

■ PERISAI PETROLEUM TEKNOLOGI BHD 632811-X ■

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VALUE CREATING TECHNOLOGISTS...

ANNUAL REPORT 2008

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PERISAI PETROLEUM TEKNOLOGI BHD
(632811-X)



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 SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth 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 Monday, 29 June 2009 at 3.30 p.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 2008 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 2008. 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. Nagendran A/L C Nadarajah Ordinary Resolution 3
 - II. Chan Feoi Chun Ordinary Resolution 4
4. To re-appoint Messrs. Kumpulan Naga as Auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 5

SPECIAL BUSINESS

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

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

"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 2009



Notice of SIXTH ANNUAL GENERAL MEETING cont'd

I. NOTES ON APPOINTMENT OF PROXY:

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

II EXPLANATORY NOTES ON SPECIAL BUSINESS:

RESOLUTION 6

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

The ordinary resolution proposed under Ordinary Resolution 6, 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 SIXTH ANNUAL GENERAL MEETING

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

1. Nagendran A/L C Nadarajah
2. Chan Feoi Chun

The aforesaid Directors' shareholdings are set out on page 92 of this Annual Report. Further details of the Directors are set out in the Profile of Directors on pages 8 and 9 of this Annual Report.

2. Attendance of Board of Directors' Meetings

A total of seven (7) Board Meetings were held during the financial year from 1 January 2008 to 31 December 2008.

Details of attendance can be found on page 15 of the Annual Report.

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

The Sixth Annual General Meeting will be held at Cempaka Raya Room, Mezzanine Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 29 June 2009 at 3.30 p.m.



Corporate INFORMATION

BOARD OF DIRECTORS

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

Nagendran A/L C. Nadarajah
Managing Director

Dato' Yogesvaran A/L T. Arianayagam
*Non-Independent
Non-Executive Director*

Chan Feoi Chun
Independent Non-Executive Director

Juhari Bin Husin
Executive Director

Tengku Daud Shaifuddin
Bin Tengku Zainudin
*Executive Director
Resigned on 6.03.2009*

AUDIT COMMITTEE

Chan Feoi Chun
Chairman

Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Member

Dato' Yogesvaran A/L T. Arianayagam
Member

COMPANY 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 : 03-2273 1702
Fax : 03-2260 1906

PRINCIPAL PLACE OF BUSINESS

Suite 3A-17, Level 17 Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tel : 03-2278 1133
Fax : 03-2278 1155
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 : 03-2692 4271
Fax : 03-2732 5388

AUDITORS

Kumpulan Naga
Chartered Accountants
Suite 1, 1st Floor Wisma Leopad
No.5, Jalan Tun Sambanthan
50470 Kuala Lumpur
Tel : 03-2274 6577
Fax : 03-2273 1710

SOLICITORS

Kamaruddin & Partners

PRINCIPAL BANKERS

Kuwait Finance House Berhad
AmIslamic Bank Berhad
AmBank (M) Berhad
Malayan Banking Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia
Securities Berhad

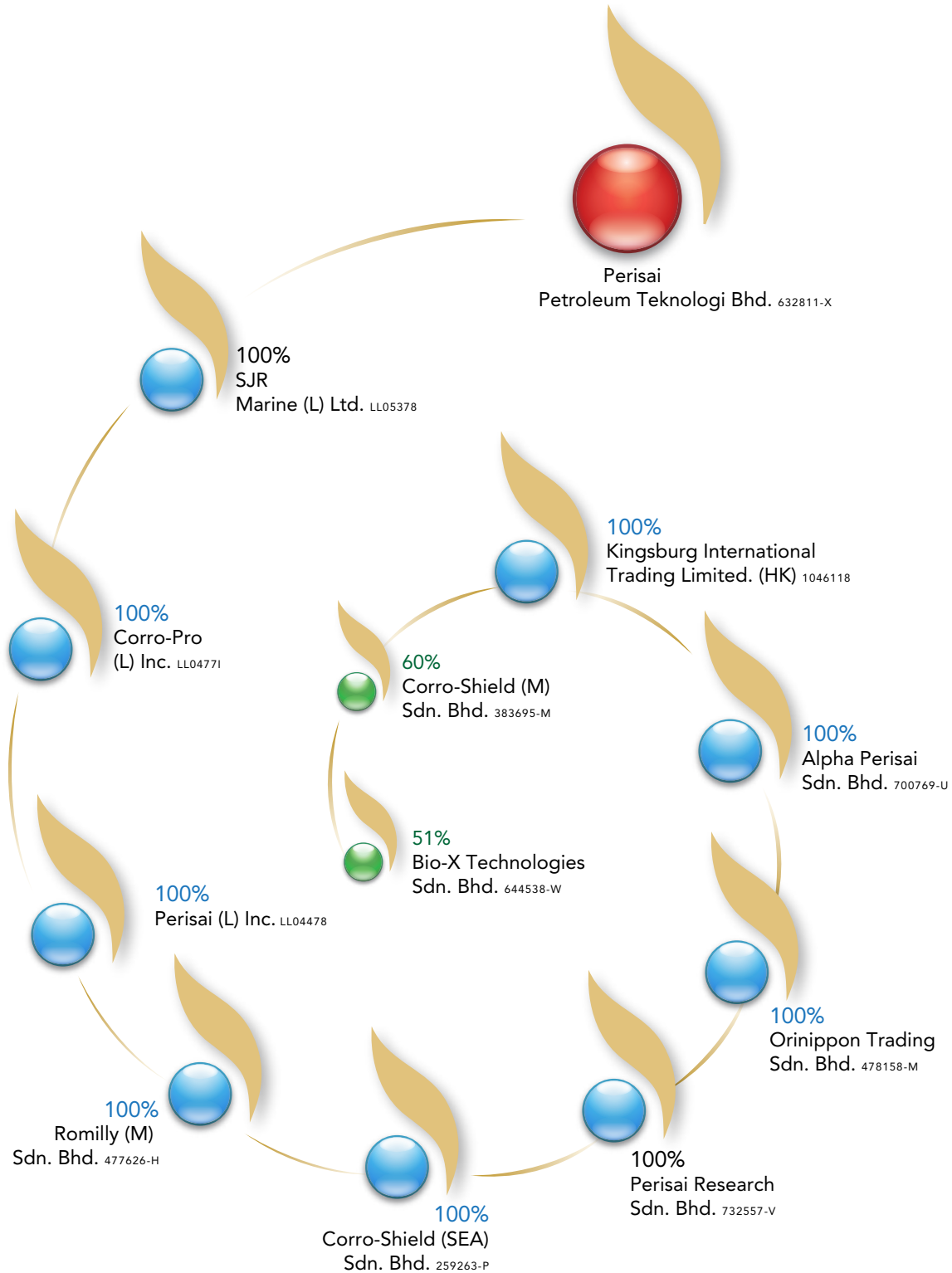


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Group STRUCTURE





Profile of DIRECTORS

Dato' Dr. Mohamed Ariffin Bin Hj. Aton

Dato' Dr. Mohamed Ariffin Bin Hj. Aton, aged 64, a Malaysian, was appointed to the Board of PPTB as an Independent Non-Executive Director on 1 June 2004. He attended six (6) of the seven (7) 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 1 September 2007.

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 is a Fellow of the Institute of Engineers Malaysia, Chartered Member of Institute of Chemistry Malaysia and Fellow of the Malaysian Scientific Association.

On 1 July 2008 Dato' Dr. Mohd. Ariffin was appointed by the Minister of Domestic Trade and Consumer Affairs as Chairman of the Malaysian Intellectual Property Corporation. On 1 August 2008 he was appointed as Chairman of The National Measurement Council by the Minister of Science, Technology and Innovation.

He also sits on the Board of Titan Chemicals Corp Bhd. and Malaysian Technology Development Corporation (MTDC), as well as a number of other private limited companies.

Nagendran A/L C. Nadarajah

Nagendran A/L C. Nadarajah, aged 55, a Malaysian, was appointed to the Board of PPTB as an Executive Director on 1 June 2004 and was appointed Managing Director with effect from 5 February 2007. He attended seven (7) of the seven (7) Board Meetings held in the financial year under review. He is a member of the Nomination Committee. He was 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.

His last position with Perisai was Group Finance 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 24 years under various capacities in the oil and gas industry, commerce and educational establishments, mostly in the UK and Malaysia. Nagendran is also in the Corrosion Control Solution Committee of the R&D team and was involved in the development of the CorroCap™ and Composite Sleeve Repair.



Profile of DIRECTORS *cont'd*

Dato' Yogesvaran A/L T. Arianayagam

Dato' Yogesvaran A/L T. Arianayagam, aged 57, a Malaysian, was appointed to the Board of PPTB as a Non-Independent Non-Executive Director on 30 October 2003. He attended six (6) of the seven (7) Board Meetings held in the financial year under review. He is the Chairman of the Nomination Committee and Remuneration Committee and a member of the Audit Committee.

He is a Fellow of the Chartered Institute of Management Accountants, UK (CIMA), a Chartered Accountant with the Malaysian Institute of Accountants and an Associate Member of the British Institute of Management. He started his professional career in 1974 as a Management Accountant with British Steel Corporation, England. Upon his return to Malaysia in 1976, he joined Aseambankers Malaysia Berhad and was the Head of the Corporate Finance Division. He left Aseambankers Malaysia Berhad in May 1984 and joined Sampoorna Holdings Berhad as its Chief Executive Officer. In November 1989, he joined Murnivest Sdn. Bhd. as Managing Director and subsequently in January 2003 he joined Asian Pac Management Sdn. Bhd. as its Managing Director. Dato' Yogesvaran brings along 31 years of experience in Corporate Finance, Financial Management and in extensive knowledge in Mergers and Acquisitions.

Dato' Yogesvaran currently sits on the Boards of Multi Purpose Insurance Berhad, MWE Holdings Berhad, Sampoorna Holdings Berhad and on the Boards of a number of private limited companies in Malaysia, Singapore and India.

Chan Feoi Chun

Chan Feoi Chun, aged 56, a Malaysian, was appointed to the Board of PPTB as an Independent Non-Executive Director on 6 June 2005. He attended five (5) of the seven (7) 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 of the Institute of Chartered Secretaries and Administrators UK (ICSA). He also holds a Master of Business Studies (Banking & Finance) from University College Dublin, Ireland.

He is currently employed as the Chief Executive Officer of Swiss Garden International Vacation Club Bhd. He held various 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 presently the Deputy President of CIMA Malaysia Division and also the Honorary Secretary of the Malaysian Holiday Timeshare Developers' Federation.

Juhari Bin Husin

Juhari Bin Husin, aged 53, a Malaysian was appointed to the Board as an Executive Director on 2 October 2007. He attended four (4) of the seven (7) Board Meetings held in the financial year under review. He is 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 23 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 shareholdings of a Director as described in page 92 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.



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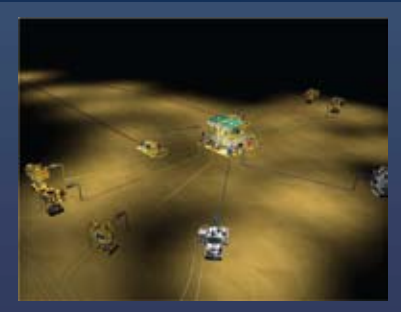
Chairman's STATEMENT



Dear Shareholders,

I am proud to announce that Perisai Group has turned in a commendable performance for the year under review, exceeding expectations on all fronts. Our objective of being the one stop centre for marginal field and deepwater exploration activities is progressing well and we are therefore much closer to achieving the vision of being the Number One Value Creating Technology Company for the Oil and Gas sector in the Asean region.

