



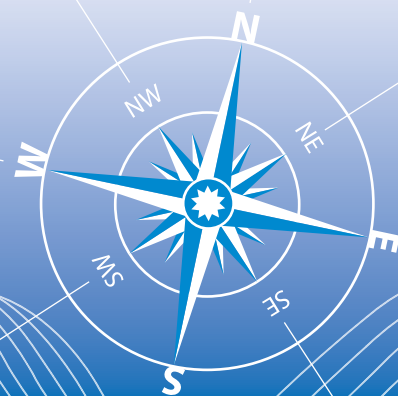
*Value Creating
Technologists...*



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 Fifth Annual General Meeting of PERISAI PETROLEUM TEKNOLOGI BHD. ("Perisai" or the "Company") will be held at Cempaka-Raya Room, Mezzanine Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 27 June 2008 at 10.30 a.m. to transact the following businesses :-

AGENDA

ORDINARY BUSINESS

- 1 To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**
- 2 To approve the payment of Directors' Fees for financial year ended 31 December 2007. **(Ordinary Resolution 2)**
- 3 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 93:

- i. DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON **(Ordinary Resolution 3)**
- ii. YOGESVARAN A/L T. ARIANAYAGAM **(Ordinary Resolution 4)**

Under Article 98:

- i. JUHARI BIN HUSIN **(Ordinary Resolution 5)**
- 4 To re-appoint Messrs. Kumpulan Naga as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

SPECIAL BUSINESS

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

- 5 **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES** **(Ordinary Resolution 7)**

"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."

- 6 To transact any other business for which due notice has been given

BY ORDER OF THE BOARD

Terwander Singh a/l Badan Singh
Company Secretary
(MAICSA 0780838)

Kuala Lumpur
5 June 2008

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 appointer or his attorney duly authorised in writing or, if the appointer 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, Wisama 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 NOTE ON SPECIAL BUSINESS:

RESOLUTION 7

Resolution Pursuant to Section 132D of the Companies Act, 1965

The ordinary resolution proposed under Ordinary Resolution 7, 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.

statement accompanying **Notice of Annual General Meeting**

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

Under Article 93:

- i. DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON
- ii. YOGESVARAN A/L T. ARIANAYAGAM

Under Article 98:

- i. JUHARI BIN HUSIN

The aforesaid Directors' shareholdings are set out on page 84 of this Annual Report. Further details of the Directors are set out in the Profile of Directors on page 7 to 9 of this Annual Report.

2 Attendance of Board of Directors' Meetings

A total of eight (8) Board Meetings were held during the financial year from 1 January 2007 to 31 December 2007. Details of attendance can be found on page 16 of the Annual Report.

3 Place, Date and Time of the Annual General Meeting

The Fifth Annual General Meeting will be held at Cempaka-Raya Room, Mezzanine Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 27 June 2008 at 10.30 a.m.

corporate Information

BOARD OF DIRECTORS

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

Nagendran A/L C. Nadarajah
(Managing Director)

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)

Juhari Bin Husin
(Executive Director)

AUDIT COMMITTEE

Chan Feoi Chun
~ Chairman

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

Yogesvaran A/L T. Arianayagam
~ Member

SECRETARY

Terwander Singh a/l Badan Singh

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,
43650 Bandar Baru Bangi,
Selangor Darul Ehsan.
Tel : 03-89261268
Fax : 03-89255268
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

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

SOLICITORS

Kamarudin & Partners
Paul Cheah & Associates

PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
AmBank (M) Berhad

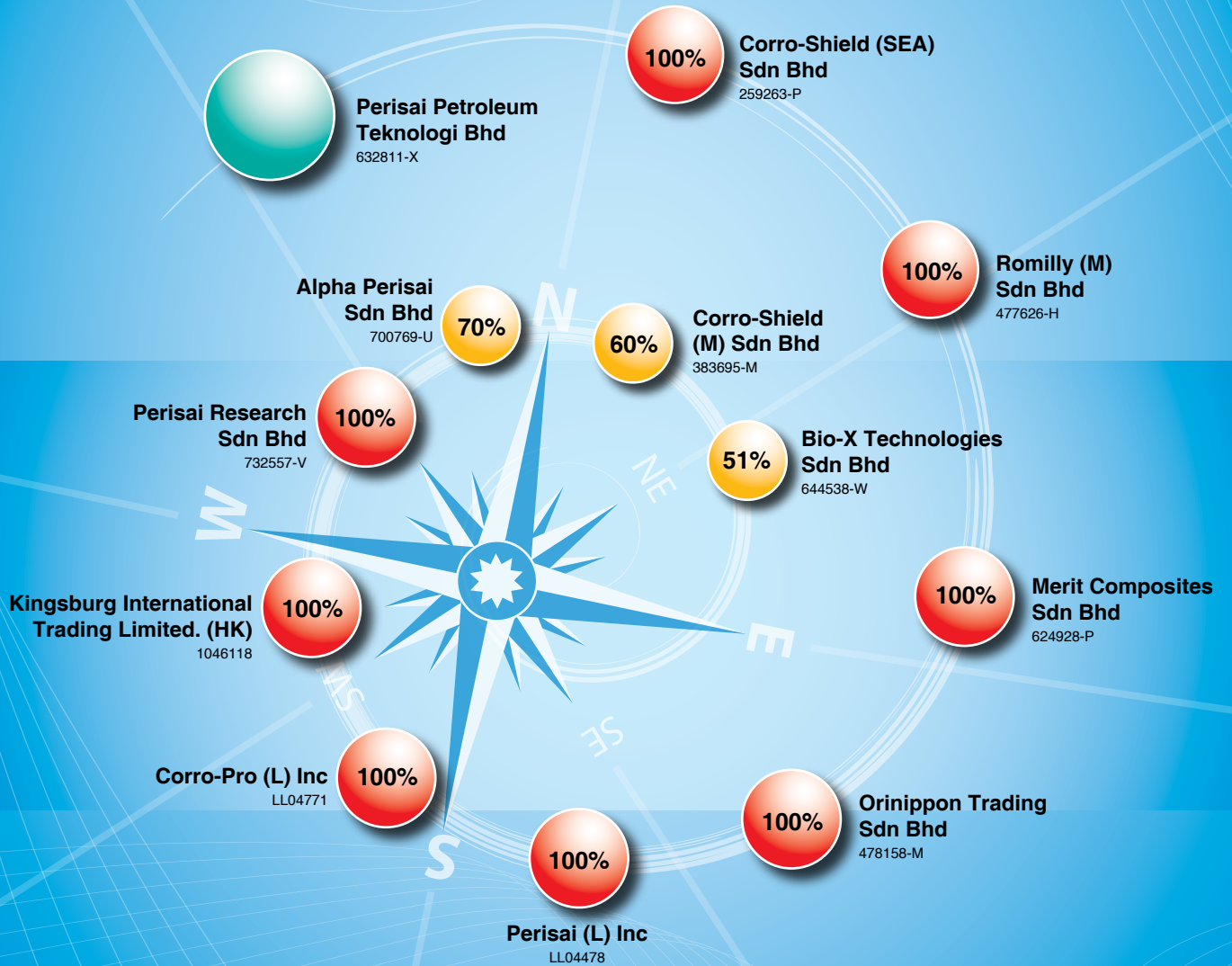
SPONSOR

OSK Investment Bank Berhad
19th Floor, Plaza OSK,
Jalan Ampang
50450 Kuala Lumpur
Tel : 03-23338333
Fax : 03-21753217

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia
Securities Berhad

group Structure



profile of Directors

Dato' Dr. Mohamed Ariffin Bin Hj. Aton



Dato' Dr. Mohamed Ariffin Bin Hj. Aton, aged 63, a Malaysian, was appointed to the Board of PPTB as an Independent Non-Executive Director on 1 June 2004. He attended all the eight (8) 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 till his retirement on 1st September 2007. He also served as the Chairman of a number of SIRIM subsidiaries, namely SIRIM QAS International Sdn Bhd, SIRIM Training Services Sdn Bhd, Sime SIRIM Technologies Sdn Bhd and also the Chairman of MIGHT Technology Nurturing 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. Bhd. and MEMS Technology Berhad, as well as a number of other private limited companies.

Nagendran A/L C. Nadarajah



Nagendran A/L C. Nadarajah, aged 54, a Malaysian, was appointed to the Board of PPTB as an Executive Director on 1 June 2004. He attended seven (7) of the eight (8) 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 currently employed as the Group Managing Director. 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 23 years under various capacities in the oil and gas industry, commerce and educational establishments, mostly in the UK. Nagendran sits in the Corrosion Control Solution Committee of the R&D team and was involved in the development of the CorroCap™ and Composite Sleeve Repair.

Yogesvaran A/L T. Arianayagam



Yogesvaran A/L T. Arianayagam, aged 56, a Malaysian, was appointed to the Board of PPTB as a Non-Independent Non-Executive Director on 30th October 2003. He attended seven (7) of the eight (8) 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. 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 Sampoorina 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 30 years of experience in Corporate Finance, Financial Management and in Mergers and Acquisitions.

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 55, a Malaysian, was appointed to the Board of PPTB as an Independent Non-Executive Director on 6 June 2005. He attended seven (7) of the eight (8) 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. 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 senior 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 the honorary treasurer of CIMA, Malaysia Division and Chairman of the Student Development Committee.

Tengku Daud Shaifuddin Bin Tengku Zainudin



Tengku Daud Shaifuddin Bin Tengku Zainudin, aged 49, a Malaysian, was appointed to the Board of PPTB as an Executive Director on 1 June 2004. He attended seven (7) of the eight (8) Board Meetings held in the financial year under review. He is a member of the Risk Management Committee. He has more than sixteen 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 a 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 heads the Corrosion Control Solution Committee of the R&D team which developed the "home grown" corrosion control products and solutions that are innovative, effective and price competitive.

He currently sits on the Board of SAAG Consolidated (M) Bhd, as well as a number of other private limited companies.

Juhari Bin Husin



Juhari Bin Husin, aged 52, a Malaysian, who was an Alternate Director to Tengku Daud Shaifuddin Bin Tengku Zainudin was appointed to the Board on 2 October 2007. He attended two (2) of the two (2) Board Meetings held after his appointment to the Board in the financial year under review. He was also appointed as a Member of the Risk Management Committee. 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 22 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.

