www.perisai.biz

Suite 3A-17, Level 17, Block 3A,
Plaza Sentral, Jalan Stesen Sentral 5,
50470 Kuala Lumpur
Malaysia
E-mail : admin@perisai.com

ANNUAL REPORT 2010

Perisai Petroleum Teknologi Bhd (632811-X)

PERISAI

Annual Report 2010

Perisai Petroleum Teknologi Bhd
(632811-X)

A Year of Transformation

logo rationale

Perisai in the Malay language means "Shield". It represents the assurance of standard we always strive to achieve in terms of unique and customised solutions, responsiveness and quality of service. Our logotype in bold black continues to represent the solid values upon which our Company was built, however the Sans Serif Helvetica font imparts a more contemporary, yet ageless, global image.

The three waves within the blue water element represent the wide range of products which we will offer in the shallow water, deepwater and marginal field segments while the rising waves symbolise the growth momentum of Perisai's business.

PERISAI

contents

notice of eighth annual
general meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting ("AGM") of **PERISAI PETROLEUM TEKNOLOGI BHD.** ("Perisai" or the "Company") will be held at Raya Room, Mezzanine Floor, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 24 June 2011 at 10.00 a.m. to transact the following businesses: -

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. (Please refer to Note A)

2. To approve the payment of Directors' Fees for financial year ended 31 December 2010. (Ordinary Resolution 1)

3. To re-elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Dato' Dr. Mohamed Ariffin Bin Hj. Aton (Ordinary Resolution 2)
   (b) Chan Feoi Chun (Ordinary Resolution 3)

4. To re-appoint Messrs AljeffriDean as Auditors and to authorise the Board of Directors to fix their remuneration. (Ordinary Resolution 4)

AS SPECIAL BUSINESSES

To consider and, if thought fit, to pass the following Resolutions:-

5. AS ORDINARY RESOLUTION (Ordinary Resolution 5)
   - PROPOSED RENEWAL OF AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten (10) per cent of the issued share capital of the Company as at the date of this AGM AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company AND THAT the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa") for the listing of and quotation of the additional shares so issued."

6. AS SPECIAL RESOLUTION (Special Resolution 1)
   - PROPOSED AMENDMENTS TO ARTICLE 77 (2), ARTICLE 93 AND ARTICLE 118 (1) OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT approval be hereby given for the Articles of Association of the Company to be amended as stated below in compliance with the Listing Requirements of Bursa for the Main Market:-

Existing Article 77 (2)

Special Position of Chief Executive Officer

A Managing Director shall not, while he continues to hold such office be subject to retirement by rotation and he shall not be taken into account in determining the rotation of retirement of Directors pursuant to Article 93 and if he is appointed as a Director pursuant to Article 98 he shall not be required to resign or retire under Article 98 while he continues to hold such office.

New Article 77 (2)

Special Position of Chief Executive Officer

A Managing Director shall, while he continues to hold such office be subject to retirement by rotation and he shall be taken into account in determining the rotation of retirement of Directors pursuant to Article 93 and if he is appointed as a Director pursuant to Article 98 he shall be required to resign or retire under Article 98 while he continues to hold such office.

Existing Article 93

Rotation and Retirement of Directors

Subject to these Articles, at each AGM One-Third of the Directors (except Managing Director(s)) for the time being, or if their number is not a multiple of three, the number nearest to one-third with minimum of one, shall retire from office and an election of Directors shall take place PROVIDED ALWAYS that each Director (except Managing Director(s)) shall retire once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not.

New Article 93

Rotation and Retirement of Directors

Subject to these Articles, at each AGM One-Third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to one-third with minimum of one, shall retire from office and an election of Directors shall take place PROVIDED ALWAYS that each Director shall retire once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or otherwise.

Existing Article 118 (1)

Dividends payable by cheque

Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the last registered address of the Member or person entitled thereto in consequence of death or bankruptcy of the holder, to such person and such address as such person may by writing direct. Every such cheque or warrant shall be made payable to the order to the person to whom it is sent or to such person as the holder entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

New Article 118 (1)

Mode of payment of dividend

Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent by post to the last registered address of the Member or person entitled thereto or by way of direct crediting, direct transfer or such other electronic means to the bank account provided by the Member whose name appears in the Record of Depositors. Every such cheque or warrant or payment by direct crediting, direct transfer or such other electronic means shall be made payable to the order of the Member or person entitled thereto, and the payment of any such cheque or warrant or the payment by direct crediting, direct transfer or such other electronic means to the bank account provided by the Member whose name appears in the Record of Depositors shall operate as a good discharge of the Company's obligation in respect of dividend."

7. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given.

BY ORDER OF THE BOARD

LIM SECK WAH (MAICSA NO. 0799845)
M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA NO. 0781031)
Company Secretaries

Kuala Lumpur
2 June 2011

Note A:

This Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 do not require a formal approval of the shareholders and hence, is not put forward for voting.

Notes B: Explanatory notes on SPECIAL BUSINESSES:-

Ordinary Resolution 5 (Agenda 5)

The proposed Ordinary Resolution no. 5 is to seek renewal of the mandate from shareholders. If duly passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

No shares have been issue and allotted by the Company since obtaining the said authority from its shareholders at the last AGM held on 25 June 2010.

Special Resolution 1 (Agenda 6)

The proposed Special Resolution 1 on the Proposed Amendments to Article 77 (2), Article 93 and Article 118 (1) of the Article of Association of the Company are to comply with Bursa's Listing Requirements for the Main Market.

Notes C: Appointment of Proxy:-

1. A member of the Company entitled to attend and vote at the Meeting of the Company 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 Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time of meeting or any adjournment thereof.

corporate **information**

BOARD OF DIRECTORS

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

Zainol Izzet Bin Mohamed Ishak
Managing Director

Adarash Kumar A/L Chranji Lal Amarnath
Executive Director

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

Chan Feoi Chun
Independent Non-Executive Director

AUDIT COMMITTEE
Chan Feoi Chun *(Chairman)*
Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Dato' Yogesvaran A/L T. Arianayagam

REMUNERATION COMMITTEE
Dato' Yogesvaran A/L T. Arianayagam *(Chairman)*
Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Zainol Izzet Bin Mohamed Ishak
Chan Feoi Chun

NOMINATION COMMITTEE
Dato' Yogesvaran A/L T. Ariyanagam *(Chairman)*
Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Chan Feoi Chan

COMPANY SECRETARIES
Lim Seck Wah *(MAICSA 0799845)*
M. Chandrasegaran A/L S. Murugasu *(MAICSA 0781031)*

REGISTERED OFFICE
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-26924271
Fax : 03-27325388

PRINCIPAL PLACE OF BUSINESS
Suite 3A-17, Level 17, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tel : 03-22781133
Fax : 03-22781155
Website : www.perisai.biz
E-Mail : admin@perisai.biz

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

AUDITORS
Messrs AljeffriDean (AF 1366)
Chartered Accountants
2-5-13, 5th Floor
Menara KLH, (Business Centre)
No. 2, Jalan Kasipillay
51200 Kuala Lumpur
Tel : 03-23811170
Fax : 03-23811175
Email : info@aljeffridean.com
Website : www.aljeffridean.com

SOLICITORS
Messrs Shahrizat, Rashid & Lee
Messrs Adnan, Sundra & Low

PRINCIPAL BANKERS
OCBC Bank (Malaysia) Berhad
OCBC Al-Amin Berhad
Kuwait Finance House Berhad
AmIslamic Bank Berhad
AmBank (M) Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Code : 0047

group **structure**

PERISAI PETROLEUM TEKNOLOGI BHD
(632811-X)