On behalf of the Board of Directors and the Management of Perisai Group, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2008.





Chairman's STATEMENT *cont'd*

Group Performance Review

During the course of the financial year, Perisai Group made revenue from continuing operations of RM72.76 million. This was almost double the revenue from continuing operations of RM37.7 million in 2007. Net profit from continuing business was also up by 30 per cent to RM15.26 million from RM11.76 million in the year before.

The improvement in revenue and net profit was mainly due to revenue and profit contribution generated from the Derrick Lay Barge ("DLB") via the acquisition of a 100% owned subsidiary, SJR Marine (L) Ltd in addition to the increase in usage of existing vessels and the lease of a portable saturation diving system.

Besides that, the results of certain subsidiaries had been re-classified as discontinued operation to reflect the Group's repositioning and to streamline its non core business.

We worked hard to overcome the challenges of the marketplace and the results of our efforts speak volumes. For the financial year ended 31 December 2008, our basic earnings per share stood at 6.55 sen with our market capitalisation of RM201.7 million. As at date of this report, we have in hand an order book worth RM456 million.

Economic Outlook and Operating Environment

Last year was also an extraordinary period for the global economy. America's now infamous subprime mortgage crisis had spread into the financial sector and it claimed a victim when a major investment bank collapsed in March. Investors pulled their money out of securities related to mortgages and equities and instead banked their hopes on commodities as a new investment class.

This led to a wild ride for palm oil, steel and especially crude oil. The price of crude oil, the lifeblood of this industry, hit an all time high, driven by strong demand in Asia and the newfound appetite for commodities as a new investment class. The price of NYMEX West Texas Intermediate for example, reached US\$145 per barrel in July. This was almost two thirds higher than in January 2008.





Chairman's STATEMENT *cont'd*

The economic condition quickly changed in the second half of the year. Worries about inflation, caused by more expensive commodities, gave way to concerns over the banking sector as the Federal Reserve moved to rescue financial institutions battered by mortgage-related investments.

At home, the Malaysian economy grew by 4.6 percent in 2008. Although the economy was humming along nicely with a 7.1 percent expansion in the first half, the rapid deterioration in the global economy eroded demand for Malaysian exports.

But thanks to record prices, the oil and gas industry enjoyed an exceptional year. Petronas stepped up its exploration activities, especially in deepwater and marginal fields, to grow its reserves. According to the Ministry of Finance's Economic Report 2008/2009, Malaysia has crude oil reserves of 5.46 billion barrels as at 1 January 2008 and this will last the country another 22 years.

Although oil prices have fallen to about US\$50 a barrel now, the government thinks the medium-term average price outlook remains firm. Furthermore, years of under-investment is expected to fuel exploration activities.

Perisai's preparations in 2008 place the Group in a good position to deal with the challenges in 2009. The Government's RM67 billion in fiscal stimulus plans, together with aggressive interest rate cuts, may well prevent Malaysia from sliding into a recession officially. The economy is forecast to grow by as much as 1 percent this year.

Business Outlook

Supporting the development of the oil and gas industry will continue to be the foundation of our business. Moving forward, Perisai will continuously look for business opportunities in the local front and overseas to increase its order book.

There seems to be ample room from growing regional markets, opportunities in countries like India, Indonesia, Cambodia, Vietnam, China and The Philippines, for instance. Forecasts show that in the Asia Pacific region, 42 floating production units will be deployed through 2012. This is the largest number of units for any geographical region. The success of Malaysian companies venturing abroad to achieve faster growth is also likely to be a long-term trend.

In view of these developments, I foresee 2009 to be a challenging year for Perisai Group as a preferred services and technology provider for the oil and gas industry.

Corporate Governance

The Board of Perisai holds value such as integrity, transparency and dedication among others, high on our list of priorities.

We have placed much emphasis on corporate governance and are at all times looking to create the utmost value for our shareholders. The measures taken and implemented have been outlined further in our Statement on Corporate Governance, the Audit Committee Report and Statement on Internal Control found further in this Annual Report.



Corporate Social Responsibility

Perisai Group is mindful of the impact its operation has on society. The Group's key corporate social responsibility platform continues to be in the areas of health, safety, employees, environment as well as the communities. We will continue to identify activities where our support can make a real difference.

Corporate Exercises

With the proposed bonus issue and transfer of the listing to the Main Board of Bursa Malaysia Securities Berhad which is targeted to be completed by June 2009, Perisai would be able to secure better financing opportunities and enable to market itself to a different group of investors who were previously restricted from investing in MESDAQ counters besides rewarding our shareholders who have been supporting us thus far.

Appreciation

On behalf of the Board of Directors, I wish to extend my heartfelt gratitude to all our shareholders for your steadfast support and confidence in the Group. Rest assured that Perisai will continue to deliver value.

My sincere appreciation also goes to the Government and regulatory authorities, our business partners, clients, bankers, subcontractors and suppliers for their continued support to the Group. We look forward to your continued cooperation.

To our management and employees, a big thank you for your dedication and worthy contributions toward the continued success of Perisai Group.

Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Chairman





Managing Director's REVIEW

2008 was a year of transformation for the Perisai Group. The Company completed the acquisition of SJR Marine (L) Ltd. in September, an exercise that provides Perisai with a visible earnings stream in the near future. This acquisition is an integral part of the plan to make Perisai a one stop centre for marginal field and deepwater exploration activities.

The initial fruits of this deal were reflected in the financial performance of the Group. Revenue and net profit showed improvements over that of 2007, thanks to the contract for SJR's Derrick Lay Barge, a pipe laying vessel. The Derrick Lay Barge was chartered out in November 2008 for US\$95,000 a day for a continuous period of 245 days. The vessel is further expected to be fully chartered up until the end of October 2009 for the first year out of its 4½ years contract.





Managing Director's REVIEW *cont'd*

Opportunities for the Group are abundant. Apart from commitments by Petronas to spend every year to improve the country's local oil and gas resources, another oil major, The Royal Dutch Shell Group, has promised to invest RM10 billion over five years in Malaysia. Most of this will go towards exploration and production activities.

The underwater inspection business is also doing well. The Group started a two-year rental lease for its portable saturation diving system on 14 April 2008. This comes with an option to renew the contract for another two years.

Perisai also has the first option to invest in a new technology that could revolutionise how oil is extracted. The Mobile Offshore Production & Storage Unit (MOPSU) is a totally new cost-effective way to develop small and marginal fields in shallow waters. Unlike other systems that use drilling rigs, wellhead platforms and pipelines, MOPSU uses modular drilling units, integrated storage, and a detachable drilling template. The entire system, except for the detachable drilling template, is fully recoverable and reusable.

The Group carried out some corporate exercises during the year to streamline its business and raised funds from the sale of non-core assets. Merit Composites Sdn. Bhd. was sold for RM2.5 million. The Group also announced the sale of Corro-Shield (M) Sdn. Bhd. and Orinippon Trading Sdn. Bhd. for RM40 million in March 2008. However, this deal was terminated due to the breach of obligations by the buyer.

Perisai had wanted to raise funds from a rights issue that was announced in May 2008. The exercise, which could have raised some RM84 million, was aborted due to the weak stock market condition. Indeed, Bursa Malaysia fell almost 40 percent in 2008, its worst slump since the Asian financial crisis.

The Group has gone ahead with a bonus issue on the basis of five new shares for every four existing shares and a transfer of its listing to the Main Board of Bursa Malaysia Securities Berhad from the Mesdaq Market which is expected to be completed by the June 2009. Being listed as a Main Board entity will be a major boost to Perisai as it allows bigger investors to consider and probably add the company's stock to their portfolio. Currently, their mandates prevent them from investing in Mesdaq stocks.

Prospects

Perisai has evolved from being a corrosion control technology provider to one that provides technology for pipe laying, decommissioning, marginal field development and underwater activities. There are tremendous opportunities for the Group. In pipe laying and decommissioning for example, most of the offshore pipes in Malaysia alone are about 20 years old and they need to be replaced.

As deepwater exploration and production become crucial to securing future reserves, oil majors will continue to invest further in deepwater technology. Indeed, a quarter of Petronas' exploration acreage is in deepwater. By 2010, it is estimated that 30 percent of the national oil production will come from deepwater fields.

The Group will continue to focus on these niche areas to grow its business, providing services that will make Perisai a one-stop centre for marginal field and deepwater development.

The foundation has been laid with the Derrick Lay Barge while the MOPSU has the potential to take the Group to another level in the industry.

The oil price, which has fallen by about two thirds from its peak in July 2008, will probably rebound and start climbing again as the world economy recovers. When that happens, the Perisai Group will be ready.

Thank you.

Nagendran A/L C. Nadarajah
Managing Director





Statement on CORPORATE GOVERNANCE for the financial year ended 31 December 2008

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 ensuring 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 2008.

BOARD MEETINGS

During the financial year under review, the Board met seven (7) times and the attendance record for each Director is as follows:

		Number of meetings
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	<i>(Independent Non-Executive Chairman)</i>	6/7
Chan Feoi Chun	<i>(Independent Non-Executive Director)</i>	5/7
Dato' Yogesvaran A/L T. Arianayagam	<i>(Non-Independent Non-Executive Director)</i>	6/7
Nagendran A/L C. Nadarajah	<i>(Managing Director)</i>	7/7
Tengku Daud Shaifuddin Bin Tengku Zainudin	<i>(Executive Director-Resigned on 6 March 2009)</i>	4/7
Juhari Bin Husin	<i>(Executive Director)</i>	4/7

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 comprised of 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.



Statement on CORPORATE GOVERNANCE for the financial year ended 31 December 2008 *cont'd*

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

The Board is assisted by an Audit Committee, whose role and functions are as set out in the Audit Committee Report on pages 22 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
Dato' 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



Statement on CORPORATE GOVERNANCE for the financial year ended 31 December 2008 *cont'd*

NOMINATION COMMITTEE *cont'd*

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
Dato' 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 Executive Directors, Chief Executive Officers and key Senior Management staff.
- 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 staff.

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- resigned on 6 March 2009)</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.



Statement on CORPORATE GOVERNANCE for the financial year ended 31 December 2008 *cont'd*

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 a training session on Creating Market-Focused Organization for BOD & Senior Management as prescribed by the Exchange to keep abreast with developments in the market and industry.

Throughout the year, the Directors 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 calibre pertinent in achieving the Company's strategic objectives.

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

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

Directors	Fees RM	Salaries RM	Others RM	Total RM
Non Executive				
Dato' Dr. Mohamed Ariffin Bin Hj Aton	42,000.00	-	1,000.00	43,000.00
Chan Feoi Chun	24,000.00	-	750.00	24,750.00
Dato' Yogesvaran A/L T. Arianayagam	24,000.00	-	1,000.00	25,000.00
Executive				
Nagendran A/L C. Nadarajah	-	300,000.00	36,000.00	336,000.00
Tengku Daud Shaifuddin Bin Tengku Zainudin	-	220,500.00	26,496.00	246,996.00
Juhari Bin Husin	-	232,500.00	27,936.00	260,436.00



Statement on CORPORATE GOVERNANCE for the financial year ended 31 December 2008 *cont'd*

SHAREHOLDERS

Dialogue between the Company and Investors

As part of the Board's responsibility in developing and implementing an investor relations program, discussions are held between the Managing 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 programs. 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 36 to 90 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.