Note : All Board Members have no family relationship among themselves or with any of the substantial shareholders of the Company except for substantial shareholding of two (2) of the Directors described in page 84 of this report.

All Board Members do not have any conflict of interest with the Company and have never been convicted for any offences other than traffic offences within the past 10 years.

Chairman's statement

On behalf of the Board of Directors for the Perisai Group, I am pleased to present the Annual Report of Perisai Petroleum Teknologi Bhd for the year under review 31 December 2007.



Financial Review

With the accelerated pace of development and buoyancy in the oil and gas sector, I am delighted to report that it was an exciting year for the Perisai Group.

Our focus remained on rationalization exercises to streamline the Group's operations, leverage on the momentum of development in the oil and gas sector and strengthen our expertise and capabilities to tap on opportunities both in the local and regional market place. These initiatives provided the Group the necessary boost in recording a strong financial performance for the financial year under review.

For the year ended 31 December 2007, the Group registered a turnover of RM155.7 million representing an increase of 33.8% as compared to the previous financial year. The Group recorded a 334.6% increase in net profit of RM19.6 million in the year under review as compared to RM4.5 million in the last financial year.

The much stronger profits boosted net assets per share to RM0.32 from RM0.26

The strong financial results were attributable to several key factors which included contributions from vessel operations and the execution of a RM50 million contract for 3 years to Perisai's subsidiary, Corro-Shield (M) Sdn Bhd for the provision of Corrosion Prevention Services.



The Group, through its wholly owned subsidiary Romilly (M) Sdn Bhd was also awarded a RM41.11 million contract by Qatar Sand Treatment Plant to carry out design, engineering, procurement, construction, installation and testing.

Earnings per share

The earnings per share for the year under review is 5.65 sen as compared to 2.45 sen recorded in the previous year

Operations Review

Our focus in evolving from a predominantly corrosion control company into a one stop centre for the provision of oil and gas equipment services has augured well for us, positioning us on a higher platform in a bid to secure a wider scope of work.

During the year under review, we also focused on continuous human resource development, gaining the necessary technical expertise and leveraged on core competencies to remain sustainable and deliver innovative solutions and technology to an ever evolving and dynamic industry.

We continued our focus on research and development initiatives to deliver solutions which were both pioneering and innovative. In line with this, we appointed the Atkins Group, a British-based engineering consultancy, to develop the the self-installing, relocatable, production and storage facility (SIRPS) to enhance our deepwater and marginal field development activities.

We continued to leverage on our track record of success and proprietary technology which garnered us a platform to secure both local and regional contracts. Our foray into the ASEAN and Middle East sectors continues to reap benefits and provided the Group with increasing opportunities and sustainable momentum in growing the business further.

Prospects for the year ahead

Surging demand for oil and gas equipment and services in China, India and the Middle East offers the Perisai Group exciting opportunities to explore in the year ahead.

The recent proposed acquisition of SJR Marine (L) Ltd which owns a Derrick Lay Barge with a secured contract is also expected to contribute significantly to the earnings of Perisai Group in 2008.



We are also poised to capitalize on the growing domestic production and increasing field development activities set to take place over the next few years. With the promising marginal fields available for development in this region, Perisai is well placed to lend our expertise and infrastructure in efforts to pursue necessary cost-efficient solutions for small field development.

Moving forward, our commitment will remain to our shareholders in making strategic investments, forming synergistic ventures which will add value to our business operations and enable us to grow market share and deliver value to our all our partners and stakeholders.

Appreciation and thanks

On behalf of the Board of Directors, I would like to extend my sincere appreciation and gratitude to the shareholders for their continued support and confidence in the Perisai Group, to our customers and business partners for their unwavering support and to our management team and staff for their dedication and immense effort which has sustained us through the year.

Last but not least, I would like to record my sincere appreciation to my fellow Board Members for their invaluable guidance and counsel.

Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Chairman

Managing Director's review

It gives me great pleasure to be given an opportunity to outline the key areas of growth for **Perisai Petroleum Teknologi Bhd** ("Perisai") during the year under the review and the year that is ahead of us.





Our focus during the financial year under review has been a strategy which I strongly believe has positioned Perisai to continue carving out its niche in the oil and gas industry.

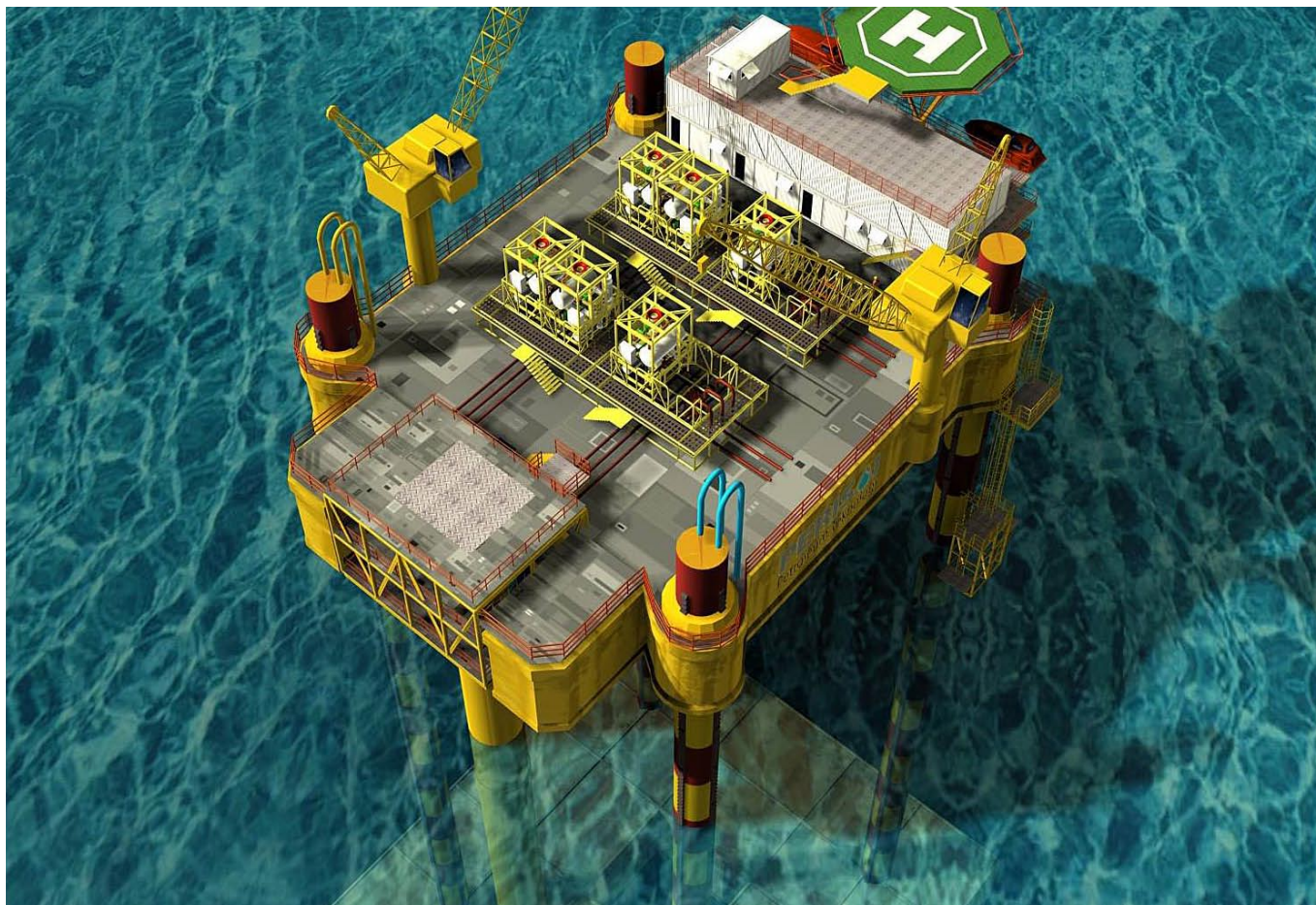
The year under review has seen the Group divesting business not critical to our strategy and acquiring strategic assets and the necessary technology to secure new business and identify potential ventures to explore.

Our fleet of specialist vessels has continued to provide the Group with the necessary capabilities for growing the business and generating robust, predictable and visible earnings.

After successfully building our infrastructure and capabilities which include, inter alia, the proposal to acquire 100% of SJR Marine (L) Ltd the Group has now set its eyes on a wider horizon to increase its participation in providing specialist services for marginal field development and deepwater activities.

Following the successful completion of conceptual study by Atkins Ltd of the United Kingdom of its Self Installing Relocatable, Production and Storage platform (SIRPS), the Group has continued to invest in research and development by appointing Zentech Inc. of USA to carry out Front End Engineering and Design for SIRPS which is expected to be completed by July 2008. Atkins is one of the world's leading providers of professional, technology based consultancy and





support services. With over 14,000 staff worldwide, Atkins has enormous expertise, providing both breadth and depth of knowledge in an extremely diverse range of disciplines. Zentech Inc. is a Houston based design and consulting engineering firm with sister companies in India, Mexico, Malaysia and the Middle East. Zentech's engineering services are enhanced by the use of software developed in-house and marketed for use by the industry.

We see an immense amount of promise in these areas as there are currently over 100 shallow water marginal fields available for development in the region. We are confident that this will result in greater demand for our services and generate new business opportunities and revenue streams for the Group.

As we look forward, it is our desire to focus on synergistic partnerships and acquisitions of strategic assets which will further expand the Group's repertoire of services as a specialist provider of oil and gas services.

As we continue to develop our physical infrastructure and technological proficiency, we are also focused on raising the bar of excellence for human capital development. Nurturing the right skills set will not only serve to maintain our technical

and commercial competitiveness but will also help to sustain healthy growth in the foreseeable future.

This will be the way forward for us to fully participate in the oil and gas value chain and maintain profitability in the long term.

As a Group, I firmly believe we have a focused portfolio of businesses, with strong market positions and sound growth opportunities, all of which will pave the way for further growth as the Company moves forward.

I foresee a year of progress ahead of us - both as individuals and as an organization as we push forward with achieving continuous improvement in what we do, thereby living up to the expectations of all our stakeholders.