100% SJR MARINE (L) LTD
(LL05378)

100% CORRO-SHIELD (SEA) SDN BHD
(259263-P)

100% CORRO-PRO (L) INC
(LL04771)

100% PERISAI RESEARCH SDN BHD
(732557-V)

100% ROMILLY (M) SDN BHD
(477626-H)

100% PERISAI (L) INC
(LL04478)

100% ALPHA PERISAI SDN BHD
(700769-U)

100% KINGSBURG INTERNATIONAL TRADING LIMITED (HK)
(1046118)

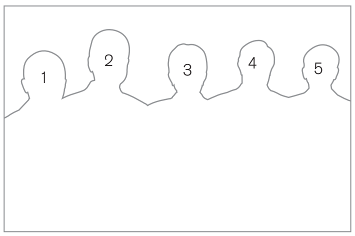
40% LARIZZ PETROLEUM SERVICES SDN BHD
(920793-H)

32% PHOENIX ENERGY SDN BHD
(700769-U)

board of directors

From left to right:

1. Zainol Izzet Bin Mohamed Ishak
2. Chan Feoi Chun
3. Dato' Dr. Mohamed Ariffin Bin Hj. Aton
4. Dato' Yogesvaran A/L T. Arianayagam
5. Adarash Kumar A/L Chranji Lal Amarnath



profile **of directors**

> Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Chairman

Age : 66
Nationality : Malaysian

Qualification
- BEng (Hons) Chemical Engineering, University of Surrey, United Kingdom
- PhD in Chemical Engineering, University of Leeds

Membership of Associations
- Fellow of the Institute of Engineers Malaysia
- Chartered Member of Institute of Chemistry Malaysia
- Fellow of the Malaysian Scientific Association
- President of the Malaysian Association of Research Scientists
- Committee Member of the National Council For Scientific Research & Development
- Committee Member of Selangor Information Technology Council
- Committee Member of the Malaysian Scientific & Technology Information Council
- Member of Government IT & Internet Committee
- Member of Malaysian Nuclear Technology Advisory Board
- Member of the Asian Pacific Centre for Transfer of Technology
- Member of Malaysian Standards & Accreditation Council
- Chairman of the National Measurement Council of the Ministry of Science, Technology and Innovation

Position on the Board
- Non-Independent Non-Executive Chairman

Date Appointed to the Board
- 1 June 2004

Membership of Board Committees
- Member of the Nomination Committee
- Member of the Audit Committee
- Member of the Remuneration Committee

Working Experience and Occupation
He started his professional career in 1970 as a Process Engineer with Esso Refinery based in Port Dickson. He joined the academia as a Lecturer with Universiti Kebangsaan Malaysia ("UKM"). After numerous appointments, Dato' Ariffin left UKM in 1989 to be part of Petronas Research & Scientific Services Sdn. Bhd. ("PRSS") as the Deputy Director, Downstream. Upon the corporatisation of PRSS in 1994, he was appointed as PRSS's Managing Director/Chief Executive Officer. He was the President and Chief Executive Officer of SIRIM Berhad from 1996 till his retirement on 1 September 2007.

Directorship of other Public Companies
- None

Securities Holdings in the Company and its Subsidiaries
- None

> Zainol Izzet Bin Mohamed Ishak

Managing Director

Age : 50
Nationality : Malaysian

Qualification
- BA in Actuarial Studies, Macquarie University, Sydney, Australia
- Masters in Business Administration, The Cranfield Institute of Technology, United Kingdom

Membership of Associations
- None

Position on the Board
- Managing Director
  Appointed to the Board of Perisai as a Non-Independent Non-Executive Director on 13 April 2010 and redesignated as Managing Director on 21 April 2010.

Date Appointed to the Board
- 13 April 2010

Membership of Board Committees
- Member of the Remuneration Committee

Working Experience and Occupation
Izzet began his career in 1982 as a Consultant with Hymans Robertson & Co., Consulting Actuaries, London. Upon returning to Malaysia in 1985, Izzet joined Messrs Kassim Chan & Co. as Management Consultant. He left the field of consultancy in 1988 to join Seccolor (M) Industries as its General Manager, a position he held until 1992.

Izzet joined Sapura Group of Companies in 1992 as General Manager of Corporate Planning, responsible for the strategic planning and business development of the Group. In 1994, he became Chief Executive Officer of Sapura Digital Sdn Bhd, one of the pioneer operators of digital cellular phone (ADAM) in the country. Following the sale of Sapura Digital Sdn Bhd by Sapura Group, he was elected as Senior Vice-President of the Energy Division within the Sapura Group before being appointed as Chief Executive Officer in SapuraCrest Petroleum Berhad on 7 July 2003. He retired as Chief Executive Officer of SapuraCrest Petroleum Berhad on 31 January 2010.

Directorship of other Public Companies
- Hibiscus Petroleum Berhad

Securities Holdings in the Company and its Subsidiaries
- None

> Adarash Kumar A/L Chranji Lal Amarnath

Executive Director

Age : 51
Nationality : Malaysian

Qualification
- Qualified Master Mariner
- Certificate of Competency Master of Foreign Going Ship (Class 1) issued by Malaysian International Shipping Corporation

Membership of Associations
- None

Position on the Board
- Executive Director
  Appointed as Non Independent Non Executive Director on 13 April 2010 and redesignated as Executive Director on 21 April 2010.

Date Appointed to the Board
- 13 April 2010

Membership of Board Committees
- None

Working Experience and Occupation
Adarash Kumar has more than 25 years of experience in the marine industry. Prior to joining the Group, he was the Assistant General Manager for Bumi Armada Navigation Sdn Bhd, an offshore support services provider based in Malaysia, and was responsible for its operation. He had also held various positions onboard vessels while working for the Malaysian International Shipping Corporation.

Directorship of other Public Companies
- Ezra Holdings Limited (Singapore)

Securities Holdings in the Company and its Subsidiaries
- None

> Dato' Yogesvaran A/L T. Ariyanagam

Independent Non-Executive Director

Age : 59
Nationality : Malaysian

Qualification

Chartered Institute of Management Accountants, UK (CIMA)

Membership of Associations

- Fellow of the Chartered Institute of Management Accountants, UK (CIMA)
- Chartered Accountant with Malaysian Institute of Accountants (MIA)
- Associate Member of the British Institute of Management

Position on the Board

- Independent Non-Executive Director

  Appointed as Non Independent Non Executive Director on 30 October 2003 and redesignated as Independent Non-Executive Director on 29 March 2011.

Date Appointed to the Board

- 30 October 2003

Membership of Board Committees

- Chairman of the Remuneration Committee
- Chairman of the Nomination Committee
- Member of the Audit Committee

Working Experience and Occupation

He commenced his accounting career as a management accountant with British Steel Corporation in Birmingham, England and went on to be a Senior Executive (Corporate Affairs) with Aseambankers, Chief Executive Officer of Sampoorna Holdings Bhd and Managing Director of Murnivest Sdn. Bhd. He has undertaken corporate advisory engagements with various multi-national companies.

At present, he is the Chief Executive Officer of Sentosa4D Magix Pte. Ltd. in Singapore, and the Managing Director of Asian Pac Management Sdn. Bhd., a company providing corporate and financial advisory services to selected clients in the Asia Pacific region.

Dato' Yoges has vast amount of experience in corporate advisory work and corporate restructuring exercises.