Statement on CORPORATE GOVERNANCE for the financial year ended 31 December 2008 *cont'd*

ACCOUNTABILITY AND AUDIT *cont'd*

Statement of Directors' Responsibility for preparing the Financial Statements *cont'd*

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 22 to 25 of the Annual Report.



Statement on INTERNAL CONTROL for the financial year ended 31 December 2008

RESPONSIBILITY

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

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

The membership and terms of reference and activities of the Audit Committee are set out on pages 22 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 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 2008

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	Designation	Attendance
Chan Feoi Chun	<i>(Independent Non-Executive Director)</i>	Chairman 4/4
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	<i>(Independent Non-Executive Director)</i>	Member 4/4
Dato' Yogesvaran A/L T. Arianayagam	<i>(Non Independent Non-Executive Director)</i>	Member 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.



Audit COMMITTEE REPORT

for the financial year ended 31 December 2008 *cont'd*

TERMS OF REFERENCE *cont'd*

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.



Audit COMMITTEE REPORT

for the financial year ended 31 December 2008 *cont'd*

TERMS OF REFERENCE *cont'd*

Functions & Duties *cont'd*

2. **Internal Audit and Control** *cont'd*

- 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 2009 to ensure adequacy scope and coverage over the activities of the Group.



Audit COMMITTEE REPORT

for the financial year ended 31 December 2008 *cont'd*

SUMMARY OF ACTIVITIES *cont'd*

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 judgmental 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. Carried out an assets verification exercise on a subsidiary with regards to the existence and the conditions of the assets and further 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.



Additional COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

There were no proceeds raised from the corporate proposals during the financial year ended 31 December 2008.

OTHER INFORMATION

The following information provided is in respect of the financial year ended 31 December 2008.

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 2008.

PROFIT GUARANTEE

The Company did not provide any profit guarantee for the financial year ended 31 December 2008 except under the Share Sale Agreement dated 30 January 2008 for the purchase of 100% of SJR Marine (L) Ltd. from Mercury Pacific Marine Pte. Ltd. ("the Vendor") that:-

The Company agreed to pay the Vendor:

- i. USD10,000,000 if the Company does not achieve an average group consolidated Profit After Taxation of at least RM40,000,000 per annum for three (3) Financial Year Ending 31 December 2009, 2010, and 2011, or
- ii. USD15,000,000 if the Company does not achieve an average group consolidated Profit After Taxation of at least RM20,000,000 per annum for three (3) Financial Year Ending 31 December 2009, 2010, and 2011.

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.

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.

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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 2008.

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 17 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
Profit/(Loss) after tax from continuing operations	15,168,659	(6,165,573)
Profit after tax from discontinued operations	589,203	-
Profit for the year	<u>15,757,862</u>	<u>(6,165,573)</u>
Attributable to:		
Equity holders of the Company	15,261,809	(6,165,573)
Minority interests	496,053	-
	<u>15,757,862</u>	<u>(6,165,573)</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 *cont'd*

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 *(Resigned on 6 March 2009)*
Nagendran A/L C. Nadarajah
Juhari Bin Husin
Dato' 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' Report *cont'd*

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 1.01.2008	Acquired	Sold	At 31.12.2008
Dato' Yogesvaran A/L T. Arianayagam				
- direct	1,536,092	-	-	1,536,092
Tengku Daud Shaifuddin Bin Tengku Zainudin				
- direct	12,451,480	-	(12,450,000)	1,480
- direct - Subsidiary company Corro-Shield (M) Sdn. Bhd. number of ordinary shares of RM1.00 each	240,000	-	-	240,000
- deemed interest #	29,366,998	-	(29,366,998)	-
Nagendran A/L C. Nadarajah				
- direct	15,706,300	5,600,000	-	21,306,300
- deemed interest #	29,366,998	-	-	29,366,998
Juhari Bin Husin				
- direct	4,201,500	-	-	4,201,500
- deemed interest ##	6,740,000	-	-	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 *cont'd*

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 11, 17(b), 17(c) and Note 33 to the financial statements.



VALUE CREATING TECHNOLOGISTS...

Directors' Report *cont'd*

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

NAGENDRAN A/L C. NADARAJAH

JUHARI BIN HUSIN

Kuala Lumpur, Malaysia
16 March 2009



Statement by Directors

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

We, **NAGENDRAN A/L C. NADARAJAH** and **JUHARI BIN HUSIN**, 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 36 to 90 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 2008 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

NAGENDRAN A/L C. NADARAJAH

JUHARI BIN HUSIN

Kuala Lumpur, Malaysia
16 March 2009

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 36 to 90 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 16 March 2009.

NAGENDRAN A/L C. NADARAJAH

Before me,

Dr. T. YOKHESWAREM (NO. W540)

Commissioner for Oaths
Kuala Lumpur, Malaysia.



Independent Auditors' Report

to the Members of Perisai Petroleum Teknologi Bhd.
(Incorporated in Malaysia)

We have audited the financial statement of **PERISAI PETROLEUM TEKNOLOGI BHD.**, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statement, statements of changes in equity and cash flow statement of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 90

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility included: Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standard and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditor, which are indicated in Note 17(a) to the financial statements.
- (c) We are satisfied that the accounts 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.
- (d) The auditors' report on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174 (3) of the Act.



Independent Auditors' Report

to the Members of Perisai Petroleum Teknologi Bhd. *cont'd*
(Incorporated in Malaysia)

Other matters

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

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

T. Nagarajan KMN
No: 824/04/10 (J)

Kuala Lumpur, Malaysia.
16 March 2009



Income Statements

for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM (restated)	2008 RM	2007 RM
Continuing Operations					
Revenue	3	72,756,817	37,697,751	2,440,005	2,100,000
Cost of sales	4	(38,338,318)	(19,277,416)	-	-
Gross profit		34,418,499	18,420,335	2,440,005	2,100,000
Other income	5	3,939,241	237,062	5,336,628	9,330,744
Administrative expenses		(19,864,460)	(14,110,156)	(10,185,414)	(2,694,934)
Operating profit/(loss)		18,493,280	4,547,241	(2,408,781)	8,735,810
Finance costs	6	(6,155,214)	(3,785,319)	(3,792,791)	(2,375,572)
Profit/(Loss) before tax	7	12,338,066	761,922	(6,201,572)	6,360,238
Income tax expense	10	2,830,593	1,025,870	35,999	557,047
Profit/(Loss) for the year from continuing operations		15,168,659	1,787,792	(6,165,573)	6,917,285
Discontinued Operations					
Profit for the year from discontinued operations	11	589,203	17,764,141	-	-
Profit for the year		15,757,862	19,551,933	(6,165,573)	6,917,285
Attributable to:					
Equity holders of the Company		15,261,809	11,758,546	(6,165,573)	6,917,285
Minority interests		496,053	7,793,387	-	-
		15,757,862	19,551,933	(6,165,573)	6,917,285
Earning per share attributable to equity holders of the Company (sen)					
- Basic, for profit/(loss) from continuing operations	12	6.30	(2.89)		
- Basic, for profit from discontinued operations	12	0.25	8.54		
- Basic, for profit for the year	12	6.55	5.65		

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



Balance Sheets

as at 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	369,382,037	42,433,952	235,472	79,054
Drydocking expenditure	14	1,434,425	-	-	-
Prepaid land lease payment	15	-	427,274	-	-
Intangible assets	16	90,315,900	14,598,442	-	-
Investment in subsidiaries	17	-	-	144,389,346	19,345,729
Other investment	18	-	3,000,000	-	-
Deferred tax assets	26	6,225,670	2,747,223	994,314	869,367
		467,358,032	63,206,891	145,619,132	20,294,150
Current assets					
Inventories	19	325,638	2,851,871	-	-
Trade and other receivables	20	46,874,521	26,763,211	889,555	647,798
Amount due from subsidiaries	21	-	-	43,020,477	37,032,381
Cash and bank balances	22	3,669,198	10,943,428	1,513,384	784,067
		50,869,357	40,558,510	45,423,416	38,464,246
Assets of disposal group classified as held for sale	11	20,691,074	-	8,396,801	-
TOTAL ASSETS		538,918,463	103,765,401	199,439,349	58,758,396
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	27	29,440,000	20,800,000	29,440,000	20,800,000
Share premium	27	131,476,989	10,516,989	131,476,989	10,516,989
Other reserve	28	869,004	48,736	-	-
Retained earnings	29	50,224,007	34,962,198	46,058	6,211,631
		212,010,000	66,327,923	160,963,047	37,528,620
Minority interests		7,266,256	6,842,118	-	-
Total equity		219,276,256	73,170,041	160,963,047	37,528,620
Non-current liabilities					
Borrowings	23	211,011,229	4,895,000	17,070,000	4,895,000
Hire purchase payables	24	90,993	150,492	-	-
Deferred tax liabilities	26	-	180,586	-	1,196
		211,102,222	5,226,078	17,070,000	4,896,196



Balance Sheets

as at 31 December 2008 *cont'd*

		Group		Company	
	Note	2008	2007	2008	2007
		RM	RM	RM	RM
EQUITY AND LIABILITIES					
Current liabilities					
Borrowings	23	77,795,113	14,190,941	13,920,000	12,410,986
Hire purchase payables	24	44,002	64,695	-	-
Trade and other payables	25	27,067,201	11,093,318	7,486,302	3,922,594
Taxation		62,976	20,328	-	-
		<u>104,969,292</u>	<u>25,369,282</u>	<u>21,406,302</u>	<u>16,333,580</u>
Liabilities directly associated with assets classified as held for sale	11	3,570,693	-	-	-
Total liabilities		<u>319,642,207</u>	<u>30,595,360</u>	<u>38,476,302</u>	<u>21,229,776</u>
TOTAL EQUITY AND LIABILITIES		<u>538,918,463</u>	<u>103,765,401</u>	<u>199,439,349</u>	<u>58,758,396</u>

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



Consolidated Statement of Changes in Equity

for the year ended 31 December 2008

Group	Note	← Attributable to Equity Holders of the Company →						Total Equity RM
		← Non distributable →			← Distributable →			
		Share Capital RM (Note 27)	Share Premium RM	Other Reserve RM (Note 28)	Retained Earnings RM	Total RM	Minority Interest RM	
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	11(f)	-	-	-	-	-	(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.