Thank You

Nagendran A/L C. Nadarajah
Managing Director

statement of **Corporate Governance**
for the financial year ended 31 december 2007

Introduction

The Board of Directors of Perisai (“ Board”) are committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company. The ensuing paragraphs set out the manner in which the Group has applied the principles set out in the revised Malaysian Code of Corporate Governance (“Code”) and the extent of its compliance with the best practice of the Code for the year ended 31 December 2007.

Board Meetings

During the financial year under review, the Board met eight (8) times and the attendance record for each Director is as follows:

	Number of meetings
Dato’ Dr. Mohamed Ariffin Bin Hj. Aton (Independent Non-Executive Chairman)	8/8
Chan Feoi Chun (Independent Non-Executive Director)	7/8
Yogesvaran A/L T. Arianayagam (Non-Independent Non-Executive Director)	7/8
Nagendran A/L C. Nadarajah (Managing Director)	7/8
Tengku Daud Shaifuddin Bin Tengku Zainudin (Executive Director)	7/8
Mohd. Jeffrey De Jong Bin Abdullah (Executive Director-resigned on 7 June 2007)	2/2
Juhari Bin Husin (Executive Director-appointed on 2 October 2007)	2/2

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 three (3) Executive Directors and three (3) Non-Executive Directors of whom two (2) are independent. Such a balance is in compliance with paragraph 15.02 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

All Directors are provided with reports and other relevant information on a timely manner, covering various aspects of the Group’s operations and performance. They are also provided with an agenda and a set of board papers pertaining to agenda items prior to Board meetings for consideration and where appropriate, for decision. This is issued in sufficient time to enable the Directors to consider

the matter to be deliberated and to obtain further explanation, where necessary, in order to be briefed properly before the Meeting. The Board has unrestricted access to all staff for any information pertaining to the Group’s affairs. In addition, the Board has access to the advice and services of the Company Secretary and may seek professional advice from external consultants at the Company’s expense should the need arise.

At the Board meetings, the Management updates the Board on the business and market factors relevant to the Group.

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, 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 (Independent Non-Executive Director)	Chairman
Dato’ Dr. Mohamed Ariffin Bin Hj. Aton (Independent Non-Executive Director)	Member
Yogesvaran A/L T. Arianayagam (Non-Independent Non-Executive Director)	Member

The Board is assisted by an Audit Committee, whose role and functions are as set out in the Audit Committee Report on pages 23 to 25 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 (<i>Non-Independent Non-Executive Director</i>)	Chairman
Dato' Dr. Mohamed Ariffin Bin Hj. Aton (<i>Independent Non-Executive Director</i>)	Member
Chan Feoi Chun (<i>Independent Non-Executive Director</i>)	Member
Nagendran A/L C. Nadarajah (<i>Managing Director</i>)	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 that of the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including that 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 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 an appropriate and 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 (<i>Non-Independent Non-Executive Director</i>)	Chairman
Chan Feoi Chun (<i>Independent Non-Executive Director</i>)	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 Officers and key senior management officers.
- Review and recommend to the Board the specific remuneration packages of Executive Directors and the Chief Executive Officers.
- 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 (<i>Independent Non-Executive Director</i>)	Chairman
Chan Feoi Chun (<i>Independent Non-Executive Director</i>)	Member
Tengku Daud Shaifuddin Bin Tengku Zainudin (<i>Executive Director</i>)	Member
Juhari Bin Husin (<i>Executive Director</i>)	Member

In collaboration with other related committees and divisions, the Risk Management Committee assesses risks that can significantly impact the sustainability of the Company; takes preventive measures and responsive actions; and also proposes company-wide risk management policies.

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.

For the year under review, the Directors attended training sessions on Strategic Planning and Budgetary Controls as prescribed by the Exchange to keep abreast with developments in the market and industry.

Throughout the year, the Director received regular updates and briefings on regulatory, industry and legal developments, including informations on significant changes in business and operational risks and procedures instituted to mitigate such risks.

Director's Remuneration

The Company's remuneration policy for Directors is adapted to support the Company's overall objective of delivering long-term value to its shareholders. The remuneration packages are intended to encourage the creativity and innovation of its members and to enable the Company to recruit and retain individuals of the required caliber pertinent in achieving the Company's strategic objectives.

The details of the remuneration of Directors for the financial year ended 31 December 2007 are as follows :

Directors	Fees RM	Salaries RM	Others RM	Total RM
Non Executive				
Dato' Dr. Mohamed Ariffin Bin Hj Aton	42,000.00	-	1,750.00	43,750.00
Chan Feoi Chun	24,000.00	-	1,250.00	25,250.00
Yogesvaran A/L T. Arianayagam	24,000.00	-	1,250.00	25,250.00
Executive				
Nagendran A/L C.Nadarajah	-	292,429.00	35,112.00	327,541.00
Tengku Daud Shaifuddin Bin Tengku Zainudin	-	220,500.00	26,496.00	246,996.00
Juhari Bin Husin	-	226,500.00	30,860.00	257,360.00
Mohd. Jeffrey De Jong Bin Abdullah	-	96,162.00	11,555.00	107,717.00

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

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 or investors throughout the year, when necessary.

Presentations based on permissible disclosures are made to explain the Group's performance and 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 that in enhancing corporate governance and encouraging transparency, 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 accurate and fair representation of the Group's performance and position.

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.

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 at which time the Managing Director briefs those present about the 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 Group and of the Company. 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 35 to 82 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 of the Company at the end of the financial year and of the results and cash flows of the Group and of the 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 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 23 to 25 of the Annual Report.

Utilisation of Proceeds From Corporate Proposals

There were no proceeds raised from the corporate proposals during the financial year ended 31 December 2007

Other Information

The following information provided is in respect of the financial year ended 31 December 2007.

Share Buybacks

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

Options, Warrants or Convertible Bonds

No 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

There were no non-audit fees paid and payable to the external auditors by the Group for the financial year ended 31 December 2007.

Profit Guarantee

The Company did not provide any profit guarantee for the financial year ended 31 December 2007 except for profit guarantee due from Merit Composites Sdn Bhd amounting to RM1.9 million.

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 of **Internal Control** for the financial year ended 31 december 2007

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 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 23 to 25.

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.

A Group Risk Management Committee has been established to provide 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 unit.
- There are clearly defined delegation of responsibilities and appropriate limits of authority for different processes, decisions and commitments.
- 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.

audit **Committee Report**

for the financial year ended 31 december 2007

The Audit Committee and Internal Audit

The Group has engaged an Internal Auditor to 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

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 <i>(Independent Non-Executive Director)</i>	4/4
Dato' Dr. Mohamed Ariffin Bin Hj. Aton <i>(Independent Non-Executive Director)</i>	4/4
Yogesvaran A/L T. Arianayagam <i>(Non Independent Non-Executive Director)</i>	4/4

Terms of Reference

Membership

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

The Audit 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

- i. Review and recommend acceptance or otherwise of major accounting policies, principles and practices.
- ii. Review the quarterly results and annual financial statements, of the Group and of the Company, 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 the 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 2008 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 the 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 Account Receivables of the Group with regard to credit control, debt collection and the provision of bad debts.

Internal Audit Function

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 2007



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 2007.

PRINCIPAL ACTIVITIES

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 16 to the financial statements.

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

RESULTS

	Group RM	Company RM
Net profit for the year	<u>19,551,933</u>	<u>6,917,285</u>
Attributable to:		
Equity holders of the Company	11,758,546	6,917,285
Minority interests	<u>7,793,387</u>	-
	<u>19,551,933</u>	<u>6,917,285</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.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

DIRECTORS' REPORT

DIRECTORS

The names of the directors of the Company in office 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	
Juhari Bin Husin	(Appointed on 2 October 2007)
Mohd. Jeffrey De Jong Bin Abdullah	(Resigned on 7 June 2007)
Yogesvaran A/L T. Arianayagam	
Chan Feoi Chun	

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 the 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 as shown in Note 9 to the financial statements or the fixed salary of a full time employee) 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, as required to be disclosed by Section 169(8) of the Companies Act, 1965.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.10 Each			At 31.12.2007
	At 1.01.2007	Acquired	Sold	
Yogesvaran A/L T. Arianayagam				
- direct	1,536,092	-	-	1,536,092
Tengku Daud Shaifuddin Bin Tengku Zainudin				
- direct	14,451,480	-	(2,000,000)	12,451,480
- direct - Subsidiary company Corro-Shield (M) Sdn. Bhd. number of ordinary shares of RM1.00 each	240,000	-	-	240,000
- deemed interest #	39,366,998	-	(10,000,000)	29,366,998
Nagendran A/L C. Nadarajah				
- direct	17,706,300	-	(2,000,000)	15,706,300
- deemed interest #	39,366,998	-	(10,000,000)	29,366,998
Juhari Bin Husin				
- direct	4,301,500	-	(100,000)	4,201,500
- deemed interest ##	11,740,000	-	(5,000,000)	6,740,000

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

Deemed interest by virtue of his substantial shareholdings in Tinggi Tiasa Sdn. Bhd

DIRECTORS' REPORT

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 there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the 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 methods 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As 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 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 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 or of the Company to meet their obligations 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.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 16(b), 16(c) and and Note 31 to the financial statements.

AUDITORS

The auditors, Kumpulan Naga, 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 March 2008

STATEMENT BY
DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TENGGU DAUD SHAIFUDDIN 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 35 to 82 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 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 SHAIFUDDIN
 BIN TENGGU ZAINUDIN**

NAGENDRAN A/L C. NADARAJAH

Kuala Lumpur, Malaysia
 Date : 19 March 2008

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 accompanying financial statements set out on pages 35 to 82 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
NAGENDRAN A/L C. NADARAJAH,
 at Kuala Lumpur in the Federal
 Territory on 19 March 2008

NAGENDRAN A/L C. NADARAJAH

Before me,

.....
Dr. T. YOKHESWAREM (NO. W540)
 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 35 to 82. 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting 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 2007 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 Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 16(a) to the financial statements, being financial statements that have been included in the consolidated financial statements.

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 material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

.....
Kumpulan Naga
A.F. No. 0024
Chartered Accountants (M)
Kuala Lumpur, Malaysia.

