employed as the Group Finance Director in PPTB. In addition, he is also responsible for sales and marketing efforts with a specific task of developing the overseas market for the Group's products and solutions. He has worked for over 21 years under various capacities in the oil and gas industry, commerce and educational establishments, mostly in the UK and Africa. Nagendran is also in the Corrosion Control Solution Committee of the R&D team and was involved in the development of the CorroCap™ and Composite Sleeve Repair.

Juhari Bin Husin

Juhari Bin Husin, aged 50, a Malaysian, resigned from the Board of PPTB on 6 June 2005 and was re-appointed as an Alternate Director to Tengku Daud Shaiffudin Bin Tengku Zainudin on the same date. He attended three (3) of the six (6) Board Meetings held in the financial year under review. He has a Bachelor and Master of Science majoring in Mechanical Engineering from the Universities of Surrey (England) and Strathclyde (Scotland) respectively. He is a professional Engineer registered with the Board of Engineers Malaysia, a Fellow of the Institution of Engineers Malaysia and a registered Gas Engineer with the Energy Commission of Malaysia.

He is currently employed as the Chief Executive Officer of Romilly (M) Sdn. Bhd., which is a 100% owned subsidiary of PPTB. He has 20 years of experience in areas related to design, evaluations, technical audits, engineering construction and condition assessments of major mechanical equipment, process plants and pipelines in the oil and gas, petrochemical, power and marine industries. He has extensive hands-on experience at various levels from field supervision through project management and ten years in managerial capacity. He is instrumental in the development and applications of rope access technology in Malaysia.

Mohd. Jeffrey De Jong Bin Abdullah

Mohd. Jeffrey De Jong Bin Abdullah, aged 51, a Dutch citizen, was appointed to the Board of PPTB as an Executive Director on 6 June 2005. He attended three (3) of the six (6) Board Meetings for the financial year under review. He is a member of the Risk Management Committee. He has a Bachelor of Science in Architecture and Master of Science in Building Engineering from University of Technology (Netherlands)

He is currently employed as the Chief Operating Officer for some of the subsidiaries in PPTB Group. Prior to this appointment, he spent 10 years as General Manager of Corroless (M) Sdn Bhd which specializes in composite materials. He has 25 years of broad based experience and many years of international exposure in areas of developing methods of repairs, strengthening and protection based on composite technology.

Aloysius Albert Michael

Aloysius Albert Michael, aged 55, a Malaysian, was appointed on the Board of PPTB as an Executive Director on 6 June 2005. He attended three (3) of the six (6) Board Meetings held in the financial year under review. He is a member of the Remuneration Committee and Risk Management Committee. He holds a number of International underwater diving certificates with an illustrious and sterling career spanning 37 years.

He is currently employed as the Operations and Technical Director of Allied Marine & Equipment Sdn. Bhd. a 55% owned subsidiary of PPTB which provides offshore diving and related underwater services to the Oil & Gas industry. He brings with him strategic broad-based experiences and many years of international exposure in the areas of underwater services, offshore construction and installation, and marine equipment for Oil & Gas related companies. His wide knowledge and experience stems from having worked extensively in Asia, The Middle East, Africa and The Mediteranean during his career as a diver through the ranks to a saturation superintendent and to the various senior management appointments he held.



chairman's
review



**On behalf of your
Board of Directors,
I am pleased
to present the
Annual Report of
Perisai Petroleum
Teknologi Bhd.**

Financial Performance

For the financial year ended 31 December 2005, the Perisai Group recorded a turnover of RM122.9 million, an increase of more than 5 times of that achieved in the previous financial year. The net profit for the financial year under review amounted to RM16.6 million an increase of 267% over what was recorded in the previous financial year. The main reason for the huge increase during this financial year in the turnover and in the net profit was due to the incorporating of the results of the companies acquired at the beginning of the financial year. The Group achieved a significant organic growth of 47%. This is derived by excluding the profit contributions of the acquired companies during the year and was computed on a proforma basis.

Earnings per Share and Dividends

The earnings per share for the year under review is 7.97 sen as compared to 3.83 sen recorded in the previous year. Your company distributed its maiden dividend of 1 sen per share during this financial year and this dividend was paid to Shareholders on 14 October 2005. The Board of Directors has recommended a final dividend, subject to the Shareholders' approval at the forthcoming Annual General Meeting of the Company, of a further 1 sen per share. With the proposed dividend, the total gross dividend for the financial year under review will amount to 2 sen per share or a 20% dividend pay out. The total payment of net dividend for the financial year ended 31 December 2005 will be RM3 million, which is equivalent to 18.1% of the Group's net profit.



Prospects

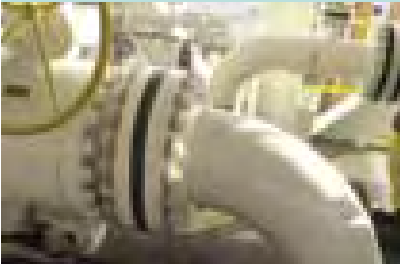
The Malaysian economy is projected to register a growth rate of 6% in 2006. With the positive global and regional outlook in the Oil and Gas Sector, the prospects are for a stronger growth for the Group in the coming years. The rise in crude oil prices augurs well for the Perisai Group's operations. All major oil companies are increasing their investments in their upstream and downstream activities and as a result, this will keep the Perisai Group busy. The Perisai Group is involved in a spectrum of activities in the Oil and Gas Industry and the Group is poised to secure contracts for the various services and products it offers.

During the year under review, the Perisai Group entered into a joint venture with Alpha Thames Subsea Ltd by forming a 70% subsidiary called Alpha Perisai Sdn Bhd. This investment is involved in the technology of subsea hydrocarbon extraction and the Group is confident that this investment will contribute positively towards the Group's profits in the coming years.

At the operation level, the Group will continue to leverage on its efficiency and competitiveness. Ongoing research and development work on identifying new methods of pipe repairs will prove useful to the Group. Research and Development activities will be increased to develop new products, which will further help to address the Group's strategic and operational requirements.

The Group during this financial year has invested in marketing its products and services in the Asean region and the Group is confident of securing additional contracts in this region.

The Board is confident barring any unforeseen circumstances, for the Perisai Group of Companies to achieve further growth in both, turnover and profits for the coming financial year.

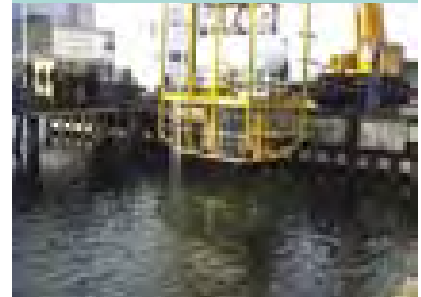




Directorships

During the year under review, Encik Makhtar Bin Mohamed retired from the Board on 3 June 2005. Encik Juhari Bin Husin and Encik Abdul Hamid Bin Mohamed Ghows resigned from the Board on 6 June 2005 and 31 March 2006 respectively. On behalf of the Board of Director, I wish to record our sincerely appreciation to them for their services to the Company.

I would also like to welcome Mr Chan Feoi Chun, Mr Aloysius Albert Michael and Encik Mohd. Jeffrey De Jong Bin Abdullah who joined the Board during the financial year under review. I also welcome back Encik Juhari Bin Husin who was appointed as an Alternate Director to Tengku Daud Shaifuddin Bin Tengku Zainudin on 6 June, 2005.





Appreciation



On behalf of the Board of Directors I would like to extend our sincere appreciation to our Shareholders, Customers and Business Partners for their continued support to the Group. To the Group loyal employees, I would like to say thank you for continuing to be the driving force behind the Group's success. I would also like to express our gratitude to the various authorities for their guidance and support. Last but not least, I would like to record my personal thanks to my fellow Directors on the Board for their contributed guidance, advice and services.

DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON
CHAIRMAN.

statement of corporate governance

for the financial year ended 31 december 2005

Introduction

The Board of Directors of Perisai (“Board”) supports the Malaysian Code on Corporate Governance (“Code”) and is committed to ensuring that good corporate governance is practiced throughout the Group in enhancing shareholders’ value. Below is a description of how the Group has applied the principles set out in the Code for the year ended 31 December 2005.

Board of Directors

The Board

The Company is led and controlled by the Board, which has overall responsibility for corporate governance, strategic direction and overseeing the investments of the Company.

Board Meetings

During the financial year under review, the Board met six (6) times and the attendance record for each Director is as follows:

	Number of meetings
Makhtar Bin Mohamed (Retired at the 2 nd AGM held on 3 June 2005)	1
Dato’ Dr. Mohamed Ariffin Bin Hj. Aton (Independent Non-Executive Chairman)	5
Yogesvaran A/L T. Arianayagam (Non-Independent Non-Executive Director)	5
Chan Feoi Chun (Independent Non-Executive Director appointed on 6 June 2005)	3
Tengku Daud Shaifuddin Bin Tengku Zainudin (Executive Director)	6
Nagendran A/L C. Nadarajah (Executive Director)	6
Juhari Bin Husin (Alternate Director to Tengku Daud Shaifuddin Bin Tengku Zainudin)	3
Mohd. Jeffrey De Jong Bin Abdullah (Executive Director appointed on 6 June 2005)	3
Aloysius Albert Michael (Executive Director appointed on 6 June 2005)	3
Abdul Hamid Bin Mohamed Ghows (Executive Director resigned on 31 March 2006)	5

The minimum 50% attendance requirement in respect of Board meetings as stipulated by the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) has been complied with.

Board Balance

The Board comprises of four (4) Executive Directors and three (3) Non-Executive Directors of whom two (2) are independent. Such a balance is in compliance with paragraph 13.2 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market (“MMLR”) in respect of the board composition.

The Executive Directors are generally responsible for making and implementing operational decisions whilst the Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision making through their knowledge and experience of relevant business sectors.

The Board retains full and effective control over the Group. The Chairman leads strategic planning at the Board level, while the Executive Directors are responsible for the implementation of the policies laid down and executive decision-making. The Board makes key decisions, such as approval of interim and annual reports, acquisitions and disposals, new ventures and investments, material agreements, major capital expenditures and budgets.

The Non-Executive Directors are of the calibre necessary to provide an independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure the long-term interest of the shareholders, employees, customers and other stakeholders.

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Group’s business and affairs to enable them to discharge their duties. All Directors are provided with the agenda together with Board papers prior to each Board meeting to enable them to consider the issues and facilitate informed decision making.

In addition there is a schedule of matters reserved specifically for the Board’s decision which includes the approval of corporate plans and budgets, material acquisitions and disposals of assets, major capital projects, financial results, dividend recommendations and board appointments.

All Directors have access to the advice and services of the Company Secretary and Senior Management and may seek independent professional advice, at the Company’s expense, if required, in furtherance of their duties.

Board Committees

The Board has delegated certain responsibilities to Board Committees which operate within defined terms of reference. The Board Committees include the Audit Committee, Executive Committee, Nomination Committee, Remuneration Committee and Risk Management Committee. The respective Committees report to the Board on matters considered and their recommendation thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

Audit Committee

The Audit Committee was established on 15 June 2004 and the current members are as follows:-

Name of Director	Designation
Chan Feoi Chun <i>(Independent Non-Executive Director)</i>	Chairman
Dato’ Dr. Mohamed Ariffin Bin Hj. Aton <i>(Independent Non-Executive Director)</i>	Member
Yogesvaran A/L T. Arianayagam <i>(Non-Independent Non-Executive Director)</i>	Member

The Board is assisted by an Audit Committee, whose role and functions are as set out in the Audit Committee Report on pages 27 to 30 of this annual report.