Consolidated Statement of Changes in Equity

for the year ended 31 December 2008 *cont'd*

Group	Note	← Attributable to Equity Holders of the Company →						Minority Interest RM	Total Equity RM
		← Non distributable →			← Distributable →				
		Share Capital RM (Note 27)	Share Premium RM	Other Reserve RM (Note 28)	Retained Earnings RM	Total RM			
At 1 January 2008		20,800,000	10,516,989	48,736	34,962,198	66,327,923	6,842,118	73,170,041	
Foreign exchange reserve		-	-	820,268	-	820,268	-	820,268	
Issue of shares for the acquisition of subsidiary	17(b)	8,640,000	120,960,000	-	-	129,600,000	-	129,600,000	
Acquisition of minority interest	17(c)	-	-	-	-	-	(71,915)	(71,915)	
Net profit for the year		-	-	-	15,261,809	15,261,809	496,053	15,757,862	
At 31 December 2008		29,440,000	131,476,989	869,004	50,224,007	212,010,000	7,266,256	219,276,256	

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



Company Statement of Changes in Equity

for the year ended 31 December 2008

Company	Note	← Non distributable →		← Distributable →	Total RM
		Share Capital RM (Note 27)	Share Premium RM	Retained Earnings RM	
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		20,800,000	10,516,989	6,211,631	37,528,620
At 1 January 2008		20,800,000	10,516,989	6,211,631	37,528,620
Issue of shares for the acquisition of subsidiary	17(b)	8,640,000	120,960,000	-	129,600,000
Net loss for the year		-	-	(6,165,573)	(6,165,573)
At 31 December 2008		29,440,000	131,476,989	46,058	160,963,047

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



Cash Flow Statements

for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Cash Flows From Operating Activities					
Profit/(Loss) before tax from:					
Continuing operations		12,338,066	761,922	(6,201,572)	6,360,238
Discontinued operations	11	988,276	23,948,237	-	-
Adjustment for:					
Depreciation of property, plant and equipment	7 & 11	7,540,975	7,190,979	35,524	12,842
Net gain on disposal of property, plant and equipment	5 & 11	(1,987)	-	-	-
Gain on disposal of prepaid land lease payment	11	-	(905,341)	-	-
Amortisation of prepaid land lease payment	7 & 11	4,545	39,278	-	-
Property, plant and equipment written off	7 & 11	9,303	2,527	-	-
Loss/(Gain) on disposal of subsidiary	11(f)	1,914,237	5,188,623	41,563	(8,901,030)
Amortisation of drydocking expenditure	7	662,900	-	-	-
Exchange reserve arising due to retranslation of financial statements in foreign currency		(812,174)	24,789	-	-
Finance costs:					
- Continuing operations		6,155,214	3,785,319	3,792,791	2,375,572
- Discontinued operations		99,514	821,069	-	-
Interest income	5 & 11	(1,445)	(138,636)	(1,559,750)	(429,643)
Operating profit/(loss) before working capital changes		28,897,424	40,718,766	(3,891,444)	(582,021)
Decrease/(Increase) in working capital:					
Decrease/(Increase) in inventories		383,195	(647,255)	-	-
Increase in trade and other receivables		(16,456,118)	(23,222,727)	(4,631,548)	(9,463,151)
Increase in trade and other payables		4,824,469	4,086,551	1,694,209	1,187,115
Cash generated from/(used in) operations		17,648,970	20,935,335	(6,828,783)	(8,858,057)
Interest paid		(4,385,229)	(4,606,388)	(1,923,292)	(2,375,572)
Interest received		1,445	138,636	1,445	71,286
Taxes paid		(1,086,748)	(2,911,499)	(130,144)	-
Net cash generated from/(used in) operating activities		12,178,438	13,556,084	(8,880,774)	(11,162,343)



Cash Flow Statements

for the year ended 31 December 2008 *cont'd*

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Cash Flows From Investing Activities					
Purchase of property, plant & equipment		(43,584,890)	(20,221,967)	(191,942)	(76,881)
Proceeds from disposal of property, plant and equipment		81,055	3,015,506	-	-
Net cash inflow from the disposal of subsidiary	11(f)	2,433,186	41,420,600	2,500,000	39,183,000
Net cash inflow/(outflow) on acquisition of subsidiary	17(b)	8,776,237	-	(7,274,393)	-
Drydocking expenditure		(2,097,325)	-	-	-
Net Investment in subsidiaries		-	-	1,080,002	(1)
Development expenditure		(3,986,260)	(801,644)	-	-
Net cash (used in)/generated from investing activities		(38,377,997)	23,412,495	(3,886,333)	39,106,118
Cash Flows From Financing Activities					
Hire purchase payables		(51,504)	(18,450)	-	-
Placement of fixed deposits		495,870	2,796,862	566,672	1,086,036
Term loans		20,541,286	(35,759,192)	13,684,014	(29,295,000)
Acquisition of shares from minority shareholder		(187,590)	-	(187,590)	-
Net cash generated from/(used in) financing activities		20,798,062	(32,980,780)	14,063,096	(28,208,964)
Net (decrease)/increase in cash and cash equivalents		(5,401,497)	3,987,799	1,295,989	(265,189)
Cash and cash equivalents at beginning of year		7,310,767	3,322,968	217,395	482,584
Cash and Cash Equivalents at end of year	22	1,909,270	7,310,767	1,513,384	217,395

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



Notes to the Financial Statements

31 December 2008

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 Berhad. 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 place of business of the Company is located at Suite 3A-17, Level 17, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 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 17.

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 16 March 2009.

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 July 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.

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

31 December 2008 *cont'd*

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 are stated at cost less accumulated depreciation and 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.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(b) *Property, Plant and Equipment and Depreciation cont'd*

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.

Leases of land where title is not expected to pass to the lessee at the end of the lease term is classified as operating leases as land normally has an indefinite useful life. The upfront payments made on entering into or acquiring a leasehold land that is an operating lease represents prepaid lease payments which are amortised on a straight line basis over the lease term.

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%
Saturation system	10%
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.

(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.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(c) Impairment of Non-Financial Assets *cont'd*

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 off 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.

(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.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(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 off 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.

(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 off 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.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(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.

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

31 December 2008 *cont'd*

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").

(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.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(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.

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.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(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.

(l) 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

31 December 2008 *cont'd*

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.

Good will and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operation and translated at the exchange rates ruling at the balance sheet date.

The principal closing rates used in the translation of foreign currency amounts are as follows:

Foreign Currency	2008	2007
1 US Dollar	RM3.51	RM3.36
1 Singapore Dollar	RM2.41	RM2.30
1 Great Britain Pound	RM5.01	RM6.61

(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 off 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.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(m) **Revenue Recognition** *cont'd*

(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.

(v) *Management Fees*

Management fees are recognised when services are rendered.

(n) **Repair and Maintenance**

Repair and maintenance costs are recognised in income statement in the period in which they are incurred. Drydocking expenditure is capitalised and amortised over a period of 36 months or the period until the next drydocking date, whichever is shorter.

(o) **Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(p) **Contingent Liabilities and Contingent Assets**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(p) *Contingent Liabilities and Contingent Assets cont'd*

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118.

2.3 Effects Arising from Adoption of New and Revised FRSs

During the current financial year, the Group and the Company adopted all the new or revised Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board that are relevant to its operations and effective for annual periods beginning on or after 1 July 2007 as follows:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRSs did not result in substantial changes to the Group's and the Company's accounting policies and did not have any material financial effect on the financial statements of the Group and of the Company for the current and prior financial years.

As of the date of issuing the financial statements, the following new/revised FRSs and IC Interpretations have been issued but not yet effective:

FRS 4	Insurance Contracts **
FRS 7	Financial Instruments: Disclosures **
FRS 8	Operating Segments *
FRS 139	Financial Instruments: Recognition and Measurement **
IC Interpretation 9	Reassessment of Embedded Derivatives **
IC Interpretation 10	Interim Financial Reporting and Impairment **

* Effective for accounting periods beginning on or after 1 July 2009.

** Effective for accounting periods beginning on or after 1 January 2010.



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Effects Arising from Adoption of New and Revised FRSs *cont'd*

The directors anticipate that the adoption of these FRSs and IC Interpretations in future periods will have no material financial impact on the financial statements of the Group and of the Company except as disclosed below:

FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standards as required by paragraph 30(b) of FRS 108 is not disclosed.

2.4 Restatement of Comparatives

The Group has applied FRS 5 Non-current Assets Held for sale and Discontinued Operation prospectively in accordance with the transitional provisions as required by FRS 5, in which certain comparatives of the Group have been restated to conform with the current year presentation.

	Previously Stated RM	Increase/ (Decrease) RM	Restated RM
Revenue	155,677,312	(117,979,561)	37,697,751
Cost of sales	(105,773,101)	86,495,685	(19,277,416)
Gross profit	49,904,211	(31,483,876)	18,420,335
Other income	1,394,337	(1,157,275)	237,062
Administrative expenses	(21,982,001)	7,871,845	(14,110,156)
Operating profit	29,316,547	(24,769,306)	4,547,241
Finance costs	(4,606,388)	821,069	(3,785,319)
Profit before tax	24,710,159	(23,948,237)	761,922
Income tax expense	(5,158,226)	6,184,096	1,025,870
Profit for the year from continuing operations	19,551,933	(17,764,141)	1,787,792
Profit for the year from discontinued operations	-	17,764,141	17,764,141
Profit for the year	19,551,933	-	19,551,933



Notes to the Financial Statements

31 December 2008 *cont'd*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.5 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 RM23,944,885 (2007: RM 10,566,242) and RM3,824,285 (2007: RM3,343,720) respectively.

3. REVENUE

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
		(restated)		
Rendering of services	72,756,817	37,697,751	-	-
Management fees from subsidiaries	-	-	2,440,005	2,100,000
	72,756,817	37,697,751	2,440,005	2,100,000

4. COST OF SALES

	Group	
	2008	2007
	RM	RM
		(restated)
Cost of services rendered	(38,338,318)	(19,277,416)



Notes to the Financial Statements

31 December 2008 *cont'd*

5. OTHER INCOME

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
	(restated)			
Interest income	1,445	77,085	1,599,750	429,643
Gain on disposal of property, plant and equipment	4,446	-	-	-
Net gain on foreign exchange	196,472	159,977	-	71
Gain on disposal of subsidiary (Note 11(f))	-	-	-	8,901,030
Forfeited deposit (Note 11(a))	3,736,878	-	3,736,878	-
	<u>3,939,241</u>	<u>237,062</u>	<u>5,336,628</u>	<u>9,330,744</u>

6. FINANCE COSTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
	(restated)			
Interest expense on:				
Bank overdraft	19,493	3,622	-	-
Term loans	4,069,875	3,532,189	1,846,122	2,375,572
Hire purchase and finance lease liabilities	13,584	11,904	-	-
Banker's acceptance	-	12,156	-	-
Banker's guarantee	180,203	225,448	77,170	-
Others	1,872,059	-	1,869,499	-
	<u>6,155,214</u>	<u>3,785,319</u>	<u>3,792,791</u>	<u>2,375,572</u>



Notes to the Financial Statements

31 December 2008 *cont'd*

7. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
	(restated)			
Employee benefits expenses (Note 8)	10,825,235	6,274,548	1,349,339	1,277,834
Non-executive directors' remuneration and emoluments (Note 9)	75,250	94,250	75,250	94,250
Auditors' remuneration:				
- statutory	94,980	53,401	35,000	23,000
- overprovision in prior years	(877)	(300)	-	(500)
Depreciation of property, plant and equipment (Note 13)				
- included in cost of sales	2,733,721	412,371	-	-
- included in administrative expenses	4,281,656	2,194,669	35,524	12,842
Property, plant and equipment written off (Note 13)	3,478	1,355	-	-
Loss on disposal of subsidiary (Note 11(f))	1,914,237	5,188,623	41,563	-
Cancellation charges	5,770,296	-	5,770,296	-
Amortisation of drydocking expenditure	662,900	-	-	-
Operating leases:				
- minimum lease payments for land and buildings	368,400	-	368,400	-
- minimum lease payments for plant and machineries	27,994	4,843,293	-	-
Net foreign exchange losses	-	-	373,553	-



Notes to the Financial Statements

31 December 2008 *cont'd*

8. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
	(restated)			
Wages and salaries				
- included in cost of sales	8,393,871	3,729,058	-	-
- included in administrative expenses	1,152,193	1,108,472	668,074	625,736
Directors' remuneration and emoluments (Note 9)	1,119,717	1,285,008	582,996	574,537
Contributions to defined contribution plan and social security contribution	139,554	134,883	82,769	63,461
Other benefits	19,900	17,127	15,500	14,100
	10,825,235	6,274,548	1,349,339	1,277,834