.....
T. Nagarajan KMN
No: 824/04/08 (J)

Date : 19 March 2008

INCOME

STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	3	155,677,312	116,317,344	2,100,000	2,100,000
Cost of sales	4	(105,773,101)	(97,489,748)	-	-
Gross profit		49,904,211	18,827,596	2,100,000	2,100,000
Other income	5	1,394,337	683,551	9,330,744	18,603
Administrative expenses		(21,982,001)	(10,174,471)	(2,694,934)	(1,440,327)
Selling and marketing expenses		-	(96,210)	-	-
Operating profit		29,316,547	9,240,466	8,735,810	678,276
Finance costs	6	(4,606,388)	(3,331,444)	(2,375,572)	(1,827,965)
Profit/(Loss) before tax	7	24,710,159	5,909,022	6,360,238	(1,149,689)
Income tax expense	10	(5,158,226)	(1,409,631)	557,047	311,874
Net profit/(loss) for the year		19,551,933	4,499,391	6,917,285	(837,815)
Attributable to:					
Equity holders of the Company		11,758,546	5,086,702	6,917,285	(837,815)
Minority interests		7,793,387	(587,311)	-	-
		19,551,933	4,499,391	6,917,285	(837,815)
Earning per share attributable to equity holders of the Company (sen)					
- Basic	11	5.65	2.45		

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

BALANCE

SHEETS

AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	42,433,952	65,763,428	79,054	15,015
Prepaid land lease payment	14	427,274	4,080,522	-	-
Intangible assets	15	14,598,442	31,232,706	-	-
Investment in subsidiaries	16	-	-	19,345,729	49,627,698
Other investment	17	3,000,000	3,000,000	-	-
Deferred tax asset	25	2,747,223	2,350,519	869,367	311,124
		<u>63,206,891</u>	<u>106,427,175</u>	<u>20,294,150</u>	<u>49,953,837</u>
Current assets					
Inventories	18	2,851,871	3,176,681	-	-
Trade and other receivables	19	26,763,211	52,352,162	647,798	334,432
Amount due from subsidiaries	20	-	-	37,032,381	27,524,239
Cash and bank balances	21	10,943,428	10,176,314	784,067	2,135,292
		<u>40,558,510</u>	<u>65,705,157</u>	<u>38,464,246</u>	<u>29,993,963</u>
TOTAL ASSETS		<u>103,765,401</u>	<u>172,132,332</u>	<u>58,758,396</u>	<u>79,947,800</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	26	20,800,000	20,800,000	20,800,000	20,800,000
Share premium		10,516,989	10,516,989	10,516,989	10,516,989
Other reserve	27	48,736	23,947	-	-
Retained earnings	28	34,962,198	23,203,652	6,211,631	(705,654)
		<u>66,327,923</u>	<u>54,544,588</u>	<u>37,528,620</u>	<u>30,611,335</u>
Minority interests		6,842,118	21,077,371	-	-
Total equity		<u>73,170,041</u>	<u>75,621,959</u>	<u>37,528,620</u>	<u>30,611,335</u>
Non-current liabilities					
Borrowings	22	4,895,000	6,313,922	4,895,000	-
Hire purchase payables	23	150,492	313,950	-	-
Deferred tax liabilities	25	180,586	3,772,199	1,196	-
		<u>5,226,078</u>	<u>10,400,071</u>	<u>4,896,196</u>	<u>-</u>

BALANCE SHEETS
AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
EQUITY AND LIABILITIES					
Current liabilities					
Borrowings	22	14,190,941	51,295,869	12,410,986	46,600,986
Hire purchase payables	23	64,695	89,815	-	-
Trade and other payables	24	11,093,318	32,767,737	3,922,594	2,735,479
Taxation		20,328	1,956,881	-	-
		<u>25,369,282</u>	<u>86,110,302</u>	<u>16,333,580</u>	<u>49,336,465</u>
Total liabilities		<u>30,595,360</u>	<u>96,510,373</u>	<u>21,229,776</u>	<u>49,336,465</u>
TOTAL EQUITY AND LIABILITIES		<u>103,765,401</u>	<u>172,132,332</u>	<u>58,758,396</u>	<u>79,947,800</u>

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

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2007

Group	Note	Attributable to Equity Holders of the Company				Total RM	Minority Interest RM	Total Equity RM
		Non distributable		Other Reserve RM	Distributable Retained Earnings RM			
		Share Capital RM	Share Premium RM					
		(Note 26)		(Note 27)				
At 1 January 2006		20,800,000	10,516,989	-	19,596,238	50,913,227	21,466,994	72,380,221
Effect of adopting FRS 121		-	-	23,947	-	23,947	-	23,947
Dilution arising from additional shares issued		-	-	-	18,312	18,312	197,688	216,000
Net profit for the year		-	-	-	5,086,702	5,086,702	(587,311)	4,499,391
Dividend paid	12	-	-	-	(1,497,600)	(1,497,600)	-	(1,497,600)
At 31 December 2006		20,800,000	10,516,989	23,947	23,203,652	54,544,588	21,077,371	75,621,959
At 1 January 2007		20,800,000	10,516,989	23,947	23,203,652	54,544,588	21,077,371	75,621,959
Foreign exchange reserve		-	-	24,789	-	24,789	-	24,789
Net profit for the year		-	-	-	11,758,546	11,758,546	7,793,387	19,551,933
Disposal of subsidiary	16(c)	-	-	-	-	-	(22,028,640)	(22,028,640)
At 31 December 2007		20,800,000	10,516,989	48,736	34,962,198	66,327,923	6,842,118	73,170,041

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

COMPANY STATEMENTS

OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	← Non distributable →	Share Share	Premium	← Distributable →	Retained	Total
Note	Capital RM	Premium RM	Earnings RM	Earnings RM	RM	
Company	(Note 26)					
At 1 January 2006	20,800,000	10,516,989	1,629,761		32,946,750	
Net loss for the year	-	-	(837,815)		(837,815)	
Dividend paid	-	-	(1,497,600)		(1,497,600)	
At 31 December 2006	<u>20,800,000</u>	<u>10,516,989</u>	<u>(705,654)</u>		<u>30,611,335</u>	
At 1 January 2007	20,800,000	10,516,989	(705,654)		30,611,335	
Net profit for the year	-	-	6,917,285		6,917,285	
At 31 December 2007	<u>20,800,000</u>	<u>10,516,989</u>	<u>6,211,631</u>		<u>37,528,620</u>	

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

CASH FLOW

STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Cash Flows From Operating Activities					
Profit/(Loss) before tax		24,710,159	5,909,022	6,360,238	(1,149,689)
Adjustment for:					
Depreciation of property, plant and equipment	7	7,190,979	5,527,191	12,842	1,775
Gain on disposal of property, plant and equipment	5	-	(247,017)	-	-
Gain on disposal of prepaid land lease payment	5	(905,341)	-	-	-
Amortisation of prepaid land lease payment	7	39,278	42,436	-	-
Property, plant and equipment written off	7	2,527	-	-	-
Loss/(Gain) on disposal of subsidiary	7 & 5	5,188,623	-	(8,901,030)	-
Exchange reserve arising due to retranslation of financial statements in foreign currency		24,789	23,947	-	-
Interest expense	6	4,606,388	3,158,150	2,375,572	1,827,965
Interest income	5	(138,636)	(282,575)	(429,643)	(18,603)
Operating profit/(loss) before working capital changes		40,718,766	14,131,154	(582,021)	661,448
(Increase)/Decrease in inventories		(647,255)	2,169,431	-	-
(Increase)/Decrease in trade and other receivables		(23,222,727)	1,792,460	(9,463,151)	(16,364,934)
Increase in trade and other payables		4,086,551	4,011,589	1,187,115	394,936
Cash generated from/(used in) operations		20,935,335	22,104,634	(8,858,057)	(15,308,550)
Interest paid		(4,606,388)	(3,158,150)	(2,375,572)	(1,827,965)
Interest received		138,636	282,575	71,286	18,603
Taxes paid		(2,911,499)	(3,637,916)	-	-
Net cash generated from/(used in) operating activities		13,556,084	15,591,143	(11,162,343)	(17,117,912)

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Cash Flows From Investing Activities					
Purchase of property, plant & equipment		(20,221,967)	(27,975,955)	(76,881)	(12,758)
Proceeds from disposal of property, plant and equipment		3,015,506	735,729	-	-
Net cash inflow from the disposal of subsidiary	16(c)	41,420,600	-	39,183,000	-
Investment in subsidiaries		-	-	(1)	(603,998)
Development expenditure		(801,644)	(1,290,966)	-	-
Net cash generated from/(used in) investing activities		23,412,495	(28,531,192)	39,106,118	(616,756)
Cash Flows From Financing Activities					
Hire purchase payables		(18,450)	(534,993)	-	-
Placement of fixed deposits		2,796,862	42,747	1,086,036	(1,652,708)
Term loans		(35,759,192)	14,961,279	(29,295,000)	19,870,986
Minority shareholder		-	216,000	-	-
Dividend paid		-	(1,497,600)	-	(1,497,600)
Net cash (used in)/generated from financing activities		(32,980,780)	13,187,433	(28,208,964)	16,720,678
Net increase/(decrease) in cash and cash equivalents		3,987,799	247,384	(265,189)	(1,013,990)
Cash and cash equivalents at beginning of year		3,322,968	3,075,584	482,584	1,496,574
Cash and cash equivalents at end of year	21	7,310,767	3,322,968	217,395	482,584

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

NOTES TO

THE FINANCIAL STATEMENTS

31 DECEMBER 2007

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities. The registered office of the Company is located at Suite 2, Penthouse, Lobby A, Wisma Leopad, No. 9, Jalan Tun Sambanthan, 50470 Kuala Lumpur.

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 16.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 March 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and the Company comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except for freehold land included within property, plant and equipment that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO
THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Subsidiaries and Basis of Consolidation (Cont'd.)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(b) Property, Plant and Equipment and Depreciation (Cont'd.)

Freehold land is stated at cost or revaluation as applicable, which is the fair value less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised.

A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is amortised over the period of 99 years.