Directorship of other Public Companies

- MWE Holding Berhad
- Multi Purpose Insurans Berhad
- Sampoorna Holding Berhad

Securities Holdings in the Company and its Subsidiaries

- Direct interest of 3,856,207 ordinary shares in the Company

Family Relationship with any Director and/or Major Shareholder

- None

> Chan Feoi Chun

Independent Non-Executive Director

Age : 58
Nationality : Malaysian

Qualification

- Fellow of the Chartered Institute of Management Accountants, UK (CIMA)
- Chartered Accountant of the Malaysian Institute of Accountants, Malaysia (MIA)
- Graduate of the Institute of Chartered Secretaries and Administrators, UK (ICSA)
- Master of Business Studies (Banking & Finance), University College Dublin, Ireland

Membership of Associations

- President of CIMA Malaysia Division
- Council Member of Malaysian Institute of Accountants
- Honorary Secretary of the Malaysian Holiday Timeshare Developers' Federation

Position on the Board

- Independent Non-Executive Director

Date Appointed to the Board

- 6 June 2005

Membership of Board Committees

- Chairman of the Audit Committee
- Member of the Nomination Committee
- Member of the Remuneration Committee

Working Experience and Occupation

Mr Chan is currently employed as 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 financial services Group of MBF Holdings. He has international working experiences in Britain and Thailand and has more than 33 years of experience in areas of financial management and business re-engineering.

Directorship of other Public Companies

- Iris Corporation Berhad
- Versatile Creative Berhad

Securities Holdings in the Company and its Subsidiaries

- None

Note:

All Board Members have no family relationship with any Director and/or with any major shareholder.

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.

> Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Chairman

chairman's statement

chairman's statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Perisai Petroleum Teknologi Bhd ("Perisai"), I am honoured and pleased to present to you the Annual Report and the Audited Financial Statements of the Perisai Group ("Group") for the financial year ended 31 December 2010.

Perisai turned in a credible financial performance amidst a landscape of challenging economic and operational conditions. The year was a busy and exciting year for Perisai as we developed a blueprint for transformation and growth of our business. We refocused our direction to expand further into the vessel chartering business and made strategic acquisitions in line with our new business direction.

Our renewed focus will undoubtedly provide us with a steady foothold in the oil and gas industry and firmly establish us as an innovative oil and gas services provider both locally and regionally. We are confident that as we move forward, the changes which we have made in the past year will boost our overall capacity in bringing to the market innovative services and solutions that will increase our service capabilities for our customers and business partners.

In every organisation, the people behind it are the pulse of the operations and with Perisai, it is no different. The realisation of all our efforts would only be possible with the single-mindedness of a cohesive workforce. As such, I would like to personally accord my gratitude to the people who have performed beyond the call of duty to efficiently materialise the results which we are now reaping.

CORPORATE DEVELOPMENTS

In April 2010, we saw the entry of Singapore based Ezra Group (through HCM Logistics Limited), as the second largest shareholder of Perisai.

Ezra, which is listed on the Singapore Stock Exchange, is a global integrated offshore support services group. The entry of Ezra will enable us to leverage on its broad capabilities and facilitate our expansion into regional markets. Ezra is represented by Mr. Adarash Kumar who was appointed as the Executive Director of Perisai in April 2010. He brings to the fore more than 25 years of experience in the marine industry and Perisai stands to benefit from his experience.

We also welcomed En. Zainol Izzet Mohamed Ishak as the new Managing Director. He brings with him more than a decade of experience in the oil and gas industry. Under his guidance, we developed strategic initiatives to elevate Perisai's position as an oil and gas services provider with a range of technically niche assets, poised to drive strong earnings growth for the Company in the future.

During the year under review, Perisai refocused its business direction to expand into the vessel chartering business. We also divested several non-strategic assets and businesses such as, a saturation diving system and two old jack-up drilling rigs. In addition, we refinanced a RM176 million loan with a new facility that provided more favourable terms.

In line with the Group's new growth strategy through asset expansion and investments in niche assets, we entered into a share sale agreement to acquire 51% equity interest in Intan Offshore Sdn Bhd ("Intan Offshore"). Intan Offshore Group owns eight offshore support vessels.

We are also negotiating to acquire a 100% equity interest in Garuda Energy (L) Inc ("Garuda") which owns a jack-up rig, currently being converted into a Mobile Offshore Production Unit ("MOPU").

To indicate the change in our corporate and business direction, Perisai launched its new company logo. The new logo design, which displays three waves, represents the wide range of products which we will offer in the shallow water, deepwater and marginal field segments while the rising waves symbolise the growth momentum of Perisai's business.

FINANCIAL PERFORMANCE

Amidst a challenging operating environment, I am pleased to report that the Group turned in a credible financial performance.

For the period under review, the Group posted a Profit after Tax of RM10.3 million on the back of RM75.2 million in revenue. The Profit after Tax was 67% lower than previous year and was achieved after deducting non-recurring items which included the write off of development costs, impairment loss on receivables, loss on disposal of non strategic assets and impairment of goodwill amounting to RM18.8 million.

Enterprise 3 ("E3") is currently the primary revenue generating asset for the Group and its bareboat charter rate was renegotiated in 2010 and it now earns a fixed fee of USD1.9 million a month and an additional of USD20,000 a day if its utilisation exceeds 270 days in a calendar year. This new arrangement provides earnings stability for Perisai as the first and last quarters of the year would have typically lower offshore activities due to the monsoon season.

The proceeds from the asset disposals have been utilised to repay bank borrowings and for working capital purposes. Perisai also redeemed its USD5.0 million convertible bonds in mid 2010. As at end of 2010, Perisai's net gearing stood at 0.7 time, an improvement from 1.0 time compared to the previous year.

DIVIDENDS

The Board does not recommend any dividend to be declared for the financial year ended 31 December 2010.

OPERATIONAL HIGHLIGHTS

Perisai's key asset, E3, a lifting and pipe laying barge, is a Malaysian flagged vessel and has been chartered on a bareboat basis to TL Offshore Sdn Bhd ("TLO"), a subsidiary of SapuraCrest Petroleum Berhad for four and a half years from November 2008 until June 2013.

E3 was operational for the most part of 2010 without any down time except for the October to December monsoon period during which time it underwent normal maintenance and repairs. The E3 is currently deployed for TLO's 3+1+1 years contract with a major oil company, which covers various locations in Malaysia for the transportation and installation of platforms and pipelines.

Perisai is committed to adhere to good Health, Safety and Environmental ("HSE") practises, and we are continuously reviewing our processes and procedures to improve our HSE policy. E3's HSE track record has been commendable in 2010 without any Lost Time Injury.

ECONOMIC LANDSCAPE

In 2010, the global economic recovery was mainly led by the Emerging Market economies notably from Asia. In the US, the GDP expanded by 2.8% while the Euro area economies expanded by a mere 1.7%. China's growth was robust at 10%. The Malaysian economy experienced a strong resumption of growth with an expansion rate of 7.2%. Conversely, the global financial markets came under pressure in 2010 because of the sovereign debts crisis triggered by Greece and Ireland.

There are stronger signs of global economic growth but it is tempered with uncertainties and volatility. These uncertainties are reflected in the unprecedented natural disasters that have caused massive destructions in Australia, New Zealand and Japan, and the recent internal political turmoil that spread through a number of countries in the Middle East in first quarter of 2011. Crude oil prices remain high at around USD100 a barrel level and with continued expectations of higher crude oil prices being maintained and a worldwide economic recovery underway, national and international oil companies are driving more Exploration and Production activities worldwide.



In Malaysia, we are seeing more opportunities available in the oil and gas sector under the Economic Transformation Programme ("ETP") launched by the Malaysian Government in fourth quarter of 2010. PETRONAS under its new management has also announced plans which place emphasis on the development of the oil and gas sector in the domestic market.