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration and emoluments amounting to RM1,119,717 (2007: RM1,285,008) and RM582,996 (2007: RM574,537) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
	(restated)			
Executive directors' remuneration (Note 8):				
Fees and emoluments	1,119,717	1,285,008	582,996	574,537
Other emoluments	-	-	-	-
	1,119,717	1,285,008	582,996	574,537
Non-executive directors' remuneration (Note 7):				
Fees	90,000	90,000	90,000	90,000
Overprovision in prior year	(17,500)	-	(17,500)	-
Other emoluments	2,750	4,250	2,750	4,250
	75,250	94,250	75,250	94,250
Total directors' remuneration and emoluments	1,194,967	1,379,258	658,246	668,787



Notes to the Financial Statements

31 December 2008 *cont'd*

9. DIRECTORS' REMUNERATION *cont'd*

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

	Number of Directors Company		Number of Directors Subsidiaries	
	2008	2007	2008	2007 (restated)
Executive directors:				
RM Nil*	1	1	-	-
RM1 - RM100,000	-	-	1	1
RM100,001 - RM250,000	1	1	2	3
RM250,001 - RM350,000	1	1	-	-
Non-Executive directors:				
RM1 - RM100,000	3	3	-	-

* Remuneration paid by subsidiary

10. INCOME TAX EXPENSE

	Group		Company	
	2008 RM	2007 RM (restated)	2008 RM	2007 RM
Continuing operations				
Current income tax:				
Malaysian income tax	72,195	(1,950,054)	-	-
Under/(Over) provision in prior years:				
Malaysian income tax	929,219	-	90,144	-
	1,001,414	(1,950,054)	90,144	-
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	(3,832,007)	924,184	(126,143)	(557,047)
Total income tax expense from continuing operations	(2,830,593)	(1,025,870)	(35,999)	(557,047)



Notes to the Financial Statements

31 December 2008 *cont'd*

10. INCOME TAX EXPENSE *cont'd*

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
	(restated)			
Discontinued operations				
Current income tax:				
Malaysian income tax	127,982	5,876,960	-	-
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	271,091	307,136	-	-
Total income tax expense from discontinued operations	399,073	6,184,096	-	-
Total income tax expense	(2,431,520)	5,158,226	(35,999)	(557,047)

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	
	2008	2007	2008	2007
	RM	RM	RM	RM
	(restated)			
Profit/(loss) before tax from:				
Continuing operations	12,338,066	761,922	(6,201,572)	6,360,238
Discontinued operations	988,276	23,948,237	-	-
	13,326,342	24,710,159	(6,201,572)	6,360,238
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	3,464,849	6,671,743	(1,612,409)	1,717,264
Expenses not deductible for tax purpose	3,365,513	1,620,692	2,529,661	128,986
Income not subject to tax purpose	(1,224,994)	(326,681)	(997,081)	(2,403,297)
Effect of changes in tax rates	(53,005)	(114,497)	(46,314)	-
Different tax rates in offshore companies	(8,997,665)	(2,787,367)	-	-
Under/(Over) provision of deferred tax in prior years	84,563	94,336	-	-
Under provision of income tax in prior years	929,219	-	90,144	-
Income tax expense for the year	(2,431,520)	5,158,226	(35,999)	(557,047)



Notes to the Financial Statements

31 December 2008 *cont'd*

11. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

- a) On 31 March 2008, the Company had entered into a Share Sale Agreement ("SSA") with Tengku Daud Shaifuddin Bin Tengku Zainudin ("Purchaser") for the disposal of its 60% and 100% equity interest in Corro-Shield (M) Sdn. Bhd., and Orinippon Trading Sdn. Bhd. and its subsidiary, Impact Surge Sdn. Bhd. for a total cash consideration of RM40,000,000.

On 26 November 2008, the Company had terminated the SSA due to the breach by the Purchaser of his obligation under the SSA, particularly but not limited to the breach of Clauses 5.2 (j) and (k) and Clause 5.4 of the SSA and the deposit of RM4,000,000 less incidental cost of RM263,122 being recognised as other income in the income statement during the current financial year.

As at 31 December 2008, the assets and liabilities of Corro-Shield (M) Sdn. Bhd., and Orinippon Trading Sdn. Bhd. and its subsidiary, have been presented on the consolidated balance sheet as a disposal group held for sale and results from these subsidiaries are presented separately on the consolidated income statement as discontinued operation. The results for the prior year has been restated to conform with current year presentation as disclosed in Note 2.4 to the financial statements.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities, and accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The carrying amount of the investment in these subsidiaries have also been presented as a non-current asset held for sale on the Company's balance sheet as at 31 December 2008.

- b) On 16 December 2008, the Company had entered into a Share Sale Agreement ("SSA") with Mohd. Jeffrey De Jong Bin Abdullah and Wan Mazila Binti Wan Abas ("Purchaser") for the disposal of its 100% equity interest in Merit Composites Sdn. Bhd., for a total cash consideration of RM2,500,000.

The Company had at the date of the acquisition accounted for profit guarantee of RM1,080,002 in the cost of investment. The respective amount had been offset against the cost of investment at the date of disposal, as the subsidiary company did not achieved the profit guarantee.

As at 31 December 2008, the results from this subsidiary is presented separately on the consolidated income statement as discontinued operation. The results for the prior year has been restated to conform with current year presentation as disclosed in Note 2.4 to the financial statements.

The disposal was completed on 30 December 2008.

- c) An analysis of the results of discontinued operations and the result recognised on the remeasurement of assets of disposal group is as follows:

	Group	
	2008	2007
	RM	RM
Revenue	13,264,340	117,979,561
Cost of sales	(8,454,119)	(86,495,685)
Gross profit	4,810,221	31,483,876
Other income	217,108	1,157,275
Administrative expenses	(3,939,539)	(7,871,845)



Notes to the Financial Statements

31 December 2008 *cont'd*

11. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *cont'd*

- c) An analysis of the results of discontinued operation and the result recognised on the remeasurement of assets of disposal group is as follows: *cont'd*

	Group	
	2008	2007
	RM	RM
Operating profit	1,087,790	24,769,306
Finance costs	(99,514)	(821,069)
Profit before tax (Note 10)	988,276	23,948,237
Income tax expense (Note 10)	(399,073)	(6,184,096)
Net profit for the year from discontinued operations	589,203	17,764,141

- d) The following amounts have been included in arriving at profit before tax of discontinued operations:

	Group	
	2008	2007
	RM	RM
Employee benefits expenses		
Wages and salaries		
- included in cost of sales	1,626,671	9,741,264
- included in administrative expenses	919,193	1,877,182
Contributions to defined contribution plan and social security contribution	142,899	804,181
Other benefits		
Directors' remuneration and emoluments	240,000	415,812
Auditors' remuneration	46,100	40,500
Depreciation of property, plant and equipment		
- included in cost of sales	298,913	4,162,613
- included in administrative expenses	226,685	421,326
Amortisation of prepaid land lease payments	4,545	39,278
Property, plant and equipment written off	5,825	1,172
Loss on disposal of property, plant and equipment	2,459	-
Loss on foreign exchange	6,863	22,748
Interest expense on:		
Bank overdraft	99,098	309,758
Term loans	-	498,035
Hire purchase and finance lease liabilities	416	13,276



Notes to the Financial Statements

31 December 2008 *cont'd*

11. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *cont'd*

d) The following amounts have been included in arriving at profit before tax of discontinued operations: *cont'd*

	Group	
	2008	2007
	RM	RM
Management fee	960,000	960,000
Operating leases:		
- minimum lease payments for land and buildings	73,234	3,212
- minimum lease payments for plant and machineries		
- included in cost of sales	2,317,036	19,351,648
- included in administrative expenses	307,427	272,326
Dividend income	(136,737)	(150,000)
Interest income	(49,798)	(61,551)
Gain on disposal of property, plant and equipment	-	(905,341)

The cash flows attributable to the discontinued operations are as follows:

Operating cash flows	(1,235,496)	(2,524,779)
Investing cash flows	(91,331)	2,668,034
Financing cash flows	(86,070)	(1,564,698)
Total cash flows	(1,412,897)	(1,421,443)



Notes to the Financial Statements

31 December 2008 *cont'd*

11. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *cont'd*

- e) The major classes of assets and liabilities of the disposable group classified as held for sale on the consolidated balance sheet as at 31 December 2008 are as follows:

	Carrying Amounts Immediately before Classification	Allocation of Remeasurement	Carrying Amounts As at 31.12.2008
	RM	RM	RM
Assets			
Property, plant and equipment	2,685,633	-	2,685,633
Prepaid land lease payment	422,729	-	422,729
Intangible assets	203,488	-	203,488
Development expenditure	101,004	-	101,004
Deferred tax assets	1,027	-	1,027
Investment	3,000,000	-	3,000,000
Inventories	1,996,376	-	1,996,376
Trade and other receivables	10,888,075	-	10,888,075
Fixed deposits	1,356,836	-	1,356,836
Cash and bank balances	35,906	-	35,906
Assets of disposal group classified as held for sale	<u>20,691,074</u>	-	<u>20,691,074</u>
Liabilities			
Trade and other payables	1,831,012	-	1,831,012
Hire purchase payables	28,688	-	28,688
Borrowings	1,549,849	-	1,549,849
Deferred tax	161,144	-	161,144
Liabilities directly associated with assets classified as held for sale	<u>3,570,693</u>	-	<u>3,570,693</u>

The non-current assets classified as held for sale on the Company's balance sheet as at 31 December 2008 is as follows:

	Carrying Amounts Immediately before Classification	Allocation of Remeasurement	Carrying Amounts As at 31.12.2008
	RM	RM	RM
Assets			
Investment in subsidiary	8,396,801	-	<u>8,396,801</u>



Notes to the Financial Statements

31 December 2008 *cont'd*

11. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *cont'd*

(f) Disposal of Subsidiary Company

The disposal of the subsidiary companies had the following effect on the financial position of the Group as at the end of the year:

	Group	
	2008 RM	2007 RM
Property, plant and equipment (Note 13)	79,347	36,357,937
Prepaid land lease payment (Note 15)	-	1,503,805
Deferred tax assets (Note 26)	62,000	1,190,277
Inventories	146,662	972,065
Trade and other receivables	4,217,895	48,811,678
Fixed deposits	-	1,234,504
Cash and bank balances	66,814	488,131
Hire purchase creditors	-	(170,128)
Deferred tax liabilities (Note 26)	-	(3,535,676)
Term loans	-	(3,575,339)
Trade and other payables	(1,544,303)	(25,760,970)
Taxation	-	(5,826,198)
Bank overdrafts	-	(2,725,731)
Minority interest	-	(22,028,640)
Net assets disposed	3,028,415	26,935,715
Attributable goodwill (Note 16)	1,385,822	17,435,908
	4,414,237	44,371,623
Total net disposal proceeds	(2,500,000)	(39,183,000)
Loss on disposal to the Group	1,914,237	5,188,623
Net disposal proceeds settled by:		
Cash	2,500,000	39,183,000
Cash inflow arising on disposal:		
Cash consideration representing cash inflow of the Company	2,500,000	39,183,000
Cash and cash equivalents of subsidiary disposed	(66,814)	2,237,600
Net cash inflow of the Group	2,433,186	41,420,600



Notes to the Financial Statements

31 December 2008 *cont'd*

11. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *cont'd*

(f) Disposal of Subsidiary Company

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

	Company	
	2008	2007
	RM	RM
Total net disposal proceeds	2,500,000	39,183,000
Less : Net cost of investment in subsidiary	(2,541,563)	(30,281,970)
(Loss)/Gain on disposal of subsidiary	(41,563)	8,901,030

12. 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 weighted average number of ordinary shares in issue during the financial year held by the Company.