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

Marine vessels	15 years
Building	2%
Furniture and fittings	10%
Office equipment	10%
Motor vehicles	20%
Air conditioner	10%
Renovation	10%
Tools and equipment	20%
Computer and software	33.33%
Moulds	20%
Diving equipment and machinery	20%
Plant and machinery	10%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

NOTES TO
THE FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Summary of Significant Accounting Policies (Cont'd.)****(c) Impairment of Non-Financial Assets**

The carrying amounts of the Group's assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Financial Instruments

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 asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Trade Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

NOTES TO
THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Financial Instruments (Cont'd.)

(iv) Trade Payables

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

(v) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(vii) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(f) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Leases (Cont'd.)

(ii) Finance leases - the Group as lessee (Cont'd.)

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit and loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(b).

(iii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(g) Borrowing 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO
THE FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Summary of Significant Accounting Policies (Cont'd.)****(h) 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. 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 as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised 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 the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(i) Employee Benefits**(i) 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 Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Employee Benefits (Cont'd.)

(iii) Termination Benefits

Termination benefits are payable when employment is terminate before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(j) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

NOTES TO
THE FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Summary of Significant Accounting Policies (Cont'd.)****(j) Intangible Assets (Cont'd.)****(ii) Other Intangible Assets (Cont'd.)****Research and development costs**

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

(k) Provision

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(I) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO
THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Foreign Currencies (Cont'd.)

(iii) Offshore Entities

The results and financial position of offshore entities operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Revenue from Services

Revenue from the diving services for marine industry are recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Revenue Recognition (Cont'd.)

(v) Management Fees

Management fees are recognised when services are rendered

2.3 Effects Arising from Adoption of New and Revised FRSs

On 1 January 2007, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2007:

FRS 117	Leases
FRS 124	Related Party Disclosure
FRS 119	Employee Benefits

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

The Group has not early adopted the following new and revised FRSs and IC Interpretations:

Effective for financial periods beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

Except for FRS 139, which is deferred indefinitely, all other FRSs, Amendment to FRSs and Interpretations are mandatory for the financial periods beginning on or after 1 July 2007.

NOTES TO
THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Effects Arising from Adoption of New and Revised FRSs (cont'd.)

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139 while the future adoption of the above FRSs, Amendments to FRSs and Interpretations are not expected to have significant impact to the financial statements of the Group except for the adoption of FRS 117, details of which are disclosed below:

(a) FRS 117: Leases

(i) Leasehold Land Held For Own Use

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses, if any. The adoption of the FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land held for own use is now classified as operating lease where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in the proportion to the relative fair value for leasehold interests in the land elements and buildings elements of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term of 55 to 99 years.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(b), certain comparative have been restated as disclosed in Note 2.3(c). There were no effects on the consolidated income statement for the financial year ended 31 December 2007.

(b) Effect on the Consolidated Balance Sheets as at 31 December 2007

Increase/(Decrease)

Property, plant and equipment	(427,274)
Prepaid land lease payment	427,274
	<hr/>

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Effects Arising from Adoption of New and Revised FRSs (cont'd.)

(c) Restatement of Comparatives

	Previously stated RM	Increase/ (Decrease) RM	Restated RM
Property, plant and equipment	69,843,950	(4,080,522)	65,763,428
Prepaid land lease payment	-	4,080,522	4,080,522

2.4 Significant Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group and the Company was RM10,566,242 (2006: RM 8,394,710) and RM3,343,720 (2006: RM1,111,157) respectively.

NOTES TO
THE FINANCIAL STATEMENTS

3. REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Rendering of services	155,677,312	116,317,344	-	-
Management fees from subsidiaries	-	-	2,100,000	2,100,000
	<u>155,677,312</u>	<u>116,317,344</u>	<u>2,100,000</u>	<u>2,100,000</u>

4. COST OF SALES

	Group	
	2007 RM	2006 RM
Cost of services rendered	(105,773,101)	(97,489,748)

5. OTHER INCOME

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest income	138,636	282,575	429,643	18,603
Gain on disposal of property, plant and equipment	-	247,017	-	-
Gain on disposal of prepaid land lease payment	905,341	-	-	-
Net gain on foreign exchange	137,229	-	71	-
Gain on disposal of subsidiary Note 16(c)	-	-	8,901,030	-
Dividend income	150,000	150,000	-	-
Others	63,131	3,959	-	-
	<u>1,394,337</u>	<u>683,551</u>	<u>9,330,744</u>	<u>18,603</u>

6. FINANCE COSTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest expense on:				
Bank overdraft	313,380	434,838	-	-
Term loans	4,030,224	2,666,929	2,375,572	1,827,965
Hire purchase and finance lease liabilities	25,180	56,383	-	-
Banker's acceptance	12,156	-	-	-
Banker's guarantee	225,448	-	-	-
Others	-	173,294	-	-
	<u>4,606,388</u>	<u>3,331,444</u>	<u>2,375,572</u>	<u>1,827,965</u>

7. PROFIT/(LOSS) BEFORE TAX

The following amounts have been included at arriving at profit/(loss) before tax:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Employee benefits expenses (Note 8)	15,380,502	10,744,991	1,277,834	935,797
Non-executive directors' remuneration and emoluments (Note 9)	93,500	93,500	93,500	93,500
Auditors' remuneration:				
- statutory	93,901	135,610	23,000	18,000
- Overprovision in prior years	(300)	(16,540)	(500)	(2,400)
Depreciation of property, plant and equipment (Note 13)				
- included in cost of sales	4,574,984	4,471,218	-	-
- included in administrative expenses	2,615,995	1,055,973	12,842	1,775
Amortisation of prepaid land lease payment (Note 14)	39,278	42,436	-	-
Property, plant and equipment written off (Note 13)	2,527	-	-	-
Loss on disposal of subsidiary Note (Note 16(c))	5,188,623	-	-	-
Operating leases:				
- minimum lease payments for land and buildings	-	38,500	-	-
- minimum lease payments for plant and machineries				
- included in cost of sales	10,870,569	13,998,577	-	-
- included in administrative expenses	242,326	-	-	-
Net foreign exchange losses	-	29,827	-	12,311

NOTES TO
THE FINANCIAL STATEMENTS

8. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Wages and salaries				
- included in cost of sales	9,737,837	5,992,976	-	-
- included in administrative expenses	2,985,654	2,452,394	625,736	353,176
Directors' remuneration and emoluments (Note 9)	1,700,820	1,748,576	574,537	537,112
Contributions to defined contribution plan and social security contribution	939,064	532,426	63,461	45,509
Other benefits	17,127	18,619	14,100	-
	<u>15,380,502</u>	<u>10,744,991</u>	<u>1,277,834</u>	<u>935,797</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration and emoluments amounting to RM1,700,820 (2006: RM1,748,576) and RM574,537 (2006: RM537,112) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Executive directors' remuneration (Note 8):				
Fees and emoluments	1,700,820	1,748,576	574,537	537,112
Other emoluments	-	-	-	-
	<u>1,700,820</u>	<u>1,748,576</u>	<u>574,537</u>	<u>537,112</u>
Non-executive directors' remuneration (Note 7):				
Fees	90,000	90,000	90,000	90,000
Other emoluments	4,250	3,500	4,250	3,500
	<u>94,250</u>	<u>93,500</u>	<u>94,250</u>	<u>93,500</u>
Total directors' remuneration and emoluments	<u>1,795,070</u>	<u>1,842,076</u>	<u>668,787</u>	<u>630,612</u>

The number of directors of the Company and Subsidiary Companies whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors Company		Number of Directors Subsidiaries	
	2007	2006	2007	2006
Executive directors:				
RM Nil*	1	1	-	-
RM1 - RM100,000	-	-	4	4
RM100,001 - RM250,000	1	2	5	5
RM250,001 - RM350,000	1	-	-	-
Non-Executive directors:				
RM1 - RM100,000	3	3	-	-

* Remuneration paid by subsidiaries

NOTES TO
THE FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current income tax:				
Malaysian income tax	6,801,144	3,099,363	-	-
Under/(Over) provision in prior years:				
Malaysian income tax	-	149,675	-	-
	6,801,144	3,249,038	-	-
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(1,642,918)	(1,839,407)	(557,047)	(311,874)
	5,158,226	1,409,631	(557,047)	(311,874)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit/(Loss) before tax	24,710,159	5,909,022	6,360,238	(1,149,689)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	6,671,743	1,654,526	1,717,264	(321,913)
Expenses not deductible for tax purpose	1,620,692	217,822	128,986	10,039
Income not subject to tax purpose	(326,681)	(105,610)	(2,403,297)	-
Effect of changes in tax rates	(114,497)	(133,671)	-	-
Different tax rates in other countries	(2,787,367)	(371,506)	-	-
Under/(Over) provision of deferred tax in prior years	94,336	(1,605)	-	-
Under provision of income tax in prior years	-	149,675	-	-
Income tax expense for the year	5,158,226	1,409,631	(557,047)	(311,874)

11. EARNINGS PER SHARE**Basic**

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year held by the Company.