Nomination Committee

The Nomination Committee was established on 15 June 2004 and the current members are as follows:-

Name of Director	Designation
Yogesvaran A/L T. Arianayagam (Non-Independent Non-Executive Director)	Chairman
Dato' Dr. Mohamed Ariffin Bin Hj. Aton (Independent Non-Executive Director)	Member
Chan Feoi Chun (Independent Non-Executive Director)	Member
Nagendran A/L C. Nadarajah (Executive Director)	Member

The Nomination Committee's terms of reference are as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board Committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives and appropriate continuous training programme.

Remuneration Committee

The Remuneration Committee was established on 15 June 2004 and the current members are as follows:-

Name of Director	Designation
Yogesvaran A/L T. Arianayagam (Non-Independent Non-Executive Director)	Chairman
Chan Feoi Chun (Independent Non-Executive Director)	Member
Aloysius Albert Michael (Executive Director)	Member

The Remuneration Committee's terms of reference are as follows:-

- Recommend to the Board the framework governing the remuneration of the Directors, Chief Executive officer and key senior management officers.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.

Risk Management Committee

The Risk Management Committee was established on 15 June 2004 and the current members are as follows:-

Name of Director	Designation
Dato' Dr. Mohamed Ariffin Bin Hj. Aton (Independent Non-Executive Director)	Chairman
Chan Feoi Chun (Independent Non-Executive Director)	Member
Aloysius Albert Michael (Executive Director)	Member
Tengku Daud Shaifuddin Bin Tengku Zainudin (Executive Director)	Member
Mohd. Jeffrey De Jong Bin Abdullah (Executive Director)	Member

The Risk Management Committee's terms of reference are as follows:-

- Advise the Board on risk management issues throughout the Perisai Group and to develop policies for risk management for consideration and approval by the Board
- To cultivate greater awareness of the importance of risk management within the Perisai Group

Appointment and Re-election to the Board

Appointments to the Board are made based on the recommendation of the Nomination Committee. In accordance with the Company's Articles of Association, all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Program (MAP) conducted by Bursa Malaysia Training Sdn Bhd in compliance with the Listing Requirements. The Directors are encouraged to attend continuing training programmes as may be prescribed by the Exchange to keep abreast with developments in the market, industry and corporate scene.

Director's Remuneration

The Company's remuneration policy for Directors is tailored to support the Company's overall objective of delivering long-term value to its shareholders. The remuneration packages are designed to encourage the creativity and innovation appropriate for a property, infrastructure and construction company and to enable the Company to recruit and retain individuals of the necessary caliber relevant to the achievement of the Company's strategic objectives.

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry. Performance is measured against profits and targets set in the Group's annual plan and budget.

For Non-Executive Directors, the level of remuneration reflects the level of responsibilities taken by them.

The remuneration packages of all executives of the Group including Executive Directors are laid out in the Group's Human Resource Manual, which is reviewed from time to time to align with market/industry practices.

Details of Remuneration

Details of the number of Executive and Non-Executive Directors in the respective remuneration bands for the financial year ended 31 December 2005 are disclosed in the Statutory Financial Statements as Note 20(c) of the Notes to the Financial Statements.

Shareholders

Dialogue between the Company and Investors

As part of the Board's responsibility in developing and implementing an investor relations programme, discussions are held between an Executive Director and analysts/investors throughout the year, when necessary. Presentations based on permissible disclosures are made to explain the Group's performance and major development programmes. Price-sensitive information about the Group is, however, not disclosed in these exchanges until after the prescribed announcement to Bursa Malaysia Securities Berhad has been made. In addition, the annual and quarterly reports, together with the Company's earnings announcements and share price information are available on www.bursamalaysia.com.

It is integral to the Group's philosophy on enhancing corporate governance and encouraging transparency that it practices an open communications policy with its shareholders through the Group's annual report, AGM and Group website www.perisai.biz. This ensures that the shareholders are given as accurate and fair representation of the Group's performance and position as possible.



Annual General Meeting

The Company's AGM provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issues relevant to the Group. At the AGM, shareholders are encouraged to question the resolutions being proposed or the Group's business operations in general. The Notice of the AGM and related documents are issued to the shareholders at least twenty one (21) days before the meeting.

To keep the media informed, the Group disseminates copies of the annual report to all relevant press and holds a press conference immediately following the AGM itself at which time the Finance Director briefs those present on details of the financial year results.

The Group's website www.perisai.biz provides an alternative communications avenue, targeted at giving information on developments in the Group's business via updates, company news, promotions and news releases to employees, shareholders and members of the public. The website is updated periodically.

Accountability and Audit

Financial Reporting

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group. The Directors consider the presentation of the financial statements and ensure that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Audit Committee assists by scrutinising the information to be disclosed, to ensure accuracy and adequacy. The Group's financial statements are presented on pages 40 to 76 of this annual report.

Statement of Directors' Responsibility for preparing the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which

have been made out in accordance with the applicable approved accounting standards in Malaysia and give a true and fair view of the financial position of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Internal Control

The Directors acknowledge their responsibilities for the internal control system in the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Group's assets.

Relationship with the Auditors

The Company's external auditors, Kumpulan Naga has continued to report to members of the Company on

their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements. The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee Report on pages 27 to 30 of the Annual Report.

Utilisation of Public Issue Proceeds

The proceeds raise during the Public Issue were approved for the following activities and status on the funds utilisations as at 31 March 2006 is summarised as follows:

Utilisation	Approved Utilisation	Amount Utilised	Expected time frame for the full utilization
	RM'000	RM'000	
Research and development	8,000	7,227	By 4 July 2006
Working capital	7,960	7,960*	Fully utilised
Listing expenses	1,200	1,200*	Fully utilised
Total	17,160	16,387	

Note:

* Actual expenses for the listing exercise amounts to RM1,444,010. As allowed in Perisai's Prospectus, the additional RM244,010 has been funded out of the portion allocated for working capital.

Other Information

The following information provided is in respect of the financial year ended 31 December 2005.

Share Buybacks

During the year under review, the Company did not enter into any share buyback transactions.

Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year under review.

Sanctions and/or Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year under review.

Non-audit Fees

The amount of non-audit fees paid and payable to the external auditors by the Group for the financial year ended 31 December 2005 was RM Nil.

Profit Guarantee

No profit guarantee was given by the Company and or its subsidiaries except for Allied Marine & Equipment Sdn. Bhd. and Merit Composites Sdn. Bhd. amounting to RM8.0 million and RM1.2 million respectively.

Material Contracts

During the year under review, there were no material contracts entered into by the Company and its subsidiaries which involved Directors' or major shareholders' interests (not being contracts entered into in the ordinary course of business).

Revaluation Policy

The Group does not have a revaluation policy in respect of the Group's properties.

statement on internal control for the financial year ended 31 december 2005

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and Group's assets. The Board of Directors recognizes the importance of sound internal controls and risk management practices and is pleased to provide the following statement which outlines the nature and scope of internal control in the Group.

Responsibility

The Board of Directors is responsible for maintaining a sound system of internal control for the Group and for reviewing its adequacy and integrity. However, due to the limitations inherent in any system of internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of internal control in the Group. The Audit Committee is assisted by the Internal Auditor, who conducts regular and systematic reviews of the system of internal control of the Group and also the extent of compliance with the Group's operating policies and procedures. The findings are reported directly to the Audit Committee.

The membership and terms of reference and activities of the Audit Committee are set out on pages 27 to 30.

Risk Management Framework

The Audit Committee and the management are committed to formalizing a comprehensive Risk Management Framework in accordance with the guidance as contained in the publication – Statement of Internal Control : Guidance for Directors of Public Listed Companies.

During the previous financial year, a Group Risk Management Committee was established to provide oversight and guidance on the implementation of risk management processes to ensure all significant current and potential risks of the business are understood and

managed. Also, an independent consultancy firm was engaged to put in place a structured risk management framework for the Group and reinforce the tone of risk awareness and control consciousness. Continuous efforts will be made to monitor and re-assess the existing risk management framework in regards to maintaining a proper system of managing risks as well as the related control activities.

Other Key Elements of Internal Control

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

- The Executive Directors actively participate in the day to day running of the businesses and hold regular dialogues with senior management of the various business units
- There are clearly defined delegation of responsibilities and appropriate limits of authority for different processes, decisions and commitments.
- An Executive Committee ("Exco") was established to manage and control the Group's businesses. The Exco monitors the performance of the business units and identify areas requiring follow-up actions. The Exco is further supported by various sub-committees. Matters beyond its limits of authority are referred to the Board for approval.
- The Board of Directors meets at least quarterly to discuss the performance of the Group and other major issues. The Annual Report and the announcements of quarterly results are reviewed by the Audit Committee before the Board's approval and release to the public.
- The Board also reviews and approves the annual budget and business plans of the business units. These plans set out the key business objectives of the respective business units and the major risks and opportunities in the operations and the ensuing action plans.

The Board, with the assistance of the Audit Committee, constantly reviews the adequacy and integrity of the system of internal control and is confident that there were no material losses incurred during the current financial year as a result of weaknesses of internal control.

The Audit Committee and Internal Audit

The Group has engaged a professional services organisation to provide outsourced Internal Audit services, which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the year under review, Internal Audit carried out audits based on the internal audit plan approved by the Audit Committee. The audit findings are deliberated and resolved with management. The Audit Committee, on behalf of the Board, reviews internal control issues identified, and recommendations from reports prepared by the internal and external auditors on a regular basis.



audit committee report

for the financial year ended 31 december 2005

Audit Committee

The Audit Committee was established on 15 June 2004 and the composition and terms of reference of the Audit Committee were adopted by the Board on 25 November, 2004.

Composition and Meetings

The composition of the Audit Committee and their attendance at the 4 meetings held during the year are as follows:-

Name of Director	Attendance
Chan Feoi Chun (Independent Non-Executive Director)	2/4
Dato' Dr. Mohamed Ariffin Bin Hj. Aton (Independent Non-Executive Director)	4/4
Yogesvaran A/L T. Arainayagam (Non Independent Non-Executive Director)	4/4

Terms of Reference

Membership

The committee shall be appointed by the Board from amongst the Directors of the Company, a majority of whom must be independent.

The Committee shall include at least one Director who is a member of the Malaysian Institute of Accountants or alternatively, a person who must have at least 3 years working experience and have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967 or is a member of one of the Associations of Accountants specified in Part II of the said Schedule.

No alternate Director shall be appointed a member of the Committee.

In the event of any vacancy with the result that the number of members is reduced to below three (3), the

vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement will be appointed before he leaves.