	Group	
	2008	2007
	RM	RM
		(restated)
Profit/(Loss) from continuing operations attributable to ordinary equity holders of the Company	14,672,606	(6,005,595)
Profit from discontinued operations attributable to ordinary equity holders of the Company	589,203	17,764,141
Profit attributable to ordinary equity holders of the Company	15,261,809	11,758,546
	2008	2007
	'000	'000
Weighted average number of ordinary shares in issue	232,855	208,000
	2008	2007
	sen	sen
		(restated)
Basic earning per share for:		
Profit/(Loss) from continuing operations	6.30	(2.89)
Profit from discontinued operations	0.25	8.54
Profit for the year	6.55	5.65



Notes to the Financial Statements

31 December 2008 *cont'd*

13. PROPERTY, PLANT AND EQUIPMENT

Group	Office Equipment, Motor Vehicles	Renovation, Air Furniture and Fittings	Plant and Machineries and Diving Equipments	Tools and Equipment and Moulds	Marine Vessels and Equipment	Saturation Diving System	Lease Hold Building	Total		
At 31 December 2008	RM	RM	RM	RM	RM	RM	RM	RM		
Cost										
At beginning of year	554,545	840,628	1,429,808	825,944	5,513,531	825,652	38,765,161	-	1,090,000	49,845,269
Disposals	(84,669)	-	-	-	-	(24,522)	-	-	-	(109,191)
Additions	89,263	105,632	174,815	-	542,959	92,580	27,756,641	14,909,000	-	43,670,890
Exchange differences	-	-	-	-	26,405	1,375	1,700,163	-	-	1,727,943
Written off	-	(6,356)	-	-	-	(11,684)	-	-	-	(18,040)
Reclassification	-	-	-	-	(86,000)	-	-	-	-	(86,000)
Disposal of subsidiary Note 11(f)	-	(83,807)	(575,842)	-	-	-	-	-	-	(659,649)
Acquisition of subsidiary Note 17(b)	-	-	-	-	-	-	292,125,079	-	-	292,125,079
Reclassified as held for sale Note 11(e)	(159,699)	(534,614)	(565,916)	(252,480)	(2,696,440)	(413,713)	-	-	(1,090,000)	(5,712,862)
At end of year	399,440	321,483	462,865	573,464	3,300,455	469,688	360,347,044	14,909,000	-	380,783,439
Accumulated Depreciation										
At beginning of year	351,238	419,223	742,869	176,736	2,935,067	535,304	2,141,880	-	109,000	7,411,317
Depreciation charge for the year	61,415	78,131	225,200	25,248	682,017	188,747	5,388,724	869,693	21,800	7,540,975
Disposals	(14,115)	-	-	-	-	(16,008)	-	-	-	(30,123)
Exchange differences	-	-	-	-	1,557	379	93,565	-	-	95,501
Written off	-	(1,851)	-	-	-	(6,886)	-	-	-	(8,737)
Disposal of subsidiary Note 11(f)	-	(65,807)	(514,495)	-	-	-	-	-	-	(580,302)
Reclassified as held for sale Note 11(e)	(126,463)	(314,921)	(257,259)	(201,984)	(1,615,873)	(379,929)	-	-	(130,800)	(3,027,229)
At end of year	272,075	114,775	196,315	-	2,002,768	321,607	7,624,169	869,693	-	11,401,402
Net Carrying Amount										
At 31 December 2008	127,365	206,708	266,550	573,464	1,297,687	148,081	352,722,875	14,039,307	-	369,382,037



Notes to the Financial Statements

31 December 2008 *cont'd*

13. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group	Office Equipment, Motor Vehicles	Renovation, Air Conditioners and Site Equipments	Plant and Machineries and Diving Equipments	Tools and Equipment and Moulds	Computers	Marine Vessels and Equipment	Lease Hold Building	Saturation Diving System	Lease Hold Building	Total
At 31 December 2007	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
At beginning of year										
- As previously stated	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
Transfer to prepaid land lease payment	-	-	-	-	-	-	-	-	-	(4,217,370)
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	-
Additions	84,669	104,536	116,435	-	992,861	346,258	18,577,208	-	-	-
Disposals	-	-	-	-	(730)	(9,677)	-	-	-	-
Disposal of subsidiary Note 11(f)	(520,433)	(787,099)	(103,586)	(8,599,351)	-	(444,777)	(35,845,493)	(5,223,376)	-	-
At end of year	554,545	840,628	1,429,808	825,944	5,513,531	825,652	38,765,161	-	1,090,000	-
Accumulated Depreciation										
At beginning of year										
- As previously stated	650,931	742,514	603,721	6,035,540	2,233,365	608,594	4,379,986	52,545	87,200	136,848
Transfer to prepaid land lease payment	-	-	-	-	-	-	-	-	-	(136,848)
As restated	650,931	742,514	603,721	6,035,540	2,233,365	608,594	4,379,986	52,545	87,200	-
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	-
Disposals	-	-	-	-	(83)	(7,797)	-	-	-	-
Disposal of subsidiary Note 11(f)	(514,990)	(493,103)	(79,692)	(7,406,201)	-	(287,491)	(6,320,115)	(64,586)	-	-
At end of year	351,238	419,223	742,869	176,736	2,935,067	535,304	2,141,880	-	109,000	-
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	-



Notes to the Financial Statements

31 December 2008 *cont'd*

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 2008	24,998	25,727	44,463	95,188
Additions	94,330	55,610	42,002	191,942
At 31 December 2008	119,328	81,337	86,465	287,130
Accumulated Depreciation				
At 1 January 2008	1,308	2,170	12,656	16,134
Depreciation charge for the year	6,430	4,519	24,575	35,524
At 31 December 2008	7,738	6,689	37,231	51,658
Net Carrying Amount				
At 31 December 2008	111,590	74,648	49,234	235,472
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



Notes to the Financial Statements

31 December 2008 *cont'd*

13. PROPERTY, PLANT AND EQUIPMENT *cont'd*

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

	Group	
	2008	2007
	RM	RM
Motor vehicles	165,140	204,474

- b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings as disclosed in Note 23 are as follows:

	Group	
	2008	2007
	RM	RM
Saturation diving system	14,039,307	-
Marine Vessels	352,722,875	36,623,281
	366,762,182	36,623,281

14. DRYDOCKING EXPENDITURE

	Group	
	2008	2007
	RM	RM
At 1 January	2,097,325	-
Charged to income statement	(662,900)	-
At 31 December	1,434,425	-

15. PREPAID LAND LEASE PAYMENT

	Group	
	2008	2007
	RM	RM
At 1 January	427,274	4,080,522
Amortisation for the year	(4,545)	(39,278)
Disposal	-	(2,110,165)
Disposal of subsidiary (Note 11(f))	-	(1,503,805)
Reclassified as held for sale (Note 11(e))	(422,729)	-
At 31 December	-	427,274
Analysed as:		
Long term leasehold land	-	427,274



Notes to the Financial Statements

31 December 2008 *cont'd*

17. INVESTMENT IN SUBSIDIARIES

	Company	
	2008	2007
	RM	RM
Unquoted shares, at cost	144,389,346	19,345,729

(a) Subsidiaries

Details of subsidiaries are as follows:

Name of Companies	Country of Incorporation	Equity Interest		Principal Activities
		2008	2007	
		%	%	

(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 for oil and gas industry and hiring and chartering of vessels.
Perisai (L) Inc. **	Malaysia	100	100	Leasing of a portable saturation diving system.
Merit Composite Sdn. Bhd. *	Malaysia	Nil	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.



Notes to the Financial Statements

31 December 2008 *cont'd*

17. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Subsidiaries *cont'd*

Details of subsidiaries are as follows: *cont'd*

Name of Companies	Country of Incorporation	Equity Interest		Principal Activities
		2008 %	2007 %	
(i) Subsidiaries of Perisai Petroleum Teknologi Bhd. <i>cont'd</i>				
Alpha Perisai Sdn. Bhd. *	Malaysia	100	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.
Corro-Pro (L) Inc. **	Malaysia	100	100	Bareboat charter of vessels.
Kingsburg International Trading Limited **	Hong Kong	100	100	Dormant.
Orinippon Trading Sdn. Bhd. *	Malaysia	100	100	Design and engineering and patent holder.
SJR Marine (L) Ltd. **	Malaysia	100	Nil	Provision of vessels, barges and equipment on bareboat charter services.
(ii) Subsidiary of Orinippon Trading Sdn. Bhd.				
Impact Surge Sdn. Bhd. *	Malaysia	100	100	Dormant.

* Audited by Kumpulan Naga

** Audited by firms other than Kumpulan Naga



Notes to the Financial Statements

31 December 2008 *cont'd*

17. INVESTMENT IN SUBSIDIARIES *cont'd*

(b) Acquisition of Subsidiary

As disclosed in the Directors' Report of the previous financial year, the Company had on 30 January 2008, 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 acquisition of 100% equity interest in SJR Marine (L) Ltd.

The acquisition was completed on 18 September 2008.

The cost of acquisition comprised the following:

	2008
	RM
Purchase consideration satisfied by cash	6,430,800
Ordinary shares issued, at fair value (Note 27)	129,600,000
Cost attributable to the acquisition, paid in cash	843,593
	<u>136,874,393</u>

As part of the cost of the acquisition, the Company issued 86,400,000 new ordinary shares of RM0.10 each with a fair value of RM1.50 each, being the published price of the shares of the Company at the date of acquisition.

The acquired subsidiary has contributed the following results to the Group:

	2008
	RM
Revenue	22,082,860
Profit for the year	<u>16,268,186</u>

The assets and liabilities arising from the acquisition are as follows:

	2008
	RM
Property, plant and equipment (Note 13)	292,125,079
Trade and other receivables	8,587,905
Cash and bank balances	16,050,630
	<u>316,763,614</u>
Trade and other payables	(3,561,975)
Borrowings	<u>(250,713,085)</u>
	<u>(254,275,060)</u>
Fair value of net assets	62,488,554
Goodwill on acquisition (Note 16)	74,385,839
Total cost of acquisition	<u>136,874,393</u>



Notes to the Financial Statements

31 December 2008 *cont'd*

17. INVESTMENT IN SUBSIDIARIES *cont'd*

(b) Acquisition of Subsidiary *cont'd*

The cash outflow on acquisition is as follows:

	2008 RM
Purchase consideration satisfied by cash	6,430,800
Costs attributable to the acquisition, paid in cash	843,593
Total cash outflow of the Company	7,274,393
Cash and cash equivalents of subsidiary acquired	(16,050,630)
Net cash inflow to the Group	(8,776,237)

(c) Acquisition of Shares from Minority Shareholder

On 24 September 2008, the Company had entered into a conditional Share Sale Agreement with Alpha Thames Subsea Limited (minority shareholder of Alpha Perisai Sdn. Bhd.) for the acquisition of additional 30% equity interest in Alpha Perisai Sdn. Bhd., for a purchase consideration of RM187,500. As a result of this acquisition the Company equity interest had increased from 70% to 100% in the current financial year.

The acquisition was completed on 22 October 2008.