	Group	
	2007 RM	2006 RM
Profit attributable to ordinary equity holders of the Company	11,758,546	5,086,702
	2007 '000	2006 '000
Number of ordinary shares in issue	208,000	208,000
	2007 sen	2006 sen
Basic earning per share	5.65	2.45

12. DIVIDEND

	Dividends in respect of Year		Dividends Recognised in Year	
	2007 RM	2006 RM	2007 RM	2006 RM
Final dividend for 2005: 10% less 28% taxation, on 208,000,000 ordinary shares of RM0.10 each	-	-	-	1,497,600
	-	-	-	1,497,600

13. PROPERTY, PLANT AND EQUIPMENT

Group	Motor vehicles	Office equipment, furniture and fittings	Plant Renovation, air conditioners and site equipments	and machineries and diving equipments	Tools and equipment and moulds	Computers and equipment	Marine vessels and equipment	Free hold land and building	Lease hold building	Lease hold land	Total
At 31 December 2007	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost											
At beginning of year	990,309	1,523,191	1,416,959	9,425,295	4,521,400	933,848	56,033,446	5,223,376	1,090,000	4,217,370	85,375,194
- As previously stated	-	-	-	-	-	-	-	-	-	(4,217,370)	(4,217,370)
Transfer to prepaid land lease payment											
As restated	990,309	1,523,191	1,416,959	9,425,295	4,521,400	933,848	56,033,446	5,223,376	1,090,000	-	81,157,824
Additions	84,669	104,536	116,435	-	992,861	346,258	18,577,208	-	-	-	20,221,967
Disposals	-	-	-	-	(730)	(9,677)	-	-	-	-	(10,407)
Disposal of subsidiary											
Note 16(c)	(520,433)	(787,099)	(103,586)	(8,599,351)	-	(444,777)	(35,845,493)	5,223,376	-	-	(51,524,115)
At end of year	554,545	840,628	1,429,808	825,944	5,513,531	825,652	36,765,161	-	1,090,000	-	49,845,269
Accumulated Depreciation											
At beginning of year	650,931	742,514	603,721	6,035,540	2,233,365	608,594	4,379,986	52,545	87,200	136,848	15,531,244
- As previously stated	-	-	-	-	-	-	-	-	-	(136,848)	(136,848)
Transfer to prepaid land lease payment											
As restated	650,931	742,514	603,721	6,035,540	2,233,365	608,594	4,379,986	52,545	87,200	-	15,394,396
Depreciation charge for the year	215,297	169,812	218,840	1,547,397	701,785	221,998	4,082,009	12,041	21,800	-	7,190,979
Disposals	-	-	-	-	(83)	(7,797)	-	-	-	-	(7,880)
Disposal of subsidiary											
Note 16(c)	(514,990)	(493,103)	(79,692)	(7,406,201)	-	(287,491)	(6,320,115)	(64,586)	-	-	(15,166,178)
At end of year	351,238	419,223	742,869	176,736	2,935,067	535,304	2,141,880	-	109,000	-	7,411,317
Net Carrying Amount											
At 31 December 2007	203,307	421,405	686,939	649,208	2,578,464	290,348	36,623,281	-	981,000	-	42,433,952

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

Group At 31 December 2006	Motor vehicles RM	Office equipment, furniture and fittings RM	Renovation, air conditioners and site equipments RM	Plant and machineries and diving equipments RM	Tools and equipment and moulds RM	Computers RM	Marine vessels and equipment RM	Free hold land and building RM	Lease hold building RM	Lease hold land RM	Total RM
Cost											
At beginning of year											
- As previously stated	1,825,008	1,352,213	1,171,202	8,799,066	3,264,433	753,560	30,676,750	5,223,376	1,090,000	4,217,370	58,372,978
Transfer to prepaid land lease payment	-	-	-	-	-	-	-	-	-	(4,217,370)	(4,217,370)
As restated	1,825,008	1,352,213	1,171,202	8,799,066	3,264,433	753,560	30,676,750	5,223,376	1,090,000	-	54,155,608
Additions	133,241	171,777	245,757	626,229	1,261,967	180,288	25,356,696	-	-	-	27,975,955
Disposals	(967,940)	(799)	-	-	(5,000)	-	-	-	-	-	(973,739)
At end of year	990,309	1,523,191	1,416,959	9,425,295	4,521,400	933,848	56,033,446	5,223,376	1,090,000	-	81,157,824
Accumulated Depreciation											
At beginning of year											
- As previously stated	904,199	573,587	404,767	4,349,766	1,622,202	443,961	1,948,941	39,409	65,400	94,412	10,446,644
Transfer to prepaid land lease payment	-	-	-	-	-	-	-	-	-	(94,412)	(94,412)
As restated	904,199	573,587	404,767	4,349,766	1,622,202	443,961	1,948,941	39,409	65,400	-	10,352,232
Depreciation charge for the year	229,129	169,140	199,954	1,685,774	613,580	164,633	2,431,045	13,136	21,800	-	5,527,191
Disposals	(482,397)	(213)	-	-	(2,417)	-	-	-	-	-	(485,027)
At end of year	650,931	742,514	603,721	6,035,540	2,233,365	608,594	4,379,986	52,545	87,200	-	15,394,396
Net Carrying Amount											
At 31 December 2006	339,378	780,677	813,238	3,389,755	2,288,035	325,254	51,653,460	5,170,831	1,002,800	-	65,763,428

NOTES TO
THE FINANCIAL STATEMENTS

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

	Renovation RM	Office equipment & Furniture and fittings RM	Computer hardware RM	Total RM
Company				
Cost				
At 1 January 2007	10,998	2,509	4,800	18,307
Additions	14,000	23,218	39,663	76,881
At 31 December 2007	24,998	25,727	44,463	95,188
Accumulated Depreciation				
At 1 January 2007	92	141	3,059	3,292
Depreciation charge for the year	1,216	2,029	9,597	12,842
At 31 December 2007	1,308	2,170	12,656	16,134
Net Carrying Amount				
At 31 December 2007	23,690	23,557	31,807	79,054
	Motor vehicle RM	Office equipment & Furniture and fittings RM	Computer hardware RM	Total RM
Company				
Cost				
At 1 January 2006	-	749	4,800	5,549
Additions	10,998	1,760	-	12,758
At 31 December 2006	10,998	2,509	4,800	18,307
Accumulated Depreciation				
At 1 January 2006	-	54	1,463	1,517
Depreciation charge for the year	92	87	1,596	1,775
At 31 December 2006	92	141	3,059	3,292
Net Carrying Amount				
At 31 December 2006	10,906	2,368	1,741	15,015

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

- (a) Net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements is as follows:

	2007 RM	Group 2006 RM
Motor vehicles	204,474	339,378

- (b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings as disclosed in Note 22 are as follows:

	2007 RM	Group 2006 RM
Leasehold lands and buildings	-	3,657,792
Freehold land and building	-	4,842,560
Marine Vessels	36,623,281	40,093,675
	<u>36,623,281</u>	<u>48,594,027</u>

14. PREPAID LAND LEASE PAYMENT

	2007 RM	Group 2006 RM
At 1 January	4,080,522	4,122,958
Amortisation for the year	(39,278)	(42,436)
Disposal	(2,110,165)	-
Disposal of subsidiary (Note 16(c))	(1,503,805)	-
At 31 December	<u>427,274</u>	<u>4,080,522</u>
Analysed as :		
Long term leasehold land	<u>427,274</u>	<u>4,080,522</u>

NOTES TO
THE FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS

	Goodwill RM	Development costs RM	Patent rights RM	Total RM
Group				
Cost				
At 1 January 2006	23,469,823	6,888,331	1,110,483	31,468,637
Effects of adopting FRS 3	(1,003,237)	-	(523,660)	(1,526,897)
Additions	-	1,290,966	-	1,290,966
At 31 December 2006 and 1 January 2007	22,466,586	8,179,297	586,823	31,232,706
Additions	-	801,644	-	801,644
Disposal of subsidiary (Note 16(c))	(17,435,908)	-	-	(17,435,908)
At 31 December 2007	5,030,678	8,980,941	586,823	14,598,442
	Goodwill RM	Development costs RM	Patent rights RM	Total RM
Accumulated amortisation				
At 1 January 2006	1,003,237	-	523,660	1,526,897
Effects of adopting FRS 3	(1,003,237)	-	(523,660)	(1,526,897)
At 31 December 2006 and 1 January 2007	-	-	-	-
Impairment	-	-	-	-
At 31 December 2007	-	-	-	-
Net carrying amount				
At 31 December 2006	22,466,586	8,179,297	586,823	31,232,706
At 31 December 2007	5,030,678	8,980,941	586,823	14,598,442

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2007 RM	2006 RM
Unquoted shares, at cost	19,345,729	49,627,698

16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Subsidiaries

Details of subsidiaries are as follows:

	Name of companies	Country of Incorporation	Equity Interest		Principal Activities
			2007 %	2006 %	
(i)	Subsidiaries of Perisai Petroleum Teknologi Bhd.				
	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.
	Romilly (M) Sdn. Bhd. *	Malaysia	100	100	Inspection and maintenance of plant and machinery used for the oil and gas industry.
	Corro-Shield (SEA) Sdn. Bhd. *	Malaysia	100	100	Trading and application of specialist composites materials primarily for the oil and gas industry.
	Perisai (L) Inc. **	Malaysia	100	100	Dormant.
	Merit Composite Sdn. Bhd. *	Malaysia	100	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	51	Supply and provision of bio-remediation products, equipment and services primarily for the oil and gas industry.
	Alpha Perisai Sdn. Bhd. *	Malaysia	70	70	Design, fabrication and installation of relocatable incremental modular field development structure for topside and subsea application.
	Perisai Research Sdn. Bhd. *	Malaysia	100	100	To carry out research and development activities.

NOTES TO
THE FINANCIAL STATEMENTS

16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Subsidiaries (Cont'd.)

Details of subsidiaries are as follows:

Name of companies	Country of Incorporation	Equity Interest		Principal Activities
		2007 %	2006 %	
Corro-Pro (L) Inc. **	Malaysia	100	100	Provision of vessel hiring services.
Kingsburg International Trading Limited **	Hong Kong	100	Nil	Dormant.
Orinippon Trading Sdn. Bhd. *	Malaysia	100	100	Design and engineering and patent holder.
Allied Marine And Equipment Sdn. Bhd. **	Malaysia	Nil	55	Provision of offshore diving and vessel hiring services primarily for the oil and gas industry.
(ii) Subsidiary of Orinippon Trading Sdn. Bhd.				
Impact Surge Sdn. Bhd. *	Malaysia	100	100	Dormant.
(iii) Subsidiaries of Allied Marine And Equipment Sdn. Bhd.				
AME Marine Services Sdn. Bhd. **	Malaysia	Nil	100	Vessel hiring services primarily for the oil and gas industry.
Allied Marine Robotics Sdn. Bhd. **	Malaysia	Nil	100	Dealers in underwater and diving equipment.
Maju Hydro Sdn. Bhd. **	Malaysia	Nil	51	Providing surveys related to offshore and marine industries.

* Audited by Kumpulan Naga

** Audited by firms other than Kumpulan Naga

(b) Incorporation Of New Subsidiary Company

On 10 April 2007, Kingsburg International Trading Limited, was incorporated in Hong Kong as a new wholly-owned subsidiary of the Company with a paid-up share capital of HKD2.00 (equivalent to approximately RM1.00) comprising 2 ordinary shares of HKD1.00 (equivalent to approximately RM0.50) each.