Authority

For the performance of its duties, the Audit Committee shall adopt the same procedures as those adopted by the Board and at the cost of the Group:

1. Have authority to investigate any activity within its terms of reference;
2. Have the resources which are required to perform its duties;
3. Have full and unrestricted access to any employee and information pertaining to the Perisai Group. All documents of the Perisai Group shall be made accessible to the Audit Committee;
4. Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity for the Perisai Group;
5. Have authority to direct the internal audit functions (both corporate, subsidiaries and associates and joint ventures, where applicable) in its activities, including approval of appointments of senior executives and budgets in these functions; and
6. Be able to engage independent professional advisers or other advisers and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

Functions & Duties

The Committee shall carry out the following responsibilities:

1. Financial Statements

- Review and recommend acceptance or otherwise of major accounting policies, principles and practices.
- Review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:-
 - any changes in or implementation of major accounting policy changes
 - major judgmental areas, significant and unusual events
 - significant adjustments resulting from audit
 - the going concern assumptions
 - compliance with approved accounting standards
 - compliance with stock exchange and legal requirements
- Review with management and the external auditors, the results of the audit and his audit report, including any difficulties encountered.
- Review, with the Group's Counsel, any legal matter that could have a significant impact on the organisation's financial statements.

2. Internal Audit and Control

- Evaluate the process the Group has in place for assessing and continuously improving internal controls.
- Assess the internal process for determining and managing key risks other than those

that are dealt with by other specific Board committees.

- Review the scope of internal and external auditors' review of internal control over the Group.
- Review Internal Audit reports (including those of the Group) and management's response and ensure that appropriate action is taken in respect of these and Audit Committee resolutions.
- Review with the External Auditors, their evaluation of the system of internal control; their reports and management's response and ensure that appropriate action is taken in respect of these reports and Audit Committee resolutions.
- Approve the terms of reference for the internal audit services provided by an outside party and ensure that the internal audit function is adequately resourced and has appropriate standing in the Group. This includes a review of the organisational structure, resource budgets and qualifications of the internal audit function or outside service provider.
- Review and approve Internal Audit plans and the scope of audits and ensure that the Internal Audit Functions has the necessary authority and resources to carry out its work.
- Approve the appointment and removal of an outside provider of internal audit services.
- Review appraisals or assessments of members of the Internal Audit Function.
- Direct any special investigations to be carried out by Internal Audit.



3. External Audit

- Review External Audit plans and scope of work before the audit commences.
- Discuss problems and reservations arising out of external audits, including assistance given by the employees and any matters the auditors may wish to discuss, in the absence of management or Executive Directors where necessary.
- Nominate to Board the appointment of the External Auditors and the appropriateness of other non-audit functions the external auditors may carry out for the Group, including external audit fee, and consider any questions of resignation or dismissal, experience, resources and capability of the external auditor.

4. Compliance

- Evaluate management's system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of non-compliance.
- Review the findings of any examinations by regulatory authorities.
- Obtain regular updates from management and Group's legal counsel regarding compliance matters.
- Review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of director or management integrity.
- Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting

in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, the Audit Committee must promptly report such matters to Bursa Securities.

Summary of Activities

During the current year Audit Committee has :

1. Reviewed and approved the Annual Audit Plan for the financial year 2006 to ensure adequacy scope and coverage over the activities of the Group.
2. Reviewed the quarterly and year end financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on;
 - changes in or implementation of major accounting policies and practices;
 - the going concern assumption;
 - significant adjustments arising from audit;
 - major judgemental areas;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements.
3. Reviewed the related party transactions and conflict of interest situation that may arise within the Company or Group including any transactions, procedures or course of conduct that raised questions of management integrity which incurred during the financial year were done in the ordinary course of business.
4. Reviewed the information technology system for the Group to ascertain how the resources are managed and whether it is secure and efficient.

Internal Audit Function

In discharging its duties, the Audit Committee is strongly supported by the Internal Auditor undertaken by the firm engaged to provide outsourced internal audit services to the Group.

The internal audit function is independent of the activities or operations of other operating units. The principal role is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such a system continue to operate satisfactorily and effectively. It is the responsibility of internal audit to provide the Audit Committee with independent and objective reports on the state of internal control or the various operating units within the Group and the extent of compliance of the units with the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control.

**directors' report
and audited
financial statements
31 December 2005**

directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management, administrative and financial support services to the subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit after taxation	23,224,196	2,929,048
Minority interests	<u>(6,648,874)</u>	-
Net profit for the year	<u>16,575,322</u>	<u>2,929,048</u>

There were no material transfers to or from reserves or provisions during the financial year.

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

DIVIDENDS

	RM
Interim dividend of 10% less 28% taxation on 208,000,000 ordinary shares of RM0.10 each declared on 25 August 2005 and paid on 14 October 2005.	<u>1,497,600</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 10% less 28% taxation on 208,000,000 ordinary shares, amounting to RM1,497,600 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.



DIRECTORS

The names of the directors of the Company since the date of the last report and at the date of this report are:

Dato' Dr. Mohamed Ariffin Bin Hj. Aton	
Tengku Daud Shaifuddin Bin Tengku Zainudin	
Nagendran A/L C. Nadarajah	
Yogesvaran A/L T. Arianayagam	
Mohd. Jeffrey De Jong Bin Abdullah	(Appointed on 6 June 2005)
Aloysius Albert Michael	(Appointed on 6 June 2005)
Chan Feoi Chun	(Appointed on 6 June 2005)
Juhari Bin Husin	(Resigned on 6 June 2005; Appointed as an Alternate Director to Tengku Daud Shaifuddin Bin Tengku Zainudin on 6 June 2005)
Makhtar Bin Mohamed	(Retired on 3 June 2005)
Abdul Hamid Bin Mohamed Ghows	(Resigned on 31 March 2006)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as disclosed in Note 20 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, required to be disclosed by Section 169(8) of the Companies Act, 1965.

directors' report

DIRECTORS' INTEREST

According to the register of directors' shareholdings required to be kept under Section 134 of the Companies Act, 1965, the directors who held office at the end of the financial year and having interest in shares of the Company and related corporations during the year were as follows:

Shares in the Company	Number of Ordinary Shares of RM0.10 each			At 31.12.2005
	At 1.1.2005	Acquired	Sold	
Yogesvaran A/L T. Arianayagam				
- direct	1,536,092	-	-	1,536,092
Tengku Daud Shaifuddin Bin Tengku Zainudin				
- direct	18,418,480	33,000	(500,000)	17,951,480
- direct - Subsidiary company Corro-Shield (M) Sdn. Bhd. number of ordinary shares of RM1.00 each	240,000	-	-	240,000
- deemed interest #	44,366,998	-	-	44,366,998
Nagendran A/L C. Nadarajah				
- direct	17,096,300	610,000	-	17,706,300
- deemed interest #	44,366,998	-	-	44,366,998
Aloysius Albert Michael	-	-	-	-
- indirect - Subsidiary company ## Allied Marine Equipment Sdn. Bhd. number of ordinary shares of RM1.00 each	-	3,915,000	-	3,915,000
Abdul Hamid Bin Mohamed Ghows				
- direct	-	40,000	-	40,000

Deemed interest by virtue of their substantial shareholdings in Maya Terang Sdn. Bhd.

Deemed interest by virtue of his substantial shareholdings in AME Asset Holdings Sdn. Bhd.



OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps :-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render :-
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist :-
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors :-
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

directors' report

SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 11 April 2005, the Company had incorporated a wholly-owned subsidiary company in Wilayah Persekutuan Labuan known as CORRO-PRO (L) Inc., with an authorised share capital of USD 100,000 of which 1,000 ordinary shares of USD 1.00 each has been issued and fully paid;
- (b) The Company had incorporated a wholly-owned subsidiary company in Malaysia known as Alpha Perisai Sdn. Bhd. ("Alpha Perisai") on 23 June 2005, with an authorised share capital of RM100,000 of which 2 ordinary shares of RM1.00 each has been issued and fully paid;

Subsequently on 24 June 2005, the Company had entered into the following agreements :-

- (i) a shareholder agreement with Alpha Thames Subsea Limited ("ATS") a company incorporated in the United Kingdom governing their commitment and regulating their rights in relation to Alpha Perisai;
- (ii) a license agreement with Alpha Perisai and ATS in relation to the sole and exclusive right to relocatable incremental modular field development structure for topside and subsea application and all other components relating thereto for a consideration of £100,000; and
- (iii) a research and development agreement with Alpha Perisai and ATS in relation to the continued research and development work for relocatable incremental modular field development structure for topside and subsea application for a cash consideration of £900,000.

Subsequent to the financial year, on 5 January 2006, Alpha Perisai had increased its issued and paid-up share capital from RM2 to RM720,000 by the issuance of 719,998 ordinary shares of RM1.00 each. The Company holds 70% equity stake in the enlarged share capital of Alpha Perisai and the balance 30% is held by ATS.

- (c) As disclosed in the Director's Report of the previous financial year, the Company had on 4 August 2004 subscribed for 51,000 new ordinary shares of RM1.00 each in Nottingham AI Sdn. Bhd. (formerly known as Valiantique Sdn. Bhd.), representing 51% equity interest of Nottingham AI Sdn. Bhd. for a cash consideration of RM51,000.

Subsequently on 7 September 2005, the Company disposed of its 51% equity interest in Nottingham AI Sdn. Bhd for a cash consideration of RM100,000.

The disposal gave rise to a gain of approximately RM49,000 to the Group and to the Company.

- (d) On 25 October 2005, the Company had mutually terminated the two joint venture agreements ("JV Agreements") with SIF Universal Sdn. Bhd. ("SIF-U") and Morstrong ("Morstrong") respectively in relation to the incorporation of a joint venture companies.

The termination of the JV Agreements with SIF-U and Morstrong did not give any material impact to the financial statements of the Group and of the Company.



SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D)

- (e) On 31 October 2005, the Company had completed its disposal of 37.5% equity interest in Whizz Water Sdn. Bhd. ("WWSB") an associated company for a cash consideration of RM1,500,000.

While there has been no gain or loss to the Company, the disposal has resulted in a loss of RM85,150 to the Group.

- (f) On 19 April 2005, the Company announced a proposed Private Placement up to 20,800,000 new ordinary shares being 10% of the issued and paid-up share capital of the Company to places to be identified by a placement agent (" Proposed Private Placement"). The approval for the Proposed Private Placement had been obtained from the Securities Commission and Bursa Malaysia Securities Berhad on 3 May 2005 and 16 May 2005 respectively.

The Company has yet to complete the Proposed Private Placement and has obtained an approval from Securities Commission for an extension of time to 2 May 2006.

Subsequently, the Company applied for a further extension of time for which is subject to the approval of Securities Commission.

Auditors

The auditors, Kumpulan Naga, Chartered Accountants (M), have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

TENGGU DAUD SHAFUDDIN BIN TENGGU ZAINUDIN

NAGENDRAN A/L C. NADARAJAH

Kuala Lumpur, Malaysia.

Date : 19 April 2006

statement by directors

pursuant to Section 169(15) of the Companies Act, 1965

We, **TENGGU DAUD SHAFUDDIN BIN TENGGU ZAINUDIN** and **NAGENDRAN A/L C. NADARAJAH**, being two of the directors of **PERISAI PETROLEUM TEKNOLOGI BHD.**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 40 to 76 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

TENGGU DAUD SHAFUDDIN BIN TENGGU ZAINUDIN

NAGENDRAN A/L C. NADARAJAH

Kuala Lumpur, Malaysia.