The share of net assets from the minority shareholders are as follows:

	2008 RM
Development expenditure	8,398,727
Cash and bank balances	6,084
	8,404,811
Trade and other payables	(8,165,096)
Total net assets	239,715
Share of net assets of 30% from minority shareholder	71,915
Attributable goodwill (Note 16)	115,675
Purchase consideration	187,590



Notes to the Financial Statements

31 December 2008 *cont'd*

18. OTHER INVESTMENT

	Group	
	2008 RM	2007 RM
At 1 January	3,000,000	3,000,000
Reclassified as held for sale (Note 11(e))	(3,000,000)	-
At 31 December	-	3,000,000
Analysed as :		
Cumulative Redeemable 5% Preference Shares		
- 789,474 shares of USD 1/= fully paid	-	3,000,000

19. INVENTORIES

	Group	
	2008 RM	2007 RM
Cost		
Raw materials	203,881	479,247
Work-in-progress	121,757	1,030,503
Finished goods	-	1,342,121
	325,638	2,851,871

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current				
Trade receivables				
Third parties	37,781,982	20,989,144	-	-
Other receivables				
Deposits	712,513	370,638	75,380	7,600
Prepayments	427,797	357,750	356,463	230,486
Other receivables	7,952,229	5,045,679	457,712	409,712
	9,092,539	5,774,067	889,555	647,798
Total	46,874,521	26,763,211	889,555	647,798



Notes to the Financial Statements

31 December 2008 *cont'd*

20. TRADE AND OTHER RECEIVABLES *cont'd*

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.

21. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2008	2007
	RM	RM
Due from subsidiaries	43,020,477	37,032,381

Amount due from certain subsidiaries bear interest ranging from 7.75% to 8.50% (2007 : 7.75% to 8.50%) per annum, unsecured and have no fixed terms of repayments.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash on hand and at banks	3,669,198	9,090,722	1,513,384	217,395
Deposits with licensed banks	-	1,852,706	-	566,672
Cash and bank balances	3,669,198	10,943,428	1,513,384	784,067

Deposits with licensed financial institutions of the Group and of the Company amounting to RM Nil (2007: RM1,852,706) and RM Nil (2007: RM566,672) respectively are pledged as securities for bank borrowings as disclosed in Note 23.

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash and bank balances	3,669,198	9,090,722	1,513,384	217,395
Cash and bank balances classified as held for sale (Note 11(e))	35,906	-	-	-
Bank borrowing classified as held for sale (Note 11(e))	(1,549,849)	-	-	-
Bank overdrafts	(245,985)	(1,281,955)	-	-
Bankers' acceptance	-	(498,000)	-	-
Total cash and cash equivalents	1,909,270	7,310,767	1,513,384	217,395



Notes to the Financial Statements

31 December 2008 *cont'd*

23. BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Short term borrowings				
Secured:				
Bank overdrafts	245,985	1,281,955	-	-
Bankers' acceptance	-	498,000	-	-
Term loans	77,549,128	12,410,986	13,920,000	12,410,986
	<u>77,795,113</u>	<u>14,190,941</u>	<u>13,920,000</u>	<u>12,410,986</u>
Long term borrowing				
Secured:				
Term loans	211,011,229	4,895,000	17,070,000	4,895,000
	<u>211,011,229</u>	<u>4,895,000</u>	<u>17,070,000</u>	<u>4,895,000</u>
Total borrowings				
Bank overdrafts	245,985	1,281,955	-	-
Bankers' acceptance	-	498,000	-	-
Term loans	288,560,357	17,305,986	30,990,000	17,305,986
	<u>288,806,342</u>	<u>19,085,941</u>	<u>30,990,000</u>	<u>17,305,986</u>

(a) Bank Overdrafts

The bank overdrafts of the subsidiary company are subject to interest at rates ranging from 1.25% to 1.50% (2007: 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 22, jointly and severally guaranteed by certain directors and a corporate guarantee by the Company.

(b) Bankers' Acceptance

The bankers' acceptance of the subsidiary company is subject to commission at rates Nil (2007: 1.00%) per annum above bank's discount rate and jointly and severally guaranteed by certain directors and a corporate guarantee 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 4.75% (2007: 0.75% to 1.50%) per annum above the bank based lending rates and USD LIBOR and 1.25% (2007: 1.25%) per annum above the bank's cost of funds respectively.

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

- (i) A legal charge over marine vessels belonging to the subsidiary companies as disclosed in Note 13;
- (ii) Specific and limited debenture over the vessels of the subsidiary companies;
- (iii) Corporate guarantee by the Company; and
- (iv) Jointly and severally guaranteed by certain directors of the Company.



Notes to the Financial Statements

31 December 2008 *cont'd*

24. HIRE PURCHASE PAYABLES

	Group	
	2008 RM	2007 RM
Payable not later than one year	44,002	64,695
Payable later than one year but not later than five years	90,993	150,492

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current				
Trade payables				
Third parties	5,776,034	5,139,913	-	-
Other payables				
Accruals	462,528	729,709	322,286	129,992
Other payables	20,828,639	5,223,696	7,164,016	3,792,602
	21,291,167	5,953,405	7,486,302	3,922,594
	27,067,201	11,093,318	7,486,302	3,922,594

Trade payables

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

Other payables

Included in other payables is an amount of RM5,835,933 (2007: RM2,393,345) due to Nagendran A/L C. Nadarajah, the director of the Company which is unsecured, no fixed term of repayment and subject to a back to back interest incurred by him at the rate of 12% and an upfront fee of 2% (2007: Nil) per annum.



Notes to the Financial Statements

31 December 2008 *cont'd*

26. DEFERRED TAXATION

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At 1 January	(2,566,637)	1,421,680	(868,171)	(311,124)
Recognised in income statement (Note 10)	(3,560,916)	(1,642,918)	(126,143)	(557,047)
Disposal of subsidiary (Note 11(f))	62,000	(2,345,399)	-	-
Reclassified as held for sale (Note 11(e))	(160,117)	-	-	-
At 31 December	(6,225,670)	(2,566,637)	(994,314)	(868,171)
Presented after appropriate offsetting as follows:				
Deferred tax assets	(6,225,670)	(2,747,223)	(994,314)	(869,367)
Deferred tax liabilities	-	180,586	-	1,196
	(6,225,670)	(2,566,637)	(994,314)	(868,171)

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM	Total RM
At 1 January 2008	180,586	180,586
Recognised in the income statement	(19,442)	(19,442)
Reclassified as held for sale (Note 11(e))	(161,144)	(161,144)
At 31 December 2008	-	-
At 1 January 2007	3,772,199	3,772,199
Recognised in the income statement	(55,937)	(55,937)
Disposal of subsidiary (Note 11(f))	(3,535,676)	(3,535,676)
At 31 December 2007	180,586	180,586



Notes to the Financial Statements

31 December 2008 *cont'd*

26. DEFERRED TAXATION

Deferred Tax Assets of the Group:

	Unused Tax Losses RM	Total RM
At 1 January 2008	(2,747,223)	(2,747,223)
Recognised in the income statement	(3,541,474)	(3,541,474)
Disposal of subsidiary (Note 11(f))	62,000	62,000
Reclassified as held for sale (Note 11(e))	1,027	1,027
At 31 December 2008	<u>(6,225,670)</u>	<u>(6,225,670)</u>
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 11(f))	1,190,277	1,190,277
At 31 December 2007	<u>(2,747,223)</u>	<u>(2,747,223)</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 2008	1,196	1,196
Recognised in the income statement	(1,196)	(1,196)
At 31 December 2008	<u>-</u>	<u>-</u>
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>



Notes to the Financial Statements

31 December 2008 *cont'd*

26. DEFERRED TAXATION *cont'd*

Deferred Tax Assets of the Company:

	Unused Tax Losses RM	Total RM
At 1 January 2008	(869,367)	(869,367)
Recognised in the income statement	(124,947)	(124,947)
At 31 December 2007	(994,314)	(994,314)
At 1 January 2007	(311,124)	(311,124)
Recognised in the income statement	(558,243)	(558,243)
At 31 December 2008	(869,367)	(869,367)

27. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 each		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 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:	-	-	-	-
Acquisition of subsidiary (Note 17(b))	86,400	-	8,640	-
At 31 December	294,400	208,000	29,440	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.

Ordinary Shares Issued for Acquisition of Subsidiary

During the financial year, the Company issued 86,400,000 new ordinary shares of RM0.10 each at an issue price of RM1.50 per ordinary share amounting to RM129,600,000 as partial discharge of purchase consideration for the acquisition of SJR Marine (L) Ltd. (Note 17(b)). The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company.



Notes to the Financial Statements

31 December 2008 *cont'd*

28. OTHER RESERVE

	Foreign Currency Translation Reserve RM	Total RM
At 1 January 2008	48,736	48,736
Addition	820,268	820,268
At 31 December 2008	869,004	869,004
At 1 January 2007	23,947	23,947
Addition	24,789	24,789
At 31 December 2007	48,736	48,736

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.

29. RETAINED EARNINGS

Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by 31 December 2013. The Company has opted to move a single tier system and as a result, there are no longer any restrictions on the Company to frank the payment of dividends out of its entire retained profits as at the balance sheet date.

30. 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:

	2008 RM	2007 RM
Company		
Subsidiary companies		
Management fee	2,440,005	2,100,000



Notes to the Financial Statements

31 December 2008 *cont'd*

30. RELATED PARTY DISCLOSURES *cont'd*

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.

31. 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.

(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.



Notes to the Financial Statements

31 December 2008 *cont'd*

31. FINANCIAL INSTRUMENTS *cont'd*

(e) Credit Risk *cont'd*

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.

32. CONTINGENT LIABILITIES

	Group	
	2008 RM	2007 RM
(i) Banking facilities of the subsidiaries		
Unsecured:		
Corporate guarantee given to banks for credit facilities granted to Subsidiaries	292,764,000	12,450,000
(ii) Acquisition of subsidiary		
Pursuant to the acquisition of SJR Marine (L) Ltd ("SJR") from Mercury Pacific Marine Pte Ltd ("Vendor"), as per Note 17(b) the Company shall pay the vendor on or before 1 October 2012 subject to the following:-		
(a) Upon the acceptance by Company's shareholders of the Company's audited financial statements for the Financial Year Ending 31 December 2011;		
And		
(b) USD10,000,000 (equivalent to RM35,080,000) shall be paid by Company to the Vendor in cash if:-		
(i) SJR achieves an average Profit After Tax USD11,000,000 (equivalent to RM38,588,000) per annum for three respective financial year ending 31 December 2009, 2010, and 2011, and		
(ii) The Company does not achieve an average group consolidated profit after tax of at least RM40,000,000 per annum for three respective financial year ending 31 December 2009, 2010, and 2011.		
Or		
(c) USD15,000,000 (equivalent to RM52,620,000) shall be paid by the Company to the Vendor in cash if:-		
(i) SJR achieves an average Profit After Tax of USD11,000,000 (equivalent to RM38,588,000) per annum for the three respective financial year ending 31 December 2009, 2010, and 2011, and		
(ii) The Company does not achieve an average group consolidated profit after tax of at least RM20,000,000 per annum for three respective financial year ending 31 December 2009, 2010, and 2011.		