16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)**(c) Disposal of Subsidiary Company**

On 23 July 2007, the Company had entered into a conditional Share Sale Agreement with Worldclass Inspiration Sdn. Bhd., for the disposal of its 55% equity interest in Allied Marine Equipment Sdn. Bhd., for a total cash consideration of RM39,500,000 less incidental cost of RM317,000.

The disposal was completed on 21 November 2007.

The disposal had the following effects on the Group's financial results for the Year:

	2007 RM
Revenue	<u>103,968,676</u>
Profit from operations	22,864,233
Financial costs	(780,059)
Income tax expense	(5,946,198)
Minority interest	(7,165,864)
Net profit for the year	<u>8,972,112</u>

The disposal had the following effects on the financial position of the Group as at the end of the year:

	2007 RM
Property, plant and equipment (Note 13)	36,357,937
Prepaid land lease payment (Note 14)	1,503,805
Deferred tax assets (Note 25)	1,190,277
Inventories	972,065
Trade and other receivables	48,811,678
Fixed deposits	1,234,504
Cash and bank balances	488,131
Hire purchase creditors	(170,128)
Deferred tax liabilities (Note 25)	(3,535,676)
Term loans	(3,575,339)
Trade and other payables	(25,760,970)
Taxation	(5,826,198)
Bank overdrafts	(2,725,731)
Minority interest	(22,028,640)
Net assets disposed	<u>26,935,715</u>
Attributable goodwill (Note 15)	<u>17,435,908</u>
	44,371,623
Total net disposal proceeds	<u>(39,183,000)</u>
Loss on disposal to the Group	<u>5,188,623</u>

NOTES TO
THE FINANCIAL STATEMENTS

16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(c) Disposal of Subsidiary Company (Cont'd.)

	2007 RM
<hr/>	
Net disposal proceeds settled by:	
Cash	<u>39,183,000</u>
Cash inflow arising on disposal:	
Cash consideration representing cash inflow of the Company	39,183,000
Cash and cash equivalents of subsidiary disposed	<u>2,237,600</u>
Net cash inflow of the Group	<u>41,420,600</u>

The disposal of subsidiary had the following effects on the financial results of the Company:

	2007 RM
Total net disposal proceeds	39,183,000
Less : Cost of investment in subsidiary	<u>(30,281,970)</u>
Gain on disposal of subsidiary	<u>8,901,030</u>

17. OTHER INVESTMENT

	2007 RM	Group 2006 RM
<hr/>		
Cumulative Redeemable 5% Preference Shares		
- 789,474 shares of USD 1/= fully paid	<u>3,000,000</u>	<u>3,000,000</u>

18. INVENTORIES

	Group	
	2007 RM	2006 RM
Cost		
Raw materials	479,247	598,668
Work-in-progress	1,030,503	839,683
Finished goods	1,342,121	1,738,330
	<u>2,851,871</u>	<u>3,176,681</u>

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current				
Trade receivables				
Third parties	20,989,144	43,405,547	-	-
Retentions sums	-	2,103,746	-	-
	<u>20,989,144</u>	<u>45,509,293</u>	-	-
Other receivables				
Deposits	370,638	190,652	7,600	8,600
Prepayments	357,750	254,174	230,486	-
Other receivables	5,045,679	6,398,043	409,712	325,832
	<u>5,774,067</u>	<u>6,842,869</u>	<u>647,798</u>	<u>334,432</u>
Total	<u>26,763,211</u>	<u>52,352,162</u>	<u>647,798</u>	<u>334,432</u>

Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers.

NOTES TO
THE FINANCIAL STATEMENTS

20. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2007 RM	2006 RM
Due from subsidiaries	37,032,381	27,524,239

Amount due from subsidiaries are unsecured, interest free and have no fixed terms of repayments.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	9,090,722	4,292,242	217,395	482,584
Deposits with licensed banks	1,852,706	5,884,072	566,672	1,652,708
Cash and bank balances	10,943,428	10,176,314	784,067	2,135,292

Deposits with licensed financial institutions of the Group and of the Company amounting to RM1,852,706 (2006: RM5,884,072) and RM566,672 (2006: RM1,652,708) respectively are pledged as securities for bank borrowings as disclosed in Note 22.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	9,090,722	4,292,242	217,395	482,584
Short term deposits with licensed banks	-	-	-	-
Bank overdrafts	(1,281,955)	(969,274)	-	-
Bankers' acceptance	(498,000)	-	-	-
Total cash and cash equivalents	7,310,767	3,322,968	217,395	482,584

22. BORROWINGS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Short term borrowings				
Secured:				
Bank overdrafts	1,281,955	969,274	-	-
Bankers' acceptance	498,000	-	-	-
Term loans	12,410,986	50,326,595	12,410,986	46,600,986
	<u>14,190,941</u>	<u>51,295,869</u>	<u>12,410,986</u>	<u>46,600,986</u>
Long term borrowings				
Secured:				
Term loans	<u>4,895,000</u>	<u>6,313,922</u>	<u>4,895,000</u>	-
Total borrowings				
Bank overdrafts	1,281,955	969,274	-	-
Bankers' acceptance	498,000	-	-	-
Term loans	<u>17,305,986</u>	<u>56,640,517</u>	<u>17,305,986</u>	<u>46,600,986</u>
	<u>19,085,941</u>	<u>57,609,791</u>	<u>17,305,986</u>	<u>46,600,986</u>

(a) Bank Overdrafts

The bank overdrafts of the subsidiary company are subject to interest at rates ranging from 1.25% to 1.50% (2006: 1.25% to 1.50%) per annum above the bank based lending rates and are secured against fixed deposit of the subsidiary company as disclosed in Note 21, jointly and severally guaranteed by certain directors of the subsidiary companies and corporate guarantees by the Company.

(b) Bankers' acceptance

The bankers' acceptance of the subsidiary company is subject to commission at rates 1.00% (2006: Nil) per annum above bank's discount rate and jointly and severally guaranteed by certain directors of the subsidiary companies and corporate guarantees by the Company.

(c) Term Loans

The term loan of the Group and of the Company are subject to interest at rates ranging from 0.75% to 1.50% (2006: 0.75% to 1.50%) per annum above the bank based lending rates and 1.25% (2006: 1.25%) per annum above the bank's cost of funds respectively.

The term loans of the Group and the Company are secured by the following:-

- (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 13;

NOTES TO
THE FINANCIAL STATEMENTS

22. BORROWINGS (CONT'D.)

(c) Term Loans (cont'd.)

- (ii) First party pledge over the fixed deposit of the Company as disclosed in Note 21; and
- (iii) Jointly and severally guaranteed by certain directors of the Company and the subsidiary company.

23. HIRE PURCHASE PAYABLES

	Group	
	2007 RM	2006 RM
Payable not later than one year	64,695	89,815
Payable later than one year but not later than five years	150,492	313,950

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current				
Trade payables				
Third parties	5,139,913	24,363,989	-	-
Other payables				
Accruals	729,709	521,634	129,992	-
Other payables	5,223,696	7,882,114	3,792,602	2,735,479
	<u>5,953,405</u>	<u>8,403,748</u>	<u>3,922,594</u>	<u>2,735,479</u>
	<u>11,093,318</u>	<u>32,767,737</u>	<u>3,922,594</u>	<u>2,735,479</u>

Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

25. DEFERRED TAXATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January	1,421,680	3,261,087	(311,124)	750
Recognised in income statement (Note 10)	(1,642,918)	(1,839,407)	(557,047)	(311,874)
Disposal of subsidiary (Note 16(c))	(2,345,399)	-	-	-
At 31 December	<u>(2,566,637)</u>	<u>1,421,680</u>	<u>(868,171)</u>	<u>(311,124)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	<u>(2,747,223)</u>	<u>(2,350,519)</u>	<u>(869,367)</u>	<u>(311,124)</u>
Deferred tax liabilities:	<u>180,586</u>	<u>3,772,199</u>	<u>1,196</u>	<u>-</u>
	<u>(2,566,637)</u>	<u>1,421,680</u>	<u>(868,171)</u>	<u>(311,124)</u>

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM	Total RM
At 1 January 2007	3,772,199	3,772,199
Recognised in the income statement	(55,937)	(55,937)
Disposal of subsidiary (Note 16(c))	(3,535,676)	(3,535,676)
At 31 December 2007	<u>180,586</u>	<u>180,586</u>
At 1 January 2006	3,261,087	3,261,087
Recognised in the income statement	511,112	511,112
At 31 December 2006	<u>3,772,199</u>	<u>3,772,199</u>

NOTES TO
THE FINANCIAL STATEMENTS

25. DEFERRED TAXATION (CONT'D.)

Deferred Tax Assets of the Group:

	Unused Tax Losses RM	Total RM
At 1 January 2007	(2,350,519)	(2,350,519)
Recognised in the income statement	(1,586,981)	(1,586,981)
Disposal of subsidiary (Note 16(c))	1,190,277	1,190,277
At 31 December 2007	<u>(2,747,223)</u>	<u>(2,747,223)</u>
At 1 January 2006	-	-
Recognised in the income statement	(2,350,519)	(2,350,519)
At 31 December 2006	<u>(2,350,519)</u>	<u>(2,350,519)</u>

The availability of the unused tax losses for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries and the Company under Section 44(5A) and (5B) of Income Tax Act, 1967.