MOVING FORWARD

Through the implementation of a well-planned strategy, we are poised to begin establishing ourselves as an innovative oil and gas services provider. Our focus on strategic acquisitions of key assets and increased operational efficiency will serve to strengthen the Group's competitive edge and market position.

As mentioned earlier, E3 is currently Perisai's main source of income. In February 2011, Perisai proposed to acquire 51% equity interest in Intan Offshore, which is a vessel owner and operator, from Emas Offshore (M) Sdn Bhd, a wholly-owned subsidiary of Ezra, for RM45.2 million through the issuance of 70.683 million new Perisai shares at RM0.64 per share.

This strategic acquisition will provide Perisai with eight offshore support vessels comprising three anchor handling tug supply vessels, two anchor handling tug vessels and three crew boats which will contribute immediately to Perisai's revenues and earnings. The proposed acquisition of Intan Offshore is expected to be concluded in mid 2011. The vessels which are mostly Malaysian flagged will focus in Malaysia and the region, and all the vessels currently have long term charters in place. Upon completion of the proposed acquisition, Ezra Group will become Perisai's largest shareholder with a 27.3% stake.

Perisai is also proposing to invest in a MOPU and will pay USD70 million in the form of USD50 million in cash and USD20 million through the issuance of new Perisai shares at RM0.65 per share for the entire equity of Garuda.

The MOPU, which is a mobile facility to process oil or gas at offshore locations, will not only represent a new strategic asset for Perisai but will also enhance the Company's position to offer competitive solutions for marginal fields development to oil majors. Perisai, through Garuda, will enter into a bareboat charter agreement with Gryphon Energy (M) Sdn Bhd ("GEM") for the supply of the MOPU to a major oil company. GEM has been awarded a contract by a major oil company to lease, operate and maintain the MOPU for a period of 2+1+1 years.

The proposed acquisition of Garuda is subject to due diligence and signing of a conditional share sale agreement, requiring regulatory and shareholders approvals. Perisai's proposed acquisition of the MOPU is expected to be concluded in the third quarter of 2011.

These proposed acquisitions are strategic moves by Perisai to expand its assets with good earnings potential, as well as to diversify its earnings base.

In March 2011, Perisai obtained a PETRONAS license through its 40% owned associate, Larizz Petroleum Services Sdn Bhd. The PETRONAS license will provide Perisai the ability to bid directly for jobs from PETRONAS Carigali Sdn Bhd and other oil and gas companies in Malaysia.

BUSINESS OUTLOOK

The future looks promising as there continues to be strong demand for oil and gas services. Crude oil prices remain strong at around USD100 a barrel.

To meet the strong demand in global energy, huge investments in energy infrastructure will have to be made especially for deepwater fields. Increased Exploration and Production activities would result in more opportunities for jobs and contracts for offshore service companies like Perisai.

Under the ETP, PETRONAS plans to invest RM275 billion over the next 5 years. Annually, PETRONAS Exploration and Production capital expenditure is expected to increase from RM40 billion to RM50 billion over the next five years including deepwater exploration and production.

To date, there have been 18 deepwater fields discovered in Malaysia with eight more deepwater fields expected to come on stream over the next five years. We also foresee major investments in the replacement of aging platforms and pipelines to support the production and development of oil and gas in the region. All these will create new opportunities for the oil and gas services industry both in Malaysia and around the region.

Marginal fields development, which comes under the ETP is also now in the pipeline. There are a total of 100 marginal fields containing 580 million barrels of oil waiting to be developed.

With the positive developments in the sector, we remain optimistic about the Group's future prospects for 2011 and beyond. As such, we will continue to capitalise on new business opportunities to grow the Company and increase revenues and earnings. We are constantly evaluating the Group's value proposition and reviewing our structure to ensure high growth and efficiency. We also remain deeply committed to growing shareholders' value by strengthening our position as an innovative oil and gas services and solutions provider through the acquisition of assets that will complement and enhance our capabilities.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to record my gratitude and heartfelt appreciation to our valued shareholders, customers, business partners and financiers as well as government agencies for their steadfast support and confidence in Perisai.

My sincere gratitude also to all our employees and Management, who have demonstrated their commitment and dedication in rising to meet the challenges last year. We have welcomed a new Management team and I look forward to bringing the Group to a higher level of growth and achievement in the coming year.

I have always believed that our people are our greatest asset. As such, Perisai will continue to invest in our human capital to meet the dynamic environment in which we operate and the challenging needs of the oil and gas services industry.

I would also like to thank my fellow Board Members for their expert guidance and invaluable counsel during the year. Their active involvement in all meetings conducted throughout the year is deeply appreciated.

We have begun laying the foundations for future growth and I look forward to the continued support of our shareholders, customers, business partners, financiers, government agencies, board members, management and employees to take Perisai to new heights of success.

I thank all of you and look forward to a good year in 2011.

DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON
Chairman

corporate governance statement

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 shareholders' value and the financial performance of the Company. The ensuing paragraphs set out the manner in which the Group has applied the principles set out in the revised Malaysian Code of Corporate Governance ("Code") and the extent of its compliance with the best practice of the Code for the year ended 31 December 2010.

THE BOARD OF DIRECTORS

Board Composition and Balance

The Board consists of two (2) Executive Directors and three (3) Independent Non-Executive Directors. Such a balance is in compliance with paragraph 15.02 of the Listing Requirements of Bursa for the Main Market in respect of the Board composition.

The Board's composition represents a mix of knowledge, skills and expertise relevant to the Company's operations to provide strong and effective leadership and control of the Group. The profile of the respective Directors are set out on pages 09 to 13 of this Annual Report.

The presence of the Non-Executive Directors, all of whom are respected business leaders in their own right, particularly important in corporate accountability and play an important role in the Board's decisions, and provide unbiased and independent views, advice and judgement in the decision making process.

The roles of the Chairman and the Managing Director are distinct and each has clearly defined responsibilities to ensure a balance of power and authority. The Chairman is primarily responsible for ensuing orderly conduct and effectiveness of the Board whilst the Managing Director is responsible for the implementation of policies laid down and executive decison making.

This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgment to many aspects of the Group's strategies and performance so as to ensure that the highest standards of conduct and integrity are maintained.

Board Responsibilities

The Board retains full and effective control of the Group. This includes responsibilities for determining the Group's overall strategic directions as well as development and control of the Group.

The Board reviews and approves the short-term budgets and long-term strategies for the Group. In addition, all acquisitions, major capital expenditure and disposal of investments will be approved by the Board. The Board has established the authority limits for management of the Company to manage the business of the Group. The Directors, collectively, have a wide range of relevant experience to enable them to discharge their responsibilities effectively.

The Board, together with the Audit Committee, reviews internal control and risk management systems within the organisation in ensuing the custody, effective and efficient utilisation of Group assets.

The Board is chaired by a Non-Independent Non-Executive Chairman and the management of the Group lies with the Managing Director.

The roles of the Chairman and Managing Director are separated and clearly defined. As part of good corporate governance, the Chairman is responsible for ensuring board effectiveness and conduct. Every Board resolution is put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group.

The Managing Director oversees the day-to-day running of the business including organisational effectiveness, implementation of Board policies and strategies and clarifies matters relating to the Group's business to the Board. The Managing Director's in-depth and intimate knowledge of the Group's affairs contributes significantly towards the direction of the Group to achieve its goals and objectives.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies and public service. The Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, in the interest not only of the Group, but also of minority shareholders, employees and the business communities in which the Group conducts its business. The Company has in place a succession planning programme which inter alia includes appointing, training, fixing of compensation and replacing senior management of the Group.