Date : 19 April 2006

statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **NAGENDRAN A/L C. NADARAJAH**, being the Director primarily responsible for the financial management of **PERISAI PETROLEUM TEKNOLOGI BHD.**, do solemnly and sincerely declare that the financial statements set out on pages 40 to 76 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed,
NAGENDRAN A/L C. NADARAJAH
at Kuala Lumpur in the Federal Territory on 19 April 2006

}
}
}
}

NAGENDRAN A/L C. NADARAJAH

Before me,

M. NAMASIVAYAM P.P.N (NO. W299)

Commissioner for Oaths

Kuala Lumpur, Malaysia



report of
the auditors
to the members of Perisai Petroleum Teknologi Bhd.

We have audited the accompanying financial statements set out on pages 40 to 76.

These financial statements are the responsibility of the Company's directors.

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

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

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

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment to be made under section 174(3) of the Act.

Kumpulan Naga
A.F. No. 0024
Chartered Accountants (M)

Kuala Lumpur, Malaysia

Date : 19 April 2006

T. Nagarajan C.A.(M), FCCA, FTII, AICMA
No: 824/04/06 (J)

balance sheets

as at 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
FINANCED BY:					
Share capital	3	20,800,000	20,800,000	20,800,000	20,800,000
Share premium	4	10,516,989	10,516,989	10,516,989	10,516,989
Retained profits		19,596,238	4,518,516	1,629,761	198,313
Shareholders' funds		<u>50,913,227</u>	<u>35,835,505</u>	<u>32,946,750</u>	<u>31,515,302</u>
Minority interests		21,466,994	4,514,362	-	-
Deferred taxation	5	3,261,087	136,939	750	750
Hire purchase payables	6	764,453	639,804	-	42,209
Bank borrowings	7	11,871,785	-	-	-
		<u>88,277,546</u>	<u>41,126,610</u>	<u>32,947,500</u>	<u>31,558,261</u>
NON-CURRENT ASSETS					
Property, plant and equipment	8	47,926,334	4,646,181	4,032	87,549
Investment	9	3,000,000	3,000,000	-	-
Investment in subsidiaries	10	-	-	49,023,700	15,003,798
Investment in associate	11	-	1,602,388	-	1,500,000
Intangible assets	12	586,823	660,860	-	-
Development expenditure	13	6,888,331	101,004	-	-
Goodwill on consolidation	14	22,466,586	2,697,458	-	-
CURRENT ASSETS					
Inventories	15	5,346,112	1,107,462	-	-
Trade receivables	16	48,217,857	10,518,351	-	-
Other receivables		5,926,765	4,961,206	1,590,932	3,512,120
Amount due from subsidiaries	17	-	-	9,902,805	203,104
Short term deposits	18	14,126,819	12,581,010	1,000,000	11,500,000
Cash and bank balances		<u>2,248,009</u>	<u>3,953,251</u>	<u>496,574</u>	<u>4,471</u>
		<u>75,865,562</u>	<u>33,121,280</u>	<u>12,990,311</u>	<u>15,219,695</u>
CURRENT LIABILITIES					
Trade payables		21,590,750	1,456,334	-	-
Other payables		7,165,398	1,341,966	2,340,543	140,778
Hire purchase payables	6	174,305	169,212	-	26,676
Bank borrowings	7	37,179,878	-	26,730,000	-
Taxation		2,345,759	1,735,049	-	85,327
		<u>68,456,090</u>	<u>4,702,561</u>	<u>29,070,543</u>	<u>252,781</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>7,409,472</u>	<u>28,418,719</u>	<u>(16,080,232)</u>	<u>14,966,914</u>
		<u>88,277,546</u>	<u>41,126,610</u>	<u>32,947,500</u>	<u>31,558,261</u>

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

income statements

for the year ended 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	19	122,892,382	18,686,419	6,700,000	1,050,000
Cost of Sales	19	(77,174,511)	(9,322,634)	-	-
Gross Profit		45,717,871	9,363,785	6,700,000	1,050,000
Other operating income		504,066	335,561	167,656	127,469
Administrative expenses		(11,458,871)	(3,317,733)	(1,874,840)	(888,421)
Selling and marketing expenses		(63,301)	(127,584)	-	-
Operating profit		34,699,765	6,254,029	4,992,816	289,048
Finance cost		(2,128,504)	(56,446)	(902,092)	(1,158)
Share of (loss)/profit of an associated company		(17,238)	119,706	-	-
Profit before taxation	20	32,554,023	6,317,289	4,090,724	287,890
Taxation:	21				
Company and subsidiaries		9,329,827	1,489,500	1,161,676	86,077
Associate		-	17,318	-	-
		(9,329,827)	(1,506,818)	(1,161,676)	(86,077)
Profit after taxation		23,224,196	4,810,471	2,929,048	201,813
Minority interests		(6,648,874)	(288,455)	-	-
Net profit for the year		16,575,322	4,522,016	2,929,048	201,813
Earnings per share (sen)	22	7.97	3.83		

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

statement of
changes in equity
 for the year ended 31 December 2005

Group	Note	Share Capital RM	Non Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 January 2004		2	-	(3,500)	(3,498)
Net profit for the year		-	-	4,522,016	4,522,016
Issue of shares	3	20,799,998	10,516,989	-	31,316,987
Balance at 31 December 2004		<u>20,800,000</u>	<u>10,516,989</u>	<u>4,518,516</u>	<u>35,835,505</u>
At 1 January 2005		20,800,000	10,516,989	4,518,516	35,835,505
Net profit for the year		-	-	16,575,322	16,575,322
Dividend paid	23	-	-	(1,497,600)	(1,497,600)
Balance at 31 December 2005		<u>20,800,000</u>	<u>10,516,989</u>	<u>19,596,238</u>	<u>50,913,227</u>

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



Company	Note	Share Capital RM	Non Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 January 2004		2	-	(3,500)	(3,498)
Net profit for the year		-	-	201,813	201,813
Issue of shares	3	20,799,998	10,516,989	-	31,316,987
Balance at 31 December 2004		<u>20,800,000</u>	<u>10,516,989</u>	<u>198,313</u>	<u>31,515,302</u>
At 1 January 2005		20,800,000	10,516,989	198,313	31,515,302
Net profit for the year		-	-	2,929,048	2,929,048
Dividend paid	23	-	-	(1,497,600)	(1,497,600)
Balance at 31 December 2005		<u>20,800,000</u>	<u>10,516,989</u>	<u>1,629,761</u>	<u>32,946,750</u>

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

cash flow statements for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	32,554,023	6,317,289	4,090,724	287,890
Adjustments for:				
Depreciation of property, plant and equipment	4,386,664	669,102	15,845	7,960
Property, plant and equipment written off	15,166	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(75,488)	(5,331)	10,221	-
Bad debts written off	-	37,687	-	-
Amortisation of intangible assets	74,037	43,183	-	-
Amortisation of goodwill	938,793	64,444	-	-
Loss on disposal of an associated company	85,150	-	-	-
Share of loss/(profit) of an associated company	17,238	(119,706)	-	-
Interest expense	2,119,474	51,882	902,092	1,100
Interest income	(209,178)	(180,230)	(118,656)	(127,469)
Operating profit before working capital changes	39,905,879	6,878,320	4,900,226	169,481
Receivables	(9,688,654)	(7,731,327)	(7,778,513)	(3,268,652)
Inventories	2,647,700	1,069,823	-	-
Payables	332,464	47,595	2,199,765	(106,190)
Cash generated from/(used in) operations	33,197,389	264,411	(678,522)	(3,205,361)
Taxation paid	(7,482,382)	(1,744,319)	(1,247,003)	-
Interest paid	(2,119,474)	(51,882)	(902,092)	(1,100)
Interest received	209,178	180,230	118,656	127,469
Net cash generated from/(used in) operating activities	<u>23,804,711</u>	<u>(1,351,560)</u>	<u>(2,708,961)</u>	<u>(3,078,992)</u>



	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(24,193,291)	(1,044,772)	(5,549)	(95,509)
Proceeds from disposal of property, plant and equipment	819,128	64,000	63,000	-
Acquisition of subsidiaries (Note 10)	(41,153,149)	2,200,155	-	-
Investment in subsidiary companies	-	-	(34,019,902)	(15,206,902)
Proceeds from the disposal of an associate	1,500,000	-	1,500,000	-
Development expenditure	(6,787,327)	-	-	-
Investment in an associate	-	-	-	(1,500,000)
Net cash (used in)/generated from investing activities	<u>(69,814,639)</u>	<u>1,219,383</u>	<u>(32,462,451)</u>	<u>(16,802,411)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	-	15,716,989	-	31,316,987
Hire purchase payables	(760,416)	(63,895)	(68,885)	68,885
Placement of fixed deposit	(3,260,880)	(67,668)	-	-
Term loans	39,151,157	-	26,730,000	-
Dividend paid	(1,497,600)	-	(1,497,600)	-
Net cash generated from financing activities	<u>33,632,261</u>	<u>15,585,426</u>	<u>25,163,515</u>	<u>31,385,872</u>
Net (decrease)/increase in cash and cash equivalents	(12,377,667)	15,453,249	(10,007,897)	11,504,469
Cash and cash equivalents at the beginning of the year	15,453,251	2	11,504,471	2
Cash and cash equivalents at the end of the year	<u>3,075,584</u>	<u>15,453,251</u>	<u>1,496,574</u>	<u>11,504,471</u>
Cash and cash equivalents comprise the following:				
Short term deposit with licensed bank (Note 18)	8,200,000	11,500,000	1,000,000	11,500,000
Cash and bank balances	2,248,009	3,953,251	496,574	4,471
Bank overdrafts (Note 7)	(7,372,425)	-	-	-
	<u>3,075,584</u>	<u>15,453,251</u>	<u>1,496,574</u>	<u>11,504,471</u>

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

notes to the financial statements 31 December 2005

1. CORPORATE INFORMATION

The principal activities of the Company are that of investment holding and the provision of management, administrative and financial support services to the subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

The number of employees of the Group as at year end is 235 (2004 :76).

The number of employees of the Company as at year end is 9 (2004: 8).

The Company is a public limited liability company incorporated and domiciled in Malaysia and listed on the MESDAQ Market of Bursa Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 April 2006.

The principal place of business of the Company is located at Lot No. 9, Jalan P10/15, Kawasan Perindustrian MIEL Fasa 4, Seksyen 10, 43680 Bandar Baru Bangi, Selangor Darul Ehsan.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements of the Group and of the Company have been prepared in accordance with applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board (MASB) and comply with the provisions of the Companies Act, 1965. The principal accounting policies of the Group and of the Company are as follows :-

(a) Basis of Preparation of Financial Statements

The financial statements of the Group and of the Company are prepared under the historical cost convention.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December. Subsidiaries are those companies in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated using the acquisition method of accounting under which the results of subsidiaries acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Goodwill or reserve on consolidation represents the difference between the consideration paid for the shares in the subsidiaries and the fair value of attributable net assets acquired, as applicable.