Notes to the Financial Statements

31 December 2008 *cont'd*

33. OTHER SIGNIFICANT EVENTS

- (i) On 30 May 2008, the Company had proposed to undertake the following:-
- (a) Proposed renounceable rights issue of 220,800,000 new ordinary shares of RM0.10 each in the Company ("Company Shares" or "Shares") ("Rights Shares") with 73,600,000 free detachable warrants ("Warrants") on the basis of three (3) Rights Share for every four (4) existing Perisai Shares held together with one (1) free Warrant for every three (3) Rights Shares subscribed for, on an entitlement date to be determined later ("Proposed Rights Issue with Warrants");
 - (b) Proposed bonus issue of 110,400,000 ordinary shares on the basis of one (1) new Company Share ("Bonus Shares") for every two (2) Rights Shares subscribed by the existing shareholders of the Company and/or their renounees pursuant to the Proposed Rights Issue with Warrants ("Proposed Bonus Issue");
 - (c) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of RM62,560,000 comprising 625,600,000 Shares (after the Proposed Rights Issue with Warrants and the Proposed Bonus Issue) from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"), following the Proposed Right Issue with Warrants and Proposed Bonus Issue;
 - (d) Proposed increase in the authorised share capital of the Company from RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each to RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each; and
 - (e) Proposed amendments to the Articles of Association of the Company.

Bank Negara Malaysia and Securities Commission of Malaysia had approved the Proposed Rights Issue with Warrants and Proposed Transfer vide their letter dated on 27 June 2008 and 4 November 2008 respectively.

However, on 14 November 2008, the Company had decided after due deliberation to abort the Proposed Rights Issue with Warrants and subsequently revised the terms of the Proposed Bonus Issue to facilitate the Proposed Transfer as follows:-

- (a) Proposed bonus issue of 368,000,000 Company Shares ("Bonus Share II") on the basis of five (5) new ordinary shares for every four (4) existing shares held at an entitlement date to be determined later ("Proposed Bonus Issue II"); and
- (b) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid up share capital of the Company of RM66,240,000 comprising 662,400,000 ordinary shares of RM0.10 each (after the Proposed Bonus Issue II) from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad, following the Proposed Bonus Issue II ("Proposed Transfer II").

The Proposed Bonus Issue II and the Proposed Transfer II shall collectively be referred to as the ("Revised Proposals").

At the date of this report The Revised Proposals is still pending for completion.



Notes to the Financial Statements

31 December 2008 *cont'd*

33. OTHER SIGNIFICANT EVENTS *cont'd*

- (ii) Acquisition of Anchor Handling Tug Vessel ("AHT Vessel")

On 13 March 2008, Corro-Pro (L) Inc., a wholly owned subsidiary of the Company had entered into an agreement with Britoil Offshore Services Pte. Ltd. ("Vendor") for the acquisition of the AHT Vessel for a total cash consideration of USD11,500,000 (equivalent to approximately RM40,342,000). The Company had given letter of undertaking for the above agreement.

On 30 December 2008, the subsidiary company had terminated the agreement with the vendor due to the Company's inability to procure the financing to complete the acquisition of the AHT Vessel.

- (iii) On 13 June 2008, the Company had entered into an Exclusive Option agreement with FPSO Shiraz Pty. Ltd., for the acquisition of a vessel, named as Shiraz. On 14 October 2008, the Exclusive Option Agreement was mutually terminated as there was no consensus achieved by both parties.

34. SEGMENTAL INFORMATION

	Revenue RM	Results RM	Total Assets RM	Total Liabilities RM
2008				
Analysis by geographical location				
Continuing operations				
Local	44,603,881	715,322	518,227,389	316,071,514
Overseas	28,152,936	7,683,503	-	-
	<u>72,756,817</u>	<u>8,398,825</u>	<u>518,227,389</u>	<u>316,071,514</u>
Discontinued operations				
Local	13,264,340	771,168	17,691,074	3,570,693
Overseas	-	-	3,000,000	-
	<u>13,264,340</u>	<u>771,168</u>	<u>20,691,074</u>	<u>3,570,693</u>
Elimination	(3,439,270)	-	-	-
Other operating income				
Continuing operations				
Local	-	3,939,241	-	-
Overseas	-	-	-	-
	<u>-</u>	<u>3,939,241</u>	<u>-</u>	<u>-</u>



Notes to the Financial Statements

31 December 2008 *cont'd*

34. SEGMENTAL INFORMATION *cont'd*

	Revenue RM	Results RM	Total Assets RM	Total Liabilities RM
2008 <i>cont'd</i>				
Discontinued operations				
Local	-	80,371	-	-
Overseas	-	136,737	-	-
	-	217,108	-	-
Income tax expense	-	2,431,520	-	-
	82,581,887	15,757,862	538,918,463	319,642,207
2007				
Analysis by geographical location				
Continuing operations				
Local	28,521,939	(4,332,507)	100,765,401	30,595,360
Overseas	9,175,812	4,857,367	3,000,000	-
	37,697,751	524,860	103,765,401	30,595,360
Discontinued operations				
Local	105,541,092	19,951,304	-	-
Overseas	12,438,469	2,839,658	-	-
	117,979,561	22,790,962	-	-
Other operating income				
Continuing operations				
Local		237,062	-	-
Overseas	-	-	-	-
	-	237,062	-	-
Discontinued operations				
Local	-	1,007,275	-	-
Overseas	-	150,000	-	-
	-	1,157,275	-	-
Income tax expense	-	(5,158,226)	-	-
	155,677,312	19,551,933	103,765,401	30,595,360



List of Property

Location	Approximate Age of Building	Land/Buid up Area and Tenure	Description	Net Book Value (RM)	Year of Acquisition
Lot No. 9, Jalan P10/15, Kawasan Perindustrian MIEL, Fasa 4, Seksyen 10, 43680 Bandar Baru Bangi, Selangor.	10 yrs	1,730 sq metres, Leasehold land an building expiring on 9 December 2098	Office and Factory	1,381,929	2003



Analysis of Shareholdings

as at 15 May 2009

Authorised Share Capital	: RM 100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each
Issued and paid-up Share Capital	: RM 29,440,000 comprising 294,400,000 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	0.47	472	0.0002
100 to 1,000 Shares	458	15.51	420,900	0.1430
1,001 to 10,000 Shares	1,777	60.20	8,775,380	2.9808
10,001 to 100,000 Shares	576	19.51	18,746,837	6.3678
100,001 to less than 5% of Issued Shares	124	4.20	142,093,150	48.2653
5% and above of Issued Shares	3	0.10	124,363,261	42.2429
Total	2,952	100.00	294,400,000	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Mercury Pacific Marine Pte. Ltd.	76,385,000	25.95	-	-
Maya Terang Sdn. Bhd.	29,366,998	9.98	-	-
Nagendran A/L C. Nadarajah	21,306,300	7.24	33,366,998	11.33* ¹

DIRECTOR'S SHAREHOLDINGS

Name	Direct		Indirect	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Nagendran A/L C. Nadarajah	21,306,300	7.24	33,366,998	11.33* ¹
Juhari Bin Husin	4,201,500	1.43	6,740,000	2.29* ²
Dato' Yogesvaran A/L T. Arianayagam	1,536,092	0.52	-	-

Notes:

*¹ Deemed interested by virtue of his shareholdings in Mayang 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. under Section 6A of the Act.



Thirty Largest Shareholders

NO.	NAME	SHAREHOLDINGS	%
1	MERCURY PACIFIC MARINE PTE. LTD.	76,385,000	25.95
2	UOBM NOMINEES (TEMPATAN) SDN. BHD. TAEI ONE PARTNERS LTD. FOR MAYA TERANG SDN. BHD.	29,366,998	9.98
3	UOBM NOMINEES (TEMPATAN) SDN. BHD. TAEI ONE PARTNERS LTD. FOR NAGENDRAN A/L C.NADARAJAH	18,611,263	6.32
4	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NA, SINGAPORE (JULIUS BAER)	10,200,000	3.46
5	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR KHO POH ENG (SMART)	9,930,400	3.37
6	HDM NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR DEVARAJAH A/L C NAVARATNAM (M10)	9,316,000	3.16
7	ECML NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SIVANANTHAN A/L K NATARAJA	9,194,000	3.12
8	TINGGI TIASA SDN. BHD.	6,740,000	2.29
9	LIM CHEE MENG	5,536,100	1.88
10	UOBM NOMINEES (ASING) SDN. BHD. TAEI ONE PARTNERS LTD. FOR LEXANDA INTERNATIONAL LIMITED	5,307,800	1.80
11	UOBM NOMINEES (ASING) SDN. BHD. TAEI ONE PARTNERS LTD. FOR NICORIDGE INTERNATIONAL LIMITED	5,307,800	1.80
12	CITIGROUP NOMINEES (ASING) SDN. BHD. UBS AG SINGAPORE FOR ABLELINK INVESTMENTS LTD.	4,500,000	1.53
13	AMSEC NOMINEES (TEMPATAN) SDN. BHD. AMBANK (M) BERHAD FOR POOK MUN FEE (SMART)	4,348,900	1.48
14	HDM NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR RENATA ANITA DE RAJ (M10)	4,000,000	1.36
15	JUHARI BIN HUSIN	3,683,300	1.25
16	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)	3,159,300	1.07
17	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR SOON FOOK KIAN (SMART)	2,960,000	1.01



Thirty Largest Shareholders *cont'd*

NO.	NAME	SHAREHOLDINGS	%
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PHEIM ASSET MANAGEMENT SDN. BHD. FOR EMPLOYEES PROVIDENT FUND</i>	2,625,000	0.89
19	ECML NOMINEES (TEMPATAN) SDN. BHD. <i>CIMB BANK FOR NAGENDRAN A/L C NADARAJAH (M52001)</i>	2,600,000	0.88
20	BEH ENG PAR	2,576,200	0.88
21	AHMED AZHAR BIN ABDULLAH	2,000,000	0.68
22	HLG NOMINEE (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR SANGEETHA A/P PADMANABAN</i>	1,956,368	0.66
23	TA NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR SHOBANA A/P K BALAKRISHNAN</i>	1,920,000	0.65
24	AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR SIVANANTHAN A/L K NATARAJA</i>	1,876,500	0.64
25	ECML NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR LIM AI LING</i>	1,865,000	0.63
26	HOOI KAH HUNG	1,800,100	0.61
27	SHOBANA A/P K BALAKRISHNAN	1,613,000	0.55
28	HSBC NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)</i>	1,580,000	0.54
29	YOGESVARAN A/L T ARIANAYAGAM	1,536,082	0.52
30	HSBC NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR THE BANK OF NEW YORK (AMEX-FOREIGN)</i>	1,500,000	0.51
Total		233,995,111	79.48



PERISAI PETROLEUM TEKNOLOGI BHD.
632811-X

FORM OF PROXY

I/We _____ NRIC 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 Sixth Annual General Meeting of the Company to be held at Cempaka Raya Room, Mezzanine Floor, Hotel Equatorial Kuala Lumpur on Monday, 29 June 2009 at 3.30 p.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 31/12/2008.		
Ordinary Resolution 2	Payment of Directors' Fees.		
Ordinary Resolution 3	Re-election of Nagendran A/L C. Nadarajah (Article 93)		
Ordinary Resolution 4	Re-election of Chan Feoi Chun (Article 93)		
Ordinary Resolution 5	Re-appointment of Auditors.		
Ordinary Resolution 6	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.

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

[Please refer to the next page for the "Notes on Appointment of Proxy"]

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

PERISAI PETROLEUM TEKNOLOGI BHD.

632811-X

The Company Secretary
Perisai Petroleum Teknologi Bhd
Suite 2, Penthouse, Lobby A
Wisma Leopad
No. 9, Jalan Tun Sambanthan
50470 Kuala Lumpur

1st Fold Here

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. 6, 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.