Deferred Tax Liabilities of the Company:

	Property, plant and equipment RM	Total RM
At 1 January 2007	-	-
Recognised in the income statement	1,196	1,196
At 31 December 2007	<u>1,196</u>	<u>1,196</u>
At 1 January 2006	750	750
Recognised in the income statement	(750)	(750)
At 31 December 2006	<u>-</u>	<u>-</u>

Deferred Tax Assets of the Company:

	Unused Tax Losses RM	Total RM
At 1 January 2007	(311,124)	(311,124)
Recognised in the income statement	(558,243)	(558,243)
At 31 December 2007	<u>(869,367)</u>	<u>(869,367)</u>
At 1 January 2006	-	-
Recognised in the income statement	(311,124)	(311,124)
At 31 December 2006	<u>(311,124)</u>	<u>(311,124)</u>

26. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised share capital				
At 1 January	500,000	500,000	50,000	50,000
Created during the year	-	-	-	-
At 31 December	500,000	500,000	50,000	50,000
Issued and paid-up share capital				
At 1 January	208,000	208,000	20,800	20,800
Issued during the year	-	-	-	-
At 31 December	208,000	208,000	20,800	20,800

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

27. OTHER RESERVE

	Foreign currency translation reserve RM	Total RM
At 1 January 2007	23,947	23,947
Addition	24,789	24,789
At 31 December 2007	48,736	48,736
At 1 January 2006	-	-
Effects of adopting FRS 121	23,947	23,947
At 31 December 2006	23,947	23,947

The nature and purpose of the reserve is as follows:

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

NOTES TO
THE FINANCIAL STATEMENTS

28. RETAINED EARNINGS

Presently, Malaysian companies adopt the full imputation system. In the Budget 2008, the Government announced the proposal to introduce the single tier tax system for companies effective from the year of assessment 2008. Under the proposed single tier system, the Company shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Company will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrecoverable option to disregard the tax credit balance under Section 108 of the Income tax Act, 1967 and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the Section 108 balance to be locked in as at 31 December 2007.

During the transitional period, the Company can utilise the tax credit balance in the Section 108 account as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Bill, 2007.

As at 31 December 2007, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends amounting to RM1,297,946 (2006: RM1,049,233) out of its entire retained earnings. If the balance of the retained earnings of RM4,913,685 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

29. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Note	2007 RM	2006 RM
Company			
Subsidiary companies			
Management fee	(i)	2,100,000	2,100,000

- (i) 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.

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

30. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

(c) Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

(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) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

(f) Fair Values

The fair values of financial assets and liabilities are approximate to the amounts recorded in the balance sheet due to relatively short term maturity of these financial instruments.

31. SIGNIFICANT SUBSEQUENT EVENTS

On 30 January 2008, the Company had entered into a conditional Share Sale Agreement with Mercury Pacific Marine Pte Ltd (formerly known as SJR Marine Pte Ltd) a company incorporated in Singapore for the proposed acquisition of the entire issued and paid up share capital of SJR Marine (L) Ltd comprising 4,000,000 ordinary shares of USD1.00 (equivalent to approximately RM3.24) each for a total purchase consideration of USD42,000,000 (equivalent to approximately RM136,080,000) to be satisfied by way of USD 2,000,000 (equivalent to approximately RM6,480,000) cash and the issuance of new ordinary shares of RM0.10 each in the Company at an issue price of RM1.50 per share.

32. CONTINGENT LIABILITY

	Group	
	2007 RM	2006 RM
Unsecured:		
Corporate guarantee given to banks for credit facilities granted to Subsidiaries	12,450,000	5,000,000

33. SEGMENTAL INFORMATION

	Revenue RM	Results RM	Total Assets RM	Total Liabilities RM
2007				
Analysis by geographical location				
Local	134,062,491	15,618,001	100,765,401	30,595,360
Overseas	21,614,821	7,697,821	3,000,000	-
	<u>155,677,312</u>	<u>23,315,822</u>	<u>103,765,401</u>	<u>30,595,360</u>
Other operating income				
Local	-	1,244,337	-	-
Overseas	-	150,000	-	-
	<u>155,677,312</u>	<u>24,710,159</u>	<u>103,765,401</u>	<u>30,595,360</u>
Income tax expense	-	(5,158,226)	-	-
	<u>155,677,312</u>	<u>19,551,933</u>	<u>103,765,401</u>	<u>30,595,360</u>

33. SEGMENTAL INFORMATION (CONT'D.)

	Revenue RM	Results RM	Total Assets RM	Total Liabilities RM
2006				
Analysis by geographical location				
Local	86,344,023	(6,085,960)	169,132,332	96,510,373
Overseas	29,973,321	11,311,431	3,000,000	-
	<u>116,317,344</u>	<u>5,225,471</u>	<u>172,132,332</u>	<u>96,510,373</u>
Other operating income				
Local	-	533,551	-	-
Overseas	-	150,000	-	-
	<u>116,317,344</u>	<u>5,909,022</u>	<u>172,132,332</u>	<u>96,510,373</u>
Income tax expense	-	(1,409,631)	-	-
	<u>116,317,344</u>	<u>4,499,391</u>	<u>172,132,332</u>	<u>96,510,373</u>

LIST OF
PROPERTY

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.	9 yrs	1,730 sq metres. Leasehold land and building expiring at 9 December 2098	Office and Factory	1,408,279	2003

ANALYSIS OF
SHAREHOLDINGS
 as at 9 May 2008

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

	No. of Shareholders	% of Shareholders	No of Shares	% of Shares
Less than 100 Shares	14	0.45	472	0.0002
100 to 1,000 Shares	501	16.25	463,500	0.2228
1,001 to 10,000 Shares	1840	59.66	9,064,000	4.3577
10,001 to 100,000 Shares	591	19.16	19,101,309	9.1833
100,001 to less than 5% Of Issued Shares	136	4.41	134,392,458	64.6118
5% and above of Issued Shares	2	0.07	44,978,261	21.6242
Total	3084	100.00	208,000,000	100.00

Substantial Shareholders

Name	Direct		Indirect	
	No of Shares	% of Shares	No of Shares	% of Shares
Maya Terang Sdn Bhd	29,366,998	14.12	-	-
Nagendran A/L C. Nadarajah	15,706,300	7.55	36,366,998	17.48 ^{*1}
Juhari Bin Husin	4,201,500	2.02	6,740,000	3.24 ^{*2}

Directors' Shareholdings

Name	Direct		Indirect	
	No of Shares	% of Shares	No of Shares	% of Shares
Nagendran A/L C. Nadarajah	15,706,300	7.55	36,366,998	17.48 ^{*1}
Juhari Bin Husin	4,201,500	2.02	6,740,000	3.24 ^{*2}
Tengku Daud Shaifuddin Bin Tengku Zainudin	4,451,480	2.14	-	-
Yogesvaran A/L T. Arianayagam	1,536,092	0.74	-	-

Notes:-

- *1 Deemed interested by virtue of his shareholdings in Maya Terang Sdn Bhd and his spouse's shareholdings in Perisai under Section 6A of the Act.
- *2 Deemed interested by virtue of his shareholdings in Tinggi Tiasa Sdn Bhd ("TTSB") under Section 6A of the Act.

THIRTY LARGEST
SHAREHOLDERS

NO	NAME	SHAREHOLDINGS	%
1	UOBM NOMINEES (TEMPATAN) SDN BHD TAEI ONE PARTNERS LTD FOR MAYA TERANG SDN. BHD.	29,366,998	14.12
2	UOBM NOMINEES (TEMPATAN) SDN BHD TAEI ONE PARTNERS LTD FOR NAGENDRAN A/L C.NADARAJAH	15,611,263	7.51
3	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RENATA ANITA DE RAJ (M10)	7,000,000	3.37
4	TINGGI TIASA SDN. BHD.	6,740,000	3.24
5	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG SINGAPORE FOR NICORIDGE INTERNATIONAL LIMITED	5,307,800	2.55
6	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG SINGAPORE FOR LEXANDA INTERNATIONAL LIMITED	5,307,800	2.55
7	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC SMALLCAP FUND	4,814,300	2.31
8	BEH ENG PAR	4,385,800	2.11
9	LIM CHEE MENG	4,122,900	1.98
10	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG SINGAPORE FOR ABLELINK INVESTMENTS LTD	4,000,000	1.92
11	JUHARI BIN HUSIN	3,683,300	1.77
12	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR SIVANANTHAN A/L K NATARAJA	3,600,000	1.73
13	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC BALANCED FUND (N14011950210)	3,573,000	1.72
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	3,500,000	1.68
15	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR HLG STRATEGIC FUND (UT-HLG-SF)	3,500,000	1.68
16	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR KHO POH ENG (SMART)	3,430,400	1.65

THIRTY LARGEST
SHAREHOLDERS

NO	NAME	SHAREHOLDINGS	%
17	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)	3,159,300	1.52
18	SHOBANA A/P K BALAKRISHNAN	3,065,000	1.47
19	TENGGU DAUD SHAIFUDDIN BIN TENGGU ZAINUDIN	3,000,000	1.44
20	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVARAJAH A/L C NAVARATNAM (M10)	2,574,900	1.24
21	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIVANANTHAN A/L K NATARAJA	2,460,000	1.18
22	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG HONG KONG FOR LIM YI SHENN	2,375,700	1.14
23	KHO POH ENG	2,350,000	1.13
24	HLG NOMINEE (TEMPATAN) SDN BHD PB TRUSTEE SERVICES BERHAD FOR HLG GROWTH FUND	2,108,500	1.01
25	AHMED AZHAR BIN ABDULLAH	2,000,000	0.96
26	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PB ASIA EQUITY FUND	1,950,000	0.94
27	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SANGEETHA A/P PADMANABAN	1,940,068	0.93
28	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIVANANTHAN A/L K NATA RAJA	1,876,500	0.90
29	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	1,580,000	0.76
30	UOBM NOMINEES (TEMPATAN) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR YOGESVARAN A/L T ARIANAYAGAM	1,536,082	0.74
TOTAL		139,919,611	67.25

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 Fifth Annual General Meeting of the Company to be held at Cempaka-Raya Room, Mezzanine Floor, Hotel Equatorial Kuala Lumpur on Friday, 27th June 2008 at 10.30 a.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 31/12/2007.		
Ordinary Resolution 2 Payment of Directors' Fees.		
Ordinary Resolution 3 Re-election of Dato' Dr. Mohamed Ariffin Bin Hj. Aton (Article 93)		
Ordinary Resolution 4 Re-election of Yogesvaran A/L T. Arianayagam (Article 93)		
Ordinary Resolution 5 Re-election of Juhari Bin Husin (Article 98)		
Ordinary Resolution 6 Re-appointment of Auditors.		
Ordinary Resolution 7 Authority under Section S132D of the Companies Act, 1965.		

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.

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

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 appointer or his attorney duly authorised in writing or, if the appointer 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, Wisama 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. 7, 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 the General Meeting will expire at the next Annual General Meeting.

Perisai Petroleum Teknologi Bhd
632811-X