Goodwill arising on consolidation is reflected in the consolidated balance sheet. The carrying amount of such goodwill is assessed in the year it arises, and periodically, including when economic conditions indicate that the carrying amount may be impaired. To the extent deemed impaired, such goodwill is written off by a charge to the income statement. All inter-company transactions, balances and unrealised gains or transactions between the companies within the Group are eliminated.



2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Subsidiary Companies

Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Investments in subsidiary companies are stated in the financial statements of the Company at cost unless, in the opinion of the directors there has been a permanent diminution in value, in which case an appropriate provision is made.

(d) Associated Company

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

Investments in associate are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associate. Under the equity method of accounting, the Group's share of profits or losses of associate during the year is included in the consolidated income statement. The Group's interest in associate is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on 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.

(e) Long Term Investments

Long term investments are stated at cost unless in the opinion of the directors there has been a permanent diminution in value, in which case provision is made for the diminution in value.

(f) Property, Plant and Equipment

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

Freehold land is stated at cost less impairment if any.

Leasehold lands are depreciated over the period of the respective leases which range from 55 to 99 years.

notes to the financial statements 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each assets to its residual value over the estimated useful life, at the following annual rates :

Marine vessels	6.67%
Building	2%
Furniture and fittings	10%
Office equipment	10%
Motor vehicles	20%
Air conditioner	10%
Office renovation	10%
Tools and equipment	20%
Computers	33.33%
Moulds	20%
Diving equipment and machinery	20%
Plant and machinery	10%

(g) Leased and Hired Assets

Assets acquired under finance leases and hire purchase arrangements which in substance transfer substantially all the risks and benefits of ownership of the assets to the Company are capitalised as property, plant and equipment. The property, plant and equipment and corresponding lease obligations are recorded at the lower of the net present value of minimum lease payments or the fair value of the lease assets at the beginning of the respective lease terms. Leases and hire assets which do not meet such criteria are classified as operating lease.

Finance charge of finance leases and hire purchase are charged to the income statement over the period of hire purchase or lease.

Rental payable under operating leases are accounted for in the income statement on a straight line basis over the periods of the respective leases.

(h) Inventories

Inventories are valued at the lower of cost (determined on the weighted average basis) and net realisable value. The cost of raw materials comprises costs of purchase plus the cost of bringing the inventories to its present condition. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business less the cost of completion and selling expenses.



2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Intangible Assets

Expenditure on acquired patents, trademarks and licenses is capitalised and amortised using the straight line method over their useful lives but not exceeding 20 years, whichever is shorter. Intangible assets are not revalued. Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

The carrying amount of each intangible assets is reviewed annually and adjusted for impairment where it is considered necessary.

(j) Receivables

Receivables are carried at their anticipated realisable values.

Bad debts are written off in the year in which they are considered irrecoverable and provision is made for specific doubtful debts, if any.

(k) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(m) Foreign Currency Translation

Foreign currency assets and liabilities are translated to Ringgit Malaysia at the rates of exchange ruling at the balance sheet date and income statement items, where applicable, are converted at rates ruling on the transaction dates. Differences on exchange are taken to the income statement.

The closing rate used in translation are as follows :-

	2005 RM	2004 RM
United States Dollar	3.78	3.80
Singapore Dollar	2.28	2.19
Sterling Pound	6.65	6.87

notes to the financial statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(n) Income Tax

Income tax on the profit or loss 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 at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(o) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(p) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

(i) Dividend income

Dividend income from long-term investments and, in respect of the Company, from subsidiaries and associated companies, is recognised in the income statement upon the right to receipt of such dividends being established.



2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(p) Revenue Recognition (Cont'd)

(ii) Sale of goods

Revenue on sales of goods is recognised upon the transfer of risks and rewards.

(iii) Revenue from services

Revenue from services rendered is recognised as and when the services are rendered.

(iv) Interest Income / Rental Income / Management Fee

Interest income, rental income and management fee are recognised on an accrual basis.

(q) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets (other than inventories, deferred tax assets, assets arising from employee benefits and financial assets which are reviewed pursuant to the relevant accounting policies) to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is possible, for the cash-generating unit to which the asset belongs.

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

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is stated at revaluation, in which case it is taken to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised in the income statement.

notes to the financial statements 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(r) Development Expenditure

Expenditure on development activities is also recognised as an expense in the period incurred except when the expenditure meet the following criteria where it will be capitalised as development expenditure :

- the product or process is clearly defined and cost are separately identified and measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness in case of internal use is demonstrated); and
- adequate technical, financial and other resources required for completion of the project are available.

Development costs initially recognised as an expense are not recognised as an asset in subsequent periods.

Capitalised development expenditure is stated at cost. The development expenditure will be amortised over a period of 5 years upon commencement of commercial use.

(s) Employee Benefits

Short term benefits

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

Defined contribution plans

Obligation for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.



2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(t) Financial Instruments

Financial instruments carried in the balance sheet include cash and bank balances, investments, receivables, payables, bank borrowings and hire purchase payables. The particular recognition methods adopted are disclosed in the individual policy statements for the relevant item. The financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

(u) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowing that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

notes to the financial statements

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3. SHARE CAPITAL

	Group / Company	
	2005	2004
	RM	RM
Authorised:-		
Ordinary shares of RM0.10 each		
At 1 January	50,000,000	100,000
Created during the year	-	49,900,000
At 31 December	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid:		
Ordinary shares of RM0.10 each		
At 1 January	20,800,000	2
Issued during the year	-	20,799,998
At 31 December	<u>20,800,000</u>	<u>20,800,000</u>

4. SHARE PREMIUM

	Group / Company	
	2005	2004
	RM	RM
At 1 January	10,516,989	-
- Arising from issue of 52,000,000 ordinary shares to the public of RM0.10 each at the issue price of RM0.33 per ordinary share (52,000,000 shares at a premium of RM0.23 per share)	-	11,960,000
Less: Utilised for listing expenses	-	(1,443,011)
At 31 December	<u>10,516,989</u>	<u>10,516,989</u>



5. DEFERRED TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 January	136,939	-	750	-
Acquisition of subsidiary companies (Note 10)	547,732	112,489	-	-
Transfer from income statement (Note 21)	2,576,416	24,450	-	750
At 31 December	<u>3,261,087</u>	<u>136,939</u>	<u>750</u>	<u>750</u>
Deferred taxation is in respect of the temporary difference between depreciation and capital allowances	<u>11,646,739</u>	<u>489,068</u>	<u>2,678</u>	<u>2,678</u>

6. HIRE PURCHASE PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Portion repayable not later than 1 year	<u>174,305</u>	<u>169,212</u>	-	<u>26,676</u>
Portion repayable later than 1 year and not later than 5 years	764,453	637,024	-	42,209
Portion repayable later than 5 years	-	2,780	-	-
	<u>764,453</u>	<u>639,804</u>	-	<u>42,209</u>

7. BANK BORROWINGS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short Term Borrowings				
<u>Secured</u>				
Bank overdrafts	7,372,425	-	-	-
Term loans (repayable within one year)	29,807,453	-	26,730,000	-
	<u>37,179,878</u>	-	<u>26,730,000</u>	-
Long Term Borrowings				
<u>Secured</u>				
Term loans				
- repayable more than 1 year and less than 2 years	3,077,453	-	-	-
- repayable more than 2 years and less than 5 years	6,154,906	-	-	-
- repayable 5 years and above	2,639,426	-	-	-
	<u>11,871,785</u>	-	-	-
Total Borrowings				
Bank overdrafts	7,372,425	-	-	-
Term loans	41,679,238	-	26,730,000	-
	<u>49,051,663</u>	-	<u>26,730,000</u>	-

notes to the financial statements 31 December 2005

7. BANK BORROWINGS (Cont'd)

(a) Bank Overdrafts

The bank overdrafts of the subsidiary company are subject to interest at rates ranging from 1.25% to 1.5% per annum above the bank base lending rates and are secured by leasehold lands and building belonging to the subsidiary company as disclosed in Note 8 to the financial statements and jointly and severally guaranteed by certain directors of the subsidiary company.

(b) Term Loans

The term loans of the Group and of the Company are subject to interest at rates ranging from 0.75% to 1.5% per annum above the bank base lending rates and 1.25% per annum above the bank's cost of funds respectively.

The term loans of the Group and of the Company are secured as follows:-

- (i) first and second legal charge over the freehold and leasehold factory lands and building and marine vessel belonging to the subsidiary companies as disclosed in Note 8 to the financial statements;
- (ii) first party pledge over the fixed deposit belonging to the subsidiary company as disclosed in Note 17 to the financial statements;
- (iii) first ranking legal charge over the 55% ordinary shares of RM1.00 each in the subsidiary company;
and
- (iv) jointly and severally guaranteed by certain directors of the Company and the subsidiary company.



8. PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment, Motor vehicles RM	Furniture and fittings RM	Renovation, Air conditioners and Site equipment RM	Plant and machineries and Diving equipment RM	Tools and equipment and Moulds RM	Computers RM	Marine vessels and equipment RM	Free hold land and building RM	Leasehold lands and building RM	Total RM
At 1										
January 2005	1,614,647	532,417	397,325	825,944	2,106,767	262,829	-	-	1,540,000	7,279,929
At the date of acquisition of subsidiaries (Note 10)	1,402,082	744,077	624,027	7,066,535	-	253,258	11,328,556	5,223,376	1,615,545	28,257,456
Additions	86,613	83,265	221,668	906,587	1,157,666	237,473	19,348,194	-	2,151,825	24,193,291
Disposals	(1,278,334)	(7,546)	(71,818)	-	-	-	-	-	-	(1,357,698)
At 31										
December 2005	1,825,008	1,352,213	1,171,202	8,799,066	3,264,433	753,560	30,676,750	5,223,376	5,307,370	58,372,978
Accumulated Depreciation										
At 1										
January 2005	760,227	211,315	80,159	100,992	1,197,823	230,542	-	-	52,690	2,633,748
At the date of acquisition of subsidiaries (Note 10)	428,812	205,361	138,082	2,693,343	-	91,012	377,619	26,273	64,622	4,025,124
Depreciation charge for the year	311,872	157,784	187,833	1,555,431	424,379	122,407	1,571,322	13,136	42,500	4,386,664
Disposals	(596,712)	(873)	(1,307)	-	-	-	-	-	-	(598,892)
At 31										
December 2005	904,199	573,587	404,767	4,349,766	1,622,202	443,961	1,948,941	39,409	159,812	10,446,644
Net Book Value										
At 31										
December 2005	920,809	778,626	766,435	4,449,300	1,642,231	309,599	28,727,809	5,183,967	5,147,558	47,926,334
At 31										
December 2004	854,420	321,102	317,166	724,952	908,944	32,287	-	-	1,487,310	4,646,181

notes to the financial statements 31 December 2005

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

Company	Motor vehicle RM	Furniture and fittings RM	Computer hardware RM	Total RM
Cost				
At 1 January 2005	95,509	-	-	95,509
Additions	-	749	4,800	5,549
Disposal	(95,509)	-	-	(95,509)
At 31 December 2005	-	749	4,800	5,549
Accumulated Depreciation				
At 1 January 2005	7,960	-	-	7,960
Depreciation charge for the year	14,328	54	1,463	15,845
Disposal	(22,288)	-	-	(22,288)
At 31 December 2005	-	54	1,463	1,517
Net Book Value				
At 31 December 2005	-	695	3,337	4,032
At 31 December 2004	87,549	-	-	87,549