Board Meetings

Board Meetings are scheduled a year ahead in order to enable full attendance at Board Meetings. A minimum of four (4) Board Meetings are held during the year. Additional meetings are held as and when required. There is a formal agenda for all scheduled meetings and board papers are prepared and submitted in advance to ensure adequate information is available to assist deliberation by Board members.

During the financial year, eight (8) Board Meetings were held where the Board deliberated and considered a variety of matters including the Company's financial results, the business plan, direction and potential acquisitions. Attendance record for each Director is as follows:

Name of Director	Number of meetings
Dato' Dr. Mohamed Ariffin Bin Hj. Aton *(Independent Non-Executive Chairman)*	8/8
Zainol Izzet Bin Mohamed Ishak *(Managing Director)* *(appointed on 13 April 2010)*	6/6
Adarash Kumar A/L Chranji Lal Amarnath *(Executive Director)* *(appointed on 13 April 2010)*	5/6
Chan Feoi Chun *(Independent Non-Executive Director)*	8/8
Dato' Yogesvaran A/L T. Arianayagam *(Independent Non-Executive Director)* *(redesignated on 29 March 2011)*	8/8
Nagendran A/L C. Nadarajah *(resigned on 5 July 2010)*	6/6

The minimum 50% attendance requirement in respect of Board Meetings as stipulated by the Listing Requirements of Bursa has been complied with.

SUPPLY OF INFORMATION

All Directors have the same right of access to all information within the Group and the duty to make further enquiries which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. Minutes of proceedings and resolutions passed at each Board and Board Committee meetings are kept in the statutory register at the registered office of the Company and are accessible to all Directors.

The Company also provides a platform for dialogue between the Board and the management of the Company at the Board Meetings. This will assists the Board in arriving at business and strategic decisions relating to the Group. The Directors also have access to the advice and services of the Company Secretaries who are available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed. The Directors are regularly updated on the latest developments in the legislations as well as statutory and regulatory requirements relating to the duties and responsibilities of Directors.

BOARD COMMITTEES

The Board of Directors delegates specific responsibilities to the Board Committees namely the Nomination Committee, Remuneration Committee and Audit Committee. All committees have their terms of reference approved by the Board. These committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board.

The terms of reference, composition and activities of the respective committees are stated in their respective reports.

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	Chairman
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	Member
Dato' Yogesvaran A/L T. Arianayagam	Member

The Board is assisted by an Audit Committee, whose roles and functions are as set out in the Audit Committee Report on pages 28 to 30 of this Annual Report.

NOMINATION COMMITTEE

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

Name of Director	Designation
Dato' Yogesvaran A/L T. Arianayagam	Chairman
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	Member
Chan Feoi Chun	Member

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	Chairman
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	Member
Chan Feoi Chun	Member

THE NOMINATION COMMITTEE'S TERMS OF REFERENCE ARE AS FOLLOWS:-

- Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness and ensure that at every AGM, one-third (1/3) of the Directors for the time being shall retire from office. A retiring Director shall be eligible for re-election. Every Director, including the Managing Director, shall be subject to retirement at least once in every three (3) years.

- Review annually its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and disclose the same in the Annual Report.

- Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.

- Ensure that the appointment of any Executive Director or Managing Director of Perisai shall be for a fixed term not exceeding three (3) years at any one time with power to re-appoint, remove or dismiss thereafter.

- Recommend to the Board, candidates for all directorships proposed by the Managing Director and, within the bounds of practicability, by any other senior executive or any director or shareholder and to recommend to the Board candidates to fill the Audit, Nomination, Remuneration or other Board committees. A description/specification for the new Directors should be drafted before identifying possible candidates. Candidates should be evaluated against this specification.

- Assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director based on the process implemented by the Board.

The Nomination Committee met once during the financial year ended 31 December 2010.

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	Chairman
Dato' Dr Mohamed Ariffin Bin Hj. Aton *(appointed on 19 April 2011)*	Member
Zainol Izzet Bin Mohamed Ishak	Member
Chan Feoi Chun	Member

THE REMUNERATION COMMITTEE'S TERMS OF REFERENCE ARE AS FOLLOWS:-

- Set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of Executive Directors and the Managing Director having regard to the overall Group policy guidelines/framework.

- Advise the Board on the performance of the Executive Directors and the Managing Director and an assessment of his entitlement to performance related pay. The Remuneration Committee should also advise the Managing Director on the remuneration and terms and conditions (and where appropriate, severance payments) of senior staff (defined as the small group of staff who report directly to the Managing Director).

- Review the history of and proposals for the remuneration package of the Company's committees.

The Remuneration Committee met once during the financial year ended 31 December 2010.

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, one-third (1/3) of the Board of Directors for the time being, or, if the number is not a multiple of three (3), the number nearest to one-third (1/3) shall retire from office PROVIDED ALWAYS that each Director shall retire from office at least once every three (3) years but shall be eligible for re-election.

DIRECTORS' TRAINING

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility. All Board members have attended the Mandatory Accreditation Programme (MAP) as prescribed by the Bursa's Listing Requirements.

The Directors are regularly informed of industry-specific conventions to enable them to understand the industries within which the Group operates. The Company has initiated its own comprehensive and formal training programme tailored to the needs of the Board of Directors.

In addition to the in-house seminars, Directors are also encouraged to attend seminars and/or conferences organised by relevant regulatory authorities and professional bodies to further enhance their skills and knowledge as well as update themselves on new developments in the business environment.

DIRECTORS' REMUNERATION

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Directors concerned.

The Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of the Executive Directors. The Executive Directors abstain from the deliberations and voting decisions in respect of their remuneration. All Non-Executive Directors are paid directors' remuneration for Board and Committee meetings. In addition, they are paid a meeting allowance for attendance at each Board and Committee meetings. The directors' fees are approved by the Company at the AGM in accordance with the Articles of Association.

The aggregate Directors' remuneration for the financial year ended 31 December 2010 are set out below:-

	Fees RM	Salaries RM	Others RM	Total RM
Executive Directors	-	624,269	277,087	901,356
Non-Executive Directors	138,000	-	5,750	143,750

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

Remuneration Band	Executive Directors	Non-Executive Directors
RM50,000 and below	1	2
RM50,001 - RM100,000	-	1
RM400,000 - RM450,000	2	-

SHAREHOLDERS

The Board recognises the importance of transparency and accountability to its shareholders. Effective communication channel between the Board, shareholders and the general public is of utmost importance to the Company to provide sufficient information to shareholders in allowing them to effectively evaluate the performance of the Company.

The Annual Report serves as an important mode as it provides comprehensive information pertaining to the Group. The AGM serves as a principal forum for dialogue with shareholders of the Company. Members of the Board, the Group's Senior Management, as well as the Company's auditors will be present to answer questions about the Company's affairs. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Extraordinary General Meeting is held as and when required.

The full financial results and the Company's announcements/press releases can also be obtained from Bursa's website.

INVESTOR RELATIONS

The Company also holds regular briefings for institutional investors to explain the Group's strategies and major developments, all within the legal and regulatory framework in respect of the release of information.

ACCOUNTABILITY AND AUDIT

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, that 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 then ended.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable approved accounting standards in Malaysia have been complied with;
- Considered the going concern basis used is appropriate and valid.

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 to enable them to ensure the financial statements comply with the Companies Act, 1965.

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

Financial Reporting

The Board aims to provide and present a balanced, clear and understandable assessment of the Group's position and prospects in all of their reports and announcements to the shareholders, investors, regulatory bodies and the general public.