(a) The net book value of property, plant and equipment of the Group and of the Company acquired under hire purchase arrangements is as follows :

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Motor vehicles	894,430	795,784	-	87,549



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

- (b) The net book value of property, plant and equipment of the Group which is secured against bank borrowing facilities as disclosed in Note 7 to the financial statements are as follows:-

	2005 RM	Group	2004 RM
Leasehold lands and building	3,686,593		-
Freehold land and building	4,848,560		-
Marine vessel	18,249,411		-
	<u>26,784,564</u>		<u>-</u>

9. OTHER INVESTMENT

	2005 RM	Group	2004 RM
Cumulative Redeemable 5% Preference Shares - 789,474 shares of USD 1/= fully paid	<u>3,000,000</u>		<u>3,000,000</u>

10. INVESTMENT IN SUBSIDIARY COMPANIES

	2005 RM	Company	2004 RM
Unquoted shares, at cost	<u>49,023,700</u>		<u>15,003,798</u>

Acquisition of Subsidiaries

- (i) On 30 September 2004, the Company entered into conditional sale and purchase agreement with Bio-X Technologies Sdn. Bhd. for the acquisition of 51,000 ordinary shares of RM1.00 each representing 51% of the issued and paid-up share capital of Bio-X Technologies Sdn. Bhd. for a total cash consideration of RM112,565 inclusive incidental charges of RM12,565. The acquisition was completed on 1 January 2005;
- (ii) On 30 September 2004, the Company entered into conditional sale and purchase agreement with Merit Composites Sdn. Bhd. for the acquisition of 250,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Merit Composites Sdn. Bhd. for a total cash consideration of RM3,621,565 inclusive incidental charges of RM21,565. The acquisition was completed on 1 January 2005;
- (iii) On 18 October 2004, the Company had entered into a conditional share sale agreement with Allied Marine & Equipment Sdn. Bhd., ("AME") for the acquisition of 550,000 ordinary shares of RM1.00 each in AME representing 55% of the issued and paid-up share capital of AME for a total cash consideration of RM30,281,970 inclusive incidental charges of RM581,970.

notes to the financial statements 31 December 2005

10. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

Subsequently, the issued and paid-up share capital of AME was increased from RM1 million to RM8.7 million, by way of capitalising the amount due to a director of AME to the extent to comply with the term and condition of the sale and purchase agreement that the Net Tangible Assets of AME shall be at least RM22 million as at 31 December 2004 and as stipulated in the sale and purchase agreement the Company's equity interest in AME has been preserved at 55% of the enlarged share capital of AME comprising 4,785,000 ordinary shares of RM1.00 each. The acquisition was completed on 1 January 2005;

- (iv) On 11 April 2005, the Company had incorporated a wholly-owned subsidiary company in Wilayah Persekutuan, Labuan known as CORRO-PRO (L) Inc., with an authorised share capital of USD 100,000 of which 1,000 ordinary shares of USD 1.00 each has been issued and fully paid;
- (v) On 25 June 2005, the Company had incorporated a wholly-owned subsidiary company in Malaysia known as Alpha Perisai Sdn. Bhd. with an authorised share capital of RM100,000 of which 2 ordinary shares of RM1.00 each has been issued and fully paid;

The above acquisitions had the following effects on the Group's financial results for the year :-

	2005
	RM
Revenue	<u>90,041,796</u>
Profit from operations	13,076,954
Less : Minority interests	<u>(5,290,425)</u>
Net profit for the year	<u>7,786,529</u>

The acquisition had the following effect on the financial position of the Group as at the end of the year :-

	2005
	RM
Property, plant and equipment	41,062,506
Inventories	3,001,362
Trade and other receivables	37,719,021
Fixed deposits	4,800,599
Cash and bank balances	492,835
Trade and other payables	(25,714,121)
Term loans	(13,179,238)
Hire purchase payables	(754,936)
Bank overdraft	(7,372,425)
Deferred tax liabilities	(3,044,378)
Taxation	(322,334)
Minority interests	<u>(15,594,183)</u>
	<u>21,094,708</u>



10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Acquisition of Subsidiaries (Cont'd)

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	2005 RM
Property, plant and equipment	24,232,332
Inventories	6,886,350
Trade and other receivables	28,976,411
Fixed deposits	1,584,929
Cash and bank balances	1,024,911
Trade and other payables	(25,625,384)
Hire purchase payables	(890,158)
Term loan	(2,528,081)
Deferred tax liabilities	(547,732)
Taxation	(1,339,681)
Bank overdrafts	(8,161,960)
Minority interests	(10,303,758)
Fair value of total net assets	<u>13,308,179</u>
Goodwill on acquisition	20,707,921
Cost of acquisition	<u>34,016,100</u>
Add : Cash and cash equivalents acquired	7,137,049
Net cash outflow of the Group	<u>41,153,149</u>

The details of the subsidiary companies are as follows:

Name	Country of Incorporation	Equity Interest		Principal Activities
		2005	2004	
Corro-Shield (M) Sdn. Bhd.	Malaysia	60%	60%	Manufacturing, supplying, commissioning and installation of corrosion control products and related services, primarily for the oil and gas industry.

notes to the financial statements 31 December 2005

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of Incorporation	Equity 2005	Interest 2004	Principal Activities
Romilly (M) Sdn. Bhd.	Malaysia	100%	100%	Inspection and maintenance of plant and machinery used for the oil and gas industry.
Fibaroll (SEA) Sdn. Bhd.	Malaysia	100%	100%	Trading and application of specialist composites materials, primarily for the oil and gas industry.
Perisai (L) Inc.	Wilayah Persekutuan Labuan	100%	100%	Dormant.
Merit Composite Sdn. Bhd.	Malaysia	100%	-	Research, development, design, application and construction of composite materials and structural strengthening for marine and oil and gas industry.
Bio- X Technologies Sdn. Bhd.	Malaysia	51%	-	Supply and provision of bio-remediation products and equipment and services primarily for the oil and gas industry.
Alpha Perisai Sdn. Bhd.	Malaysia	100%	-	Design, fabrication and installation of relocatable incremental modular field development structure for topside and subsea application.
Corro-Pro (L) Inc.	Wilayah Persekutuan Labuan	100%	-	Dormant.
Orinippon Trading Sdn. Bhd.	Malaysia	100%	100%	Design and engineering and patent holder.



10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name	Country of Incorporation	Equity Interest		Principal Activities
		2005	2004	
<u>Subsidiary of Orinippon Trading Sdn. Bhd.</u>				
Impact Surge (M) Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Allied Marine & Equipment Sdn. Bhd.	Malaysia	55%	-	Provision of offshore diving and related services.
<u>Subsidiary of Allied Marine & Equipment Sdn. Bhd.</u>				
AME Marine Services Sdn. Bhd.	Malaysia	100%	-	Operation of dynamic positioning vessel and related services.
Allied Marine Robotics Sdn. Bhd.	Malaysia	100%	-	Dealers in underwater and diving equipment.
Maju Hydro Sdn. Bhd.	Malaysia	51%	-	Providing surveys related to offshore and marine industries.

11. INVESTMENT IN ASSOCIATED COMPANY

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares, at cost	-	1,500,000	-	1,500,000
Share of post - acquisition profit	-	102,388	-	-
	<u>-</u>	<u>1,602,388</u>	<u>-</u>	<u>1,500,000</u>

On 31 October 2005, the Company had completed its disposal of 37.5% equity interest in Whizz Water Sdn. Bhd. an associated company for a cash consideration of RM1,500,000.

While there has been no gain or loss to the Company, the disposal has resulted in a loss of RM85,150 to the Group.

notes to the financial statements 31 December 2005

11. INVESTMENT IN ASSOCIATED COMPANY (CONT'D)

Details of Associated Company is:-

Name	Country of Incorporation	Equity Interest 2005	Interest 2004	Principal Activity
Whizz Water Sdn. Bhd.	Malaysia	Nil %	37.5%	Technical services relating to mitigation of hydrocarbon.

12. INTANGIBLE ASSETS

	2005 RM	Group 2004 RM
Supply rights at cost	1,110,483	1,110,483
Less: Amortisation		
At beginning of the year	449,623	-
- At the date of acquisition of subsidiaries	-	406,440
- Charge for the year	74,037	43,183
At end of the year	<u>523,660</u>	<u>449,623</u>
	<u>586,823</u>	<u>660,860</u>

13. DEVELOPMENT EXPENDITURE

Development expenditure refers to cost incurred in relation to patent rights owned by the Group. It will be amortised upon commencement of the commercial production of the product to which it relates on a straight line basis over the period of its expected benefits, but not exceeding 5 years.

14. GOODWILL ON CONSOLIDATION

	2005 RM	Group 2004 RM
At 1 January	2,697,458	-
Acquisition of subsidiary companies (Note 10)	20,707,921	2,761,902
Less : Amortisation for the year	(938,793)	(64,444)
At 31 December	<u>22,466,586</u>	<u>2,697,458</u>



15. INVENTORIES

	Group	
	2005 RM	2004 RM
<hr/>		
<u>At Cost</u>		
Raw materials	248,297	169,728
Finished goods	866,934	519,896
Work-in-progress	4,230,881	417,838
	<u>5,346,112</u>	<u>1,107,462</u>

16. TRADE RECEIVABLES

Included in trade receivables of the Group is a retention sum of RM3,058,407 (2004: Nil).

17. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2005 RM	2004 RM
<hr/>		
Due from subsidiaries	<u>9,902,805</u>	<u>203,104</u>

The amount due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

18. SHORT TERM DEPOSITS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<hr/>				
Deposit placed with licensed banks:				
Short term deposits	8,200,000	11,500,000	1,000,000	11,500,000
Secured against banking facilities	<u>5,926,819</u>	<u>1,081,010</u>	-	-
	<u>14,126,819</u>	<u>12,581,010</u>	<u>1,000,000</u>	<u>11,500,000</u>

The effective interest rates of deposits at the balance sheet date were as follows:-

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
<hr/>				
Short term deposits	2.10	2.00	2.10	2.00
Secured against banking facilities	3.70	3.70	-	-

notes to the financial statements

31 December 2005

18. SHORT TERM DEPOSITS (Cont'd)

The maturity periods of deposits at the balance sheet date were as follows:-

	Group		Company	
	2005	2004	2005	2004
Short term deposit	7 days	7 days	7 days	-
Secured against banking facilities	30 days	30 days	-	-

19. REVENUE AND COST OF SALES

Revenue of the Group represents net invoiced value of goods sold and services rendered.

Turnover of the Company represents management fee and dividend income from subsidiaries.

Cost of sales of the Group consists of cost of inventories sold, cost of services provided and contract costs.