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 oversees the Group's financial reporting process and the quality of its financial reporting. The Group's financial statements are presented on pages 41 to 107 of this Annual Report.

Internal Control

The Directors acknowledge that it is their responsibility for maintaining a sound system of internal controls covering operational, compliance as well as risk management. The internal control system is designed to meet the Group's particular needs and to manage the risk to which it is exposed. The system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

Relationship with the Auditors

Messrs AljeffriDean was appointed in the previous AGM as the external auditors for the Group. The Group maintained a close, transparent and professional relationship with its external auditor in seeking professional advice and ensuring compliance with the accounting standards in Malaysia as well as the auditors' professional requirements. Messrs AljeffriDean would report to shareholders of the Company on its opinion which is included as part of the Group's financial reports with respect to their audit on each year's statutory financial statements. The external auditors also highlight to the Audit Committee and Board of Directors on matters that require their attention.

The roles of the Audit Committee in relation to the external auditors is set out in the Audit Committee Report on pages 28 to 30 of the Annual Report.

statement on **internal control**

for the financial year ended 31 December 2010

The Directors acknowledge their responsibilities for internal control system in the Group, which include financial control, operational controls compliance monitoring as well as risk management in order to safeguard shareholders' investment and the Company's assets. In compliance with Paragraph 15.26 (b) of the Main Market Listing Requirements and Practice Note 9 issued by Bursa, the Board is pleased to set out Group's Statement of Internal Control for the financial year ended 2010.

Board Responsibility

The Board of is fully committed to ensure the existence of an effective system of internal control and risk management system within the Group, and continuously reviews and evaluates the adequacy and integrity of those systems. However, the Board recognises that such systems are designed to manage, rather than to eliminate the risks indentified to acceptable levels. Therefore, the systems implemented can provide only reasonable, but not absolute assurance against the occurrence of any material misstatement and loss.

Whilst the Board has overall responsibility for the Group's system of internal controls, it has delegated the implementation of these internal control systems to the management which regularly reports on risks identified and action steps taken to mitigate and/or minimise the risks. These internal control systems are subject to the Board's regular review with a view towards appraising the effectiveness of these systems within the Group.

The Audit Committee with the support of the internal auditor, assists the Board in reviewing the adequacy and integrity of the system of internal control in the Group. The internal auditor 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 28 to 30.

Internal Control Framework

The Group's internal control environment comprises amongst others various procedures and frameworks as follows:

Clear and Structured Organisational Reporting Lines

The Group has a well defined organisation structure that is aligned to business requirements and also to ensure check and balance through segregation of duties. Clear reporting lines and authority limits govern the approval process, driven by Delegated Authority Limit set by the Board.

At Board level, all strategic, business and investment plans are approved and monitored by the Board. The Board is supported by three (3) Board committees that provide focus and counsel in the areas of:

- Audit and risk management
- Nomination and remuneration of Directors
- Directing and monitoring of the implementation of strategies, policies and performance achievement of the Group

Comprehensive Board papers, which include financial and non-financial matters such as quarterly results, business strategies, explanation of Group's performances, key operation issues, corporate activities and exercises of the Group, etc are escalated to the Board for deliberation and approval.

Strategic Business Plan

The Group has a strategic business plan that maps out the strategic objectives and business direction of the Group. This plan is prepared on an annual basis as part of the annual budget which is deliberated and approved by the Board.

Delegated Authority Limits ("DAL")

The Board's approving authority is delegated to the management of the Company through a clearly and formally defined DAL which is a primary instrument that governs and manages the business decision process of the Group. Whilst the objective of the DAL is to empower the management, the key principle adhered to in its formulation is to ensure that a system of internal controls of checks and balance are incorporated therein. The DAL is continuously reviewed and updated to ensure relevance to the Group's operations.

Independent Assurance Mechanism

Continuous and systematic assessments on the adequacy and intergrity of the internal control and monitoring compliance with the policies and procedures are carried out through internal audits. The Group has outsourced the activities and functions of the internal audit to a professional service provider as it is more effective and cost beneficial to do so. The outsourcing of these functions further enhance the professionalism and objectivity exercised by these functions over the activities it audits. Internal audit plan that covers internal audit coverage and scope of work is presented for Audit Committee's approval annually.

Internal audit reports are presented to the Audit Committee during the quarterly meeting. Findings together with recommendations are presented to senior management and regular follow up audits are performed to ensure management action plans are carried out effectively.

Risk Management Framework

Risk management is practiced within the Group on an interactive basis. All new and major investments have to observe a process of approval that includes an evaluation of the associated risks. Monitoring of management action plans during the review period was performed by the management and/or external service provider for internal audit services, and reported to the Audit Committee.

The Audit Committee is working together with the management to take measures to further strengthen the Group's risk management system as one of the means to achieve the Group's business objectives.

audit committee report

for the financial year ended 31 December 2010

THE AUDIT COMMITTEE AND INTERNAL AUDIT

The Group has engaged an internal auditor to support the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls in managing the key risks and report accordingly to the Audit Committee on a quarterly basis. Where significant weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls, and follow up audits are conducted by the internal auditor to assess the status of implementation thereof by the management of the Company. In carrying out its work, the internal auditor focuses on areas of priority which are incorporated in the annual audit plan approved each year by the Audit Committee.

AUDIT COMMITTEE

The Audit Committee was established on 15 June 2004 and the revised terms of reference of the Audit Committee was adopted by the Board on 24 February 2010.

COMPOSITION AND MEETINGS

The composition of the Audit Committee and their attendance at the five (5) meetings held during the year are as follows:-

Name of Director	Designation	Attendance
Chan Feoi Chun	Chairman	5/5
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	Member	5/5
Dato' Yogesvaran A/L T. Arianayagam	Member	5/5

TERMS OF REFERENCE

Membership

The Audit Committee shall be appointed by the Board of Directors from among their members and shall be composed not fewer than three (3) members of who must be Non-Executive Directors, with majority of them being independent directors.

The members of the Audit Committee shall elect a chairman from among their members, who is an independent director. The chairman elected shall be subjected to endorsement by the Board.

If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the results that the number is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

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

At least one member of the Committee:-

(a) shall be a member of the Malaysian Institute of Accountants; or
(b) if he is not a member of the Malaysian Institute of Accountants, he shall have at least three (3) years' working experience and:-
  i) he must have passed the examination specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
  ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
(c) fulfills such other requirements as prescribed or approved by the Bursa.

The term of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.

Rights and Authority of the Audit Committee

The Company must ensure that whenever necessary and reasonable for the performance of its duties, the Audit Committee shall, in accordance with the procedures to be determined by the Board and at the cost of the Company to:

- investigate any matters within its terms of reference;
- have adequate resources which it needs to perform its duties;
- have full access to any information which it requires in the course of performing its duties;
- have full access to any employee or member of the management;
- have direct communication channels with the external and internal auditors (if any) and convene meetings with external auditors and internal auditors or both, excluding the attendance of other directors and employees of the Company;
- have access to independent professional or other advice in the performance of its duties at the cost of the Company; and
- be able to invite outside professionals with relevant experience and expertise to attend its meetings, if necessary.

Responsibilities and Duties

The duties and responsibilities of the Audit Committee shall be:-

- to consider the nomination of external auditors, the audit fees and any question of resignation or dismissal;
- to oversee all matters pertaining to audit including the review of the audit plan and report;
- to review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
- to discuss problems and reservations arising from the interim and final results, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- to review the quarterly interim results, half-yearly, annual financial statements and audit report, focusing on:
    - any changes in accounting and operating policies and practices;
    - significant adjustment(s) arising from the audit;
    - adequacy of disclosure of all information in the financial statements essential to a true and fair representation of the financial affairs of the Company and its subsidiary companies; and
    - compliance with applicable approved accounting standards and business practices.
- to review any management letters sent by the external auditors to the Company and the management's response to such letters;
- to discuss with the external auditors their evaluation of the quality and effectiveness of the internal control and management information systems;
- to review the adequacy of the scope, functions, resources and competency of the internal audit function and that it has the necessary authority to carry out its work;

- to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

- to review and approve the annual audit plan proposed by the internal auditors;

- to review the co-operation or assistance given by the Company's officers to both external and internal auditors;

- to review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;

- to review all related party transactions and potential conflict of interests situations; and

- to consider other matters, act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to management of the Group, as defined.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR 2010

During the current year Audit Committee has:

1. Reviewed and approved the annual audit plan for the financial year 2010 to ensure adequacy scope and coverage over the activities of the Group.

2. Reviewed the quarterly and year end financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on:

   - changes in or implementation of major accounting policies and practices;
   - the going concern assumptions;
   - 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. Reviewed the adequacy of insurance coverage, payment procedures and cash flow planning.

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 auditor to provide the Audit Committee with independent and objective reports on the state of internal control on 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.

The internal audit function was undertaken by an independent professional consulting firm and the costs incurred for the internal audit function for the financial year ended 31 December 2010 was RM10,000.00.

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

additional **compliance information**

1. SHARE BUYBACKS

   There were no shares bought-back nor sale or cancellation of treasury shares by the Company during the financial year ended 2010.

   As at the end of the financial year ended 31 December 2010, a total of 400,000 ordinary shares at RM0.10 each were retained as treasury shares.

2. OPTIONS, WARRANTS OR CONVERTIBLE BONDS

   In 2009, the Company issued USD10,000,000 Nominal Value of Zero Coupon two (2) years Redeemable Convertible Bonds (“RCB”). As at date of this Annual Report, the Company had fully redeemed the RCB as disclosed in Notes 25 and 37 (i), (ii) and (iii) in the audited financial statements as at 31 December 2010 in this Annual Report.

3. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

   The proceeds raised from the issuance of USD10,000,000 Nominal Value of Zero Coupon two (2) years Redeemable Convertible Bonds (“RCB”) were fully utilised as at 31 December 2010.

4. AMERICAN DEPOSITORY RECEIPT (“ADR”)/GLOBAL DEPOSITORY RECEIPT (“GDR”)

   The Company did not sponsor any ADR and GDR programmes during the financial year ended 31 December 2010.

5. 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.

6. NON-AUDIT FEES

   There were no non-audit fees paid or payable to the external auditors by the Group for the financial year ended 31 December 2010.

7. PROFIT ESTIMATE, FORECAST OR PROJECTION

   The Group did not announce or disclose any profit estimate, forecast or projection in any public documents during the financial year ended 31 December 2010.

8. VARIANCE IN RESULTS

   There is no significant variance between the profit after tax for the financial year ended 31 December 2010 and the unaudited results previously announced.

9. PROFIT GUARANTEE

   The Company did not provide any profit guarantee for the financial year ended 31 December 2010.

10. MATERIAL CONTRACTS

During the year under review, save as disclosed below, there were no material contracts entered into by PERISAI Group which involved Directors' or major shareholders' interests (not being contracts entered into in the ordinary course of business).

(a) Share and Purchase Agreement dated 10th May 2010 made between Perisai with Mr. Nagendran A/L C. Nadarajah for the disposals of the entire equity interest in Garuda Energy (L) Inc. and Hummingbird Energy (L) Inc. upon the terms and conditions contained therein.

11. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A REVENUE AND TRADING NATURE

The information on RRPT for the financial year ended 31 December 2010 is presented in Note 32 on page 99 of the audited financial statements in this Annual Report.

12. REVALUATION POLICY ON LANDED PROPERTIES

The Group does not have any landed properties as at financial year ended 31 December 2010.

13. CORPORATE SOCIAL RESPONSIBILITY ("CSR") ACTIVITIES AND PRACTICES

The Company recognises the importance of being a responsible corporate citizen. In addition to improving workplace environment and commitment to staff training, the Company will be planning and organising more CSR activities for the coming financial year.

financial **statements**

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 2010.

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 18 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) from continuing operations, net of tax	10,272,129	(8,253,611)
Loss from discontinued operation, net of tax	(19,194)	-
Profit/(Loss) net of tax	10,252,935	(8,253,611)
Profit/(Loss) attributable to:		
Owners of the parent	10,252,935	(8,253,611)
Minority interests	-	-
	10,252,935	(8,253,611)

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

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. The directors do not recommend the payment of any dividend in respect of the current financial year.

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
Zainol Izzet Bin Mohamed Ishak
Adarash Kumar A/L Chranji Lal Amarnath
Dato' Yogesvaran A/L T. Arianayagam
Chan Feoi Chun
Nagendran A/L C. Nadarajah *(resigned on 5 July 2010)*

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 11 to the financial statements or the fixed salary of a full time employee) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, as required to be disclosed by Section 169 (8) of the Companies Act, 1965.

DIRECTORS' INTERESTS

(a) 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 01.01.2010	Acquired	Sold	At 31.12.2010
Dato' Yogesvaran A/L T. Arianayagam				
- direct	3,856,184	–	–	3,856,184

(b) HCM Logistics, a substantial shareholder of Perisai and a wholly-owned subsidiary of Ezra Holdings, has on 9 April 2010 entered into a Call Option with Zainol Izzet Mohamed Ishak pursuant to which HCM Logistics has agreed to grant to Zainol Izzet Mohamed Ishak or his nominee a Call Option of 66,000,000 Perisai Shares held by HCM Logistics. The validity period of the Call Option commenced on 9 April 2010 and will end on (and including) the date falling 2 years after the commencement date, unless extended for a further 1 year period by mutual agreement.

TREASURY SHARES

As at 31 December 2010, the Company held as treasury shares a total of 400,000 of its 662,400,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM230,795 and further relevant details are disclosed in Note 29 to the financial statements.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporation during the financial year except as disclosed in Note 19 (b) to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statement of financial position 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance 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) the amount written off for bad debts or the amount of the allowance 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 except as disclosed in Note 35 to the financial statements.

(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 Notes 13, 18, 19, 25, and Note 36 to the financial statements.

SUBSEQUENT EVENT

Details of subsequent events are disclosed in Note 37 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2011.

DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON **ZAINOL IZZET BIN MOHAMED ISHAK**

Kuala Lumpur, Malaysia

Date : 19 April 2011

statement by **directors**

pursuant to section 169 (15) of the companies act, 1965

We, **DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON** and **ZAINOL IZZET BIN MOHAMED ISHAK**, 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 41 to 107 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 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 40 of the financial statements have been presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2011.

DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON **ZAINOL IZZET BIN MOHAMED ISHAK**

Kuala Lumpur, Malaysia

Date : 19 April 2011

statutory **declaration**

pursuant to section 169 (16) of the companies act, 1965

I, YEO PECK CHIN, being the Officer 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 41 to 107 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, I960.

Subscribed and solemnly declared by the
abovenamed **YEO PECK CHIN,** at Kuala Lumpur
in the Federal Territory on 19 April 2011 **YEO PECK CHIN**

Before me,

GURDEEP SINGH S/O JAG SINGH (NO. W607)
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 statements of PERISAI PETROLEUM TEKNOLOGI BHD., which comprise the balance sheets as at 31 December 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 41 to 107.