20. PROFIT BEFORE TAXATION

(a) These are stated after charging/ (crediting):	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
After charging:				
Auditor's remuneration				
- current year	132,500	58,700	15,000	15,500
- under/(over) provision in prior year	(3,550)	-	-	-
Amortisation of goodwill	938,793	64,444	-	-
Amortisation of intangible assets	74,037	43,183	-	-
Bad debts written off	-	37,687	-	-
Bank overdraft interest	356,652	-	-	-
Depreciation of property, plant and equipment	4,386,664	669,102	15,845	7,960
Directors' remuneration	2,205,773	600,582	765,415	425,600
Foreign exchange loss	5,397	-	-	-
Hire purchase interest	74,162	51,882	3,818	1,100
Loss on disposal of an associate	85,150	-	-	-
Loss on disposal of property, plant and equipment	-	-	10,221	-
Rental of premises	147,320	66,053	-	-
Rental of equipment	3,384,466	424,161	-	-
Property, plant and equipment written off	15,166	-	-	-
Research and development expenditure	341,432	806,006	-	-
Term loan interest	1,688,660	-	898,274	-



20. PROFIT BEFORE TAXATION (cont'd)

(a) These are stated after charging/ (crediting): (cont'd)	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
After crediting:				
Dividend income	(150,000)	(150,000)	-	-
Gain on disposal of property, plant and equipment	(75,488)	(5,331)	-	-
Interest income				
- short term deposits	(176,637)	(127,469)	(118,656)	(127,469)
- others	<u>(32,541)</u>	<u>(52,761)</u>	<u>-</u>	<u>-</u>

(b) Employees information

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Staff costs				
Wages and salaries	9,797,293	3,329,266	1,216,355	514,897
Staff training	329,166	48,351	6,325	3,730
Other staff related expenses	18,905	141,379	1,843	-
	<u>10,145,364</u>	<u>3,518,996</u>	<u>1,224,523</u>	<u>518,627</u>

Included in staff costs of the Group and of the Company are executive directors' remuneration of RM2,096,773 (2004: RM544,582) and RM656,415 (2004: RM369,600) respectively as analysed in Note 20(c).

The number of employees of the Group and of the Company as at 31 December 2005 were 235 (2004: 76) and 9 (2004:8) respectively.

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM

(c) Directors' remuneration

Directors of the Company

Executive Directors

- salaries and allowances	950,657	400,596	652,415	369,600
- fees	-	-	-	-
- benefit-in-kind	4,000	1,992	4,000	-
- others	-	-	-	-
	<u>954,657</u>	<u>402,588</u>	<u>656,415</u>	<u>369,600</u>

notes to the financial statements 31 December 2005

20. PROFIT BEFORE TAXATION (Cont'd)

(c) Directors' remuneration (cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-Executive Non-Independent Directors				
- salaries and allowances	-	3,500	-	3,500
- fees	105,000	52,500	105,000	52,500
- benefit-in-kind	-	-	-	-
- others	4,000	-	4,000	-
	<u>109,000</u>	<u>56,000</u>	<u>109,000</u>	<u>56,000</u>
	<u>1,063,657</u>	<u>458,588</u>	<u>765,415</u>	<u>425,600</u>
Directors of the Subsidiaries				
Executive Directors				
- salaries and allowances	939,912	141,632	-	-
- fees	-	-	-	-
- benefit-in-kind	-	362	-	-
- others	202,204	-	-	-
	<u>1,142,116</u>	<u>141,994</u>	<u>-</u>	<u>-</u>
	<u>2,205,773</u>	<u>600,582</u>	<u>765,415</u>	<u>425,600</u>

The number of directors of the company whose total remuneration during the year fell within the following bands is analysed below:-

	Number of Directors			
	2005		2004	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Directors of the Company				
RM Nil*	2	-	-	-
RM1 - RM100,000	1	5	-	4
RM100,001 - RM250,000	3	-	-	-
RM250,001 - RM400,000	-	-	3	-
Directors of the Subsidiaries				
RM1 - RM100,000	5	-	-	-
RM100,001 - RM250,000	4	-	-	-
RM250,001 - RM300,000	1	-	-	-



20. PROFIT BEFORE TAXATION (Cont'd)

Executive Directors of the Company

- Tengku Daud Shaifuddin Bin Tengku Zainudin
- Nagendran A/L C. Nadarajah
- Juhari Bin Husin (Resigned on 6 June 2005)
- Abdul Hamid Bin Muhamed Ghows (Redesignated on 6 June 2005)
- * Aloysius Albert Michael (Appointed on 6 June 2005)
- * Mohd Jeffery Richard De Jong Bin Abdullah (Appointed on 6 June 2005)

Non-Executive Directors of the Company

- Dato' Dr. Mohamed Ariffin Bin Hj. Aton
- Yogesvaran A/L T. Arianayagam
- Makhtar Bin Mohamed (Retired on 6 June 2005)
- Abdul Hamid Bin Muhamed Ghows (Redesignated on 6 June 2005)
- Chan Feoi Chun (Appointed on 6 June 2005)

* *Remunerations paid by subsidiary companies.*

Executive Directors of the Subsidiaries

- Aloysius Albert Michael
- Mohd Jeffery Richard De Jong Bin Abdullah
- Zamri Bin Zakaria
- Juhari Bin Husin
- Hilmy Bin Ahmad
- Shanmugaraj A/L Rajadurai
- Abd Hamid Bin Ibrahim
- Chui Wee Ling
- Nor Hidayat Bt Abdul Aziz (Resigned on 30 June 2005)
- Heng Weng De (Resigned on 15 December 2005)

notes to the financial statements

31 December 2005

21. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Malaysian taxation based on result for the year				
Current taxation	6,972,842	1,465,050	1,161,676	85,327
Overprovision of taxation in prior years	(219,431)	-	-	-
Deferred taxation (Note 5)	2,576,416	24,450	-	750
	<u>9,329,827</u>	<u>1,489,500</u>	<u>1,161,676</u>	<u>86,077</u>
Share of taxation of associate	-	17,318	-	-
	<u>9,329,827</u>	<u>1,506,818</u>	<u>1,161,676</u>	<u>86,077</u>

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation	<u>32,554,023</u>	<u>6,317,289</u>	<u>4,090,724</u>	<u>287,890</u>
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	9,115,126	1,768,841	1,145,403	80,609
Expenses not deductible for tax purposes	676,291	155,659	16,273	5,468
Income not subject to tax	(42,159)	(42,000)	-	-
Expenses which is subject to double taxation relief	-	(225,682)	-	-
Effect of changes in tax rates	(200,000)	(150,000)	-	-
Overprovision of income tax expenses in prior year	<u>(219,431)</u>	-	-	-
Tax expense for the year	<u>9,329,827</u>	<u>1,506,818</u>	<u>1,161,676</u>	<u>86,077</u>



22. EARNINGS PER SHARE

Base earning per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group/Company	
	2005 RM	2004 RM
Net profit for the year	16,575,322	4,522,016
Weighted average number of ordinary shares in issue ('000')	208,000	118,208
Basic earning per share (sen)	<u>7.97</u>	<u>3.83</u>

There are no diluted shares in issue.

23. DIVIDEND

	Group/Company	
	2005 RM	2004 RM
- Interim dividend (10% less 28% taxation)	<u>1,497,600</u>	<u>-</u>

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2005 RM	2004 RM
Company		
Dividend income from subsidiary company	4,600,000	-
Management fee from subsidiaries	<u>2,100,000</u>	<u>1,050,000</u>

The directors are of the opinion that all the transactions above were entered into in the normal course of business and were established on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

notes to the financial statements 31 December 2005

25. SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 11 April 2005, the Company had incorporated a wholly-owned subsidiary company in Wilayah Persekutuan Labuan known as CORRO-PRO (L) Inc., with an authorised share capital of USD 100,000 of which 1,000 ordinary shares of USD 1.00 each has been issued and fully paid;
- (b) The Company had incorporated a wholly-owned subsidiary company in Malaysia known as Alpha Perisai Sdn. Bhd. ("Alpha Perisai") on 23 June 2005, with an authorised share capital of RM100,000 of which 2 ordinary shares of RM1.00 each has been issued and fully paid;

Subsequently on 24 June 2005, the Company had entered into the following agreements :-

- (i) a shareholder agreement with Alpha Thames Subsea Limited ("ATS") a company incorporated in the United Kingdom governing their commitment and regulating their rights in relation to Alpha Perisai;
- (ii) a license agreement with Alpha Perisai and ATS in relation to the sole and exclusive right to relocatable incremental modular field development structure for topside and subsea application and all other components relating thereto for a consideration of £100,000; and
- (iii) a research and development agreement with Alpha Perisai and ATS in relation to the continued research and development work for relocatable incremental modular field development structure for topside and subsea application for a cash consideration of £900,000.

Subsequent to the financial year, on 5 January 2006, Alpha Perisai had increased its issued and paid-up share capital from RM2 to RM720,000 by the issuance of 719,998 ordinary shares of RM1.00 each. The Company holds 70% equity stake in the enlarged share capital of Alpha Perisai and the balance 30% is held by ATS.

- (c) As disclosed in the Director's Report of the previous financial year, the Company had on 4 August 2004 subscribed for 51,000 new ordinary shares of RM1.00 each in Nottingham AI Sdn. Bhd. (formerly known as Valiantique Sdn. Bhd.), representing 51% equity interest of Nottingham AI Sdn. Bhd. for a cash consideration of RM51,000.

Subsequently on 7 September 2005, the Company disposed of its 51% equity interest in Nottingham AI Sdn. Bhd for a cash consideration of RM100,000.

The disposal gave rise to a gain of approximately RM49,000 to the Group and to the Company.



25. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D)

- (d) On 25 October 2005, the Company had mutually terminated the two joint venture agreements with SIF Universal Sdn. Bhd. ("SIF-U") and Morstrong ("Morstrong") respectively in relation to the incorporation of a joint venture companies.

The termination of the JV Agreements with SIF-U and Morstrong did not give any material impact to the financial statement of the Group and of the Company.

- (e) On 31 October 2005, the Company had completed its disposal of 37.5% equity interest in Whizz Water Sdn. Bhd. ("WWSB") an associated company for a cash consideration of RM1,500,000.

While there has been no gain or loss to the Company, the disposal has resulted in a loss of RM85,150 to the Group.

- (f) On 19 April 2005, the Company announced a proposed Private Placement up to 20,800,000 new ordinary shares being 10% of the issued and paid-up share capital of the Company to places to be identified by a placement agent (" Proposed Private Placement"). The approval for the Proposed Private Placement had been obtained from the Securities Commission and Bursa Malaysia Securities Berhad on 3 May 2005 and 16 May 2005 respectively.

The Company has yet to be complete the Proposed Private Placement and has obtained an approval from Securities Commission for an extension of time to 2 May 2006.

Subsequently, the Company applied for a further extension of time which is subject to the approval of Securities Commission.

26. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign exchange, credit, interest rate and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(a) Foreign exchange risks

The objective of the Group's foreign exchange policies is to enable the Group to manage exposures that arise from transactional activities within a framework of controls that does not expose the Group to unnecessary foreign exchange risks. The Group's exposure to foreign exchange risk is minimal.

notes to the financial statements 31 December 2005

26. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risks

Credit risk, or the risk of counter parties defaulting, are controlled by the application of credit approval, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness.

(c) Interest rate risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

(e) Financial assets

The Group's principal financial assets are cash and bank balances, investment, fixed deposits and receivables.

(f) Financial liabilities

The Group's principal financial liabilities are payables, bank borrowing and hire purchase payables.

(g) Fair values of financial assets and liabilities

The fair values of cash and cash equivalents, receivables and payables are approximate to the amounts recorded in the balance sheet due to relatively short term maturity of these financial instruments.



27. SEGMENTAL INFORMATION

2005	Revenue RM	Results RM	Total Assets RM	Total Liabilities RM
Analysis by geographical location				
Local	120,582,002	31,391,080	153,726,036	83,353,415
Overseas	2,310,380	669,323	3,007,600	-
	<u>122,892,382</u>	<u>32,060,403</u>	<u>156,733,636</u>	<u>83,353,415</u>
Other operating income				
Local	-	360,858	-	-
Overseas	-	150,000	-	-
	<u>122,892,382</u>	<u>32,571,261</u>	<u>156,733,636</u>	<u>83,353,415</u>
Group's share of (loss)/profit of an associated company				
	-	(17,238)	-	-
	<u>122,892,382</u>	<u>32,554,023</u>	<u>156,733,636</u>	<u>83,353,415</u>
Taxation				
	-	(9,329,827)	-	-
	<u>122,892,382</u>	<u>23,224,196</u>	<u>156,733,636</u>	<u>83,353,415</u>
2004				
Analysis by geographical location				
Local	18,237,148	5,597,677	42,825,371	5,479,304
Overseas	449,271	264,345	3,003,800	-
	<u>18,686,419</u>	<u>5,862,022</u>	<u>45,829,171</u>	<u>5,479,304</u>
Other operating income				
Local	-	185,561	-	-
Overseas	-	150,000	-	-
	<u>18,686,419</u>	<u>6,197,583</u>	<u>45,829,171</u>	<u>5,479,304</u>
Group's share of profit of an associated company				
	-	119,706	-	-
	<u>18,686,419</u>	<u>6,317,289</u>	<u>45,829,171</u>	<u>5,479,304</u>
Taxation				
	-	(1,506,818)	-	-
	<u>18,686,419</u>	<u>4,810,471</u>	<u>45,829,171</u>	<u>5,479,304</u>

notes to the financial statements 31 December 2005

28. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except for certain comparative amounts have been restated to conform with current year presentation :

Company	Investment in subsidiaries RM	Amount due from subsidiaries RM
As previously stated	15,206,902	-
Reclassifications	(203,104)	203,104
As restated	<u>15,003,798</u>	<u>203,104</u>



list of properties

Location	Approximate Age of Building	Land / Built-up Area and Tenure	Description	Net Book Value (RM)	Year of Acquisition
Lot No. 9, Jalan P10/I5, Kawasan Perindustrian MIEL, Fasa 4, Seksyen 10, 43680 Bandar Baru Bangi, Selangor.	7 yrs	1,730 sq metres. Leasehold land and building expiring at 9 December 2098	Office and Factory	1,460,964	2003
Lot No.8, Jalan 9/1, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	N/A	3,794.50 sq metres. Leasehold land expiring at 2105	Leasehold Land	1,074,649	2004
Lot No.1, Jalan 9/3, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	N/A	3,794.50 sq metres. Leasehold land expiring at 2105	Leasehold Land	1,077,176	2004
No.23 Jalan Industri Batu Caves 1/6, Taman Perindustrian Batu Caves, 68100 Selangor Darul Ehsan.	5 yrs	2,240 sq feet. Leasehold land and building expiring at 2093	Leasehold Land & Building	1,534,768	2000
Lot No. 21766, Taman Perindustrian Batu Caves, 68100 Selangor Darul Ehsan.	N/A	39,936 sq feet.	Freehold Land	4,566,560	2004
PT. No: 28815 Mukim Batu, Daerah Gombak, Lot 6370, Type: KT-1B, Bukit, Sentosa Industrial Park, 48200 Bukit Serendah, Ulu Selangor, Selangor Darul Ehsan.	3yrs	337.50 sq metres.	Freehold Industrial shoptlot	282,000	2002
C-7-5 Megan Phileo Promenade, 189, Jalan Tun Razak, 50400 Kuala Lumpur.	3yrs	1,200 sq feet.	Freehold Building	335,407	2002

analysis of shareholdings as at 5 May 2006

Authorised Share Capital	:	RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each
Issued and paid-up Share Capital	:	RM20,800,000 comprising 208,000,000 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	1 vote per ordinary share

Distribution of Shareholdings

Size of Holdings	No of Shareholders	% of Shareholders	No of Shares	% of Shares
Less than 100 shares	5	0.72	130	0.0001
100 to 999 shares	30	4.33	6,872	0.0033
1,000 to 4,999 shares	325	46.90	566,200	0.2722
5,000 to 10,000 shares	133	19.19	954,500	0.4589
10,001 to 100,000 shares	114	16.45	4,188,318	2.0136
100,001 to 1,000,000 shares	47	6.78	15,542,261	7.4722
Above 1,000,000 shares	39	5.63	186,741,719	89.7797
Total	693	100	208,000,000	100

Substantial Shareholders

Name	Direct		Indirect	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Maya Terang Sdn Bhd	44,366,998	21.33	-	-
Nagendran A/L C.Nadarajah	17,706,300	8.51	44,366,998 ⁽¹⁾	21.33 ⁽¹⁾
HSBC Holdings plc ⁽²⁾	15,759,900 ⁽²⁾	7.58 ⁽²⁾	-	-
Tengku Daud Shaifuddin Bin Tengku Zainudin	14,451,480	6.95	44,366,998 ⁽¹⁾	21.33 ⁽¹⁾
Tinggi Tiasa Sdn Bhd	11,740,000	5.64	-	-
Juhari Bin Husin	4,301,500	2.07	11,740,000 ⁽³⁾	5.64 ⁽³⁾
Zamri Bin Zakaria	209,100	0.10	11,740,000 ⁽³⁾	5.64 ⁽³⁾

Notes :

- (1) Deemed interest by virtue of their shareholdings in Maya Terang Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965.
- (2) Held via HSBC (Malaysia) Trustee Berhad.
- (3) Deemed interest by virtue of their shareholdings in Tinggi Tiasa Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965.

twenty largest shareholders

No	Name	No of Shares	% of Shares
1	MAYA TERANG SDN. BHD.	44,366,998	21.33
2	NAGENDRAN A/L C.NADARAJAH	17,706,300	8.51
3	TENGGU DAUD SHAIFUDDIN BIN TENGGU ZAINUDIN	14,451,480	6.95
4	TINGGI TIASA SDN. BHD.	11,740,000	5.64
5	AMMB NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR HLG PENNY STOCK FUND (5/4-3)	8,479,900	4.08
6	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIVANANTHAN A/L K. NATARAJA (MIO)	6,128,800	2.95
7	HSBC NOMINEES (TEMPATAN) SDN BHD FOR HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND (4579)	5,928,100	2.85
8	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR KHO POH ENG (SMART)	5,168,600	2.48
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD FOR EMPLOYEES PROVIDENT FUND BOARD	5,000,000	2.40
10	JUHARI BIN HUSIN	4,301,500	2.07
11	BEH ENG PAR	4,266,000	2.05
12	STOCKTON ASSETS LTD	4,160,000	2.00
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	4,085,000	1.96
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE CAPITAL ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	3,800,000	1.83
15	VIGNESWARAN A/L C.NADARAJAH	3,675,132	1.77
16	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC SMALLCAP FUND	3,435,000	1.65
17	TIONG YOUNG KONG	3,280,000	1.58
18	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC OPPORTUNITIES FUND	3,268,500	1.57
19	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD HLG BALANCED FUND (L2)	2,866,700	1.38
20	HLG NOMINEE (TEMPATAN) SDN BHD PB TRUSTEE SERVICES BERHAD FOR HLG GROWTH FUND	2,850,000	1.37
	TOTAL	158,958,010	76.42

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form of
proxy

I/WeNRIC No/Company No.....
(FULL NAME IN BLOCK LETTERS AS PER IDENTITY CARD)

of.....
(ADDRESS)

telephone no. being a member/members of Perisai Petroleum Teknologi Bhd.("the Company"),
hereby appoint

.....
(FULL NAME IN BLOCK LETTERS AS PER IDENTITY CARD)

of.....
(ADDRESS)

and/or.....
(FULL NAME IN BLOCK LETTERS AS PER IDENTITY CARD)

of
(ADDRESS)

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us and on my/our behalf at the Third Annual General Meeting of the Company to be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur on Tuesday, 27th June 2006 at 10.30a.m. and at any adjournment thereof. I/We indicate with an "X" in the appropriate spaces below as to how I/we wish my/our vote to be cast:

	For	Against
Ordinary Resolution 1 Adoption of Audited Financial Statements and Reports for the financial year ended 31/12/2005.		
Ordinary Resolution 2 Declaration of a final dividend.		
Ordinary Resolution 3 Payment of Directors' Fees.		
Ordinary Resolution 4 Re-election of Mohd. Jeffery De Jong Bin Abdullah.		
Ordinary Resolution 5 Re-election of Aloysius Albert Michael.		
Ordinary Resolution 6 Re-election of Chan Feoi Chun.		
Ordinary Resolution 7 Re-election of Yogesvaran A/L T. Arianayagam.		
Ordinary Resolution 8 Re-election of Dato' Dr. Mohamed Ariffin Bin Hj. Aton.		
Ordinary Resolution 9 Re-appointment of Auditors.		
Ordinary Resolution 10 Authority under Section S132D of the Companies Act, 1965.		
Ordinary Resolution 11 Proposed Renewal of Shareholders' Mandate for existing RRPT and New Shareholders' Mandate for additional RRPT.		

Subject to the abovestated voting instructions, my/our proxy may vote or abstain from voting on any resolution as *he/*she/*they may think fit.

If appointment of proxy is under hand Signed by *individual member/ *officer or attorney of member/ *authorised nominee of (beneficial owner)	No of shares held :..... Securities Account No : Date :	The proportions of my/our holding to be represented by my/our proxies are as follows: First Proxy No of shares : Percentage : %
If appointment of proxy is under seal Seal The common seal of was hereto affixed in accordance with its Articles of Association in the presence of :- Director Director/Secretary In its capacity as *member/* attorney of member/ * authorised nominee of (beneficial owner)		Second Proxy No of shares : Percentage : %
No of shares held : Securities Account No : Date :		

Notes to Form of Proxy

1. A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to attend and vote on his/her behalf.
2. A proxy or attorney or corporate representative need not be a member of the Company and if not a Member he/she need not be a qualified legal practitioner, an approved Company Auditor or a person approved by the Registrar.
3. A member shall be entitled to appoint more than two(2) proxies to attend and vote at the same meeting.
4. Where a member appoints two or more proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
5. Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
7. The instrument of proxy, together with the power of attorney(if any) under which it is signed or a certified copy thereof, shall be deposited at the Registered Office of the Company at Suite 2, Penthouse, Lobby A,Wisma Leopad, No.9, Jalan Tun Sambanthan, 50470 Kuala Lumpur, not less than forty eight(48) hours before the time of meeting or any adjournment thereof.
8. Ordinary resolution No.10, if passed, will give the Directors of the Company immediate authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding 10 percent of the issued share capital of the Company for the time being. This authority unless revoked or varied at a General Meeting will expire at the next Annual General Meeting.