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 2010 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 18(a) to the financial statements.

Report on other legal and regulatory requirements cont'd

(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.

Other matters

The supplementary information set out in Note 40 of page 107 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with guidance on Special Matter No. 1, determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

AljeffriDean
A.F. No. 1366
Chartered Accountants (M)

MOHD NEEZAL NOORDIN
No. 2162/06/11 (J)

Kuala Lumpur, Malaysia.

Date : 19 April 2011

statements of **comprehensive income**

for the financial year ended 31 december 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Continuing Operations					
Revenue	4	75,213,166	101,180,299	2,300,796	5,082,297
Cost of sales	5	(23,783,789)	(39,103,467)	-	-
Gross profit		51,429,377	62,076,832	2,300,796	5,082,297
Other items of income					
Interest income	6	15,835	14,260	650,899	1,993,860
Other income	7	3,313,057	2,046,390	2,941,773	275,609
Other items of expense					
Administrative expenses		(35,470,727)	(17,287,043)	(9,465,166)	(5,359,620)
Finance costs	8	(10,938,335)	(10,844,024)	(4,558,369)	(2,872,509)
Share of results of associates		1,479,786	1,316,336	-	-
Profit/(Loss) before tax from continuing operations	9	9,828,993	37,322,751	(8,130,067)	(880,363)
Income tax expense	12	443,136	(1,003,701)	(123,544)	(374,043)
Profit/(Loss) from continuing operations, net of tax		10,272,129	36,319,050	(8,253,611)	(1,254,406)
Discontinued Operations					
Loss from discontinued operations, net of tax		(19,194)	(5,394,185)	-	-
Profit/(Loss) net of tax		10,252,935	30,924,865	(8,253,611)	(1,254,406)
Other comprehensive income:					
Foreign currency translation		(17,174,201)	(3,765,956)	-	-
Other comprehensive income for the year, net of tax		(17,174,201)	(3,765,956)	-	-
Total comprehensive income for the year		(6,921,266)	27,158,909	(8,253,611)	(1,254,406)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Profit/(Loss) Attributable to:					
Owners of the parent		10,252,935	33,038,410	(8,253,611)	(1,254,406)
Minority interests		-	(2,113,545)	-	-
		10,252,935	30,924,865	(8,253,611)	(1,254,406)
Total comprehensive income attributable to:					
Owners of the parent		(6,921,266)	29,272,454	(8,253,611)	(1,254,406)
Minority interests		-	(2,113,545)	-	-
		(6,921,266)	27,158,909	(8,253,611)	(1,254,406)
Earning per share attributable to owners of the parent (Sen per share)					
- Basic	14 (a)	1.55	6.40	-	-
- Diluted	14 (b)	1.50	-	-	-

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

statements of **financial position**

as at 31 december 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
ASSETS					
Non-current assets					
Property, plant and equipment	15	269,488,222	312,923,984	673,674	221,426
Drydocking expenditure	16	-	5,090,908	-	-
Intangible assets	17	74,385,838	84,949,481	-	-
Investment in subsidiaries	18	-	-	144,276,781	144,276,787
Investment in associates	19	17,365,338	5,004,637	17,416,000	3,688,301
Deferred tax assets	28	5,665,480	5,650,391	994,314	994,314
		366,904,878	413,619,401	163,360,769	149,180,828
Current assets					
Inventories	20	-	99,055	-	-
Trade and other receivables	21	12,434,371	52,418,159	1,227,536	18,299,418
Amount due from subsidiaries	22	-	-	-	50,127,529
Cash and bank balances	23	26,220,542	17,781,935	5,561,195	11,378,378
		38,654,913	70,299,149	6,788,731	79,805,325
Assets of disposal group classified as held for sale	13	28,133,600	43,498,056	-	1,030,000
TOTAL ASSETS		433,693,391	527,416,606	170,149,500	230,016,153
EQUITY AND LIABILITIES					
Share capital	29	66,240,000	66,240,000	66,240,000	66,240,000
Share premium	29	94,298,669	94,298,669	94,298,669	94,298,669
Treasury Shares	29	(230,795)	(230,795)	(230,795)	(230,795)
Other reserve	30	(20,071,153)	(2,896,952)	-	-
Retained earnings	31	93,515,352	83,262,417	(9,461,959)	(1,208,348)
Total equity attributable to owners of the parent		233,752,073	240,673,339	150,845,915	159,099,526
Minority interests		-	-	-	-
Total equity		233,752,073	240,673,339	150,845,915	159,099,526
Non-current liabilities					
Loans and borrowings	24	137,676,169	193,703,109	-	36,365,375
Hire purchase payables	26	352,016	-	352,016	-
		138,028,185	193,703,109	352,016	36,365,375

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Current liabilities					
Loans and borrowings	24	53,668,891	57,577,055	16,931,642	21,674,563
Hire purchase payables	26	79,162	-	79,162	-
Trade and other payables	27	8,061,712	35,017,571	1,110,788	12,567,847
Amount due to subsidiaries	22	-	-	762,396	-
Taxation		103,368	365,181	67,581	308,842
		61,913,133	92,959,807	18,951,569	34,551,252
Liabilities directly associated with assets classified as held for sale	13	-	80,351	-	-
		61,913,133	93,040,158	18,951,569	34,551,252
TOTAL LIABILITIES		199,941,318	286,743,267	19,303,585	70,916,627
TOTAL EQUITY AND LIABILITIES		433,693,391	527,416,606	170,149,500	230,016,153

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

consolidated statement of **changes in equity**

for the year ended 31 december 2010

		Attributable to Equity Holders of the Company							
		Non distributable				Distributable			
Group	Note	Share Capital RM (Note 29)	Share Premium RM (Note 29)	Treasury Shares RM (Note 29)	Other Reserve RM (Note 30)	Retained Earnings RM	Total RM	Minority Interest RM	Total Equity RM
At 1 January 2009		29,440,000	131,476,989	-	869,004	50,224,007	212,010,000	7,266,256	219,276,256
Total comprehensive income		-	-	-	(3,765,956)	33,038,410	29,272,454	(2,113,545)	27,158,909
Issue of bonus shares	29	36,800,000	(36,800,000)	-	-	-	-	-	-
Issue cost of bonus shares		-	(378,320)	-	-	-	(378,320)	-	(378,320)
Disposal of subsidiaries	13 (e)	-	-	-	-	-	-	(5,152,711)	(5,152,711)
Treasury shares purchased	29	-	-	(230,795)	-	-	(230,795)	-	(230,795)
At 31 December 2009		66,240,000	94,298,669	(230,795)	(2,896,952)	83,262,417	240,673,339	-	240,673,339
Group	**Note**	**Capital**	**(Note 28)**	**(Note 28)**	**(Note 30)**				
At 1 January 2010		66,240,000	94,298,669	(230,795)	(2,896,952)	83,262,417	240,673,339	-	240,673,339
Total comprehensive income		-	-	-	(17,174,201)	10,252,935	(6,921,266)	-	(6,921,266)
At 31 December 2010		66,240,000	94,298,669	(230,795)	(20,071,153)	93,515,352	233,752,073	-	233,752,073

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

statement of **changes in equity**

for the year ended 31 december 2010

Company	Note	Non distributable Share Capital RM (Note 29)	Share Premium RM (Note 29)	Treasury Shares RM (Note 29)	Distributable Retained Earnings RM	Total RM
At 1 January 2009		29,440,000	131,476,989	-	46,058	160,963,047
Total comprehensive income		-	-	-	(1,254,406)	(1,254,406)
Issue of bonus shares	29	36,800,000	(36,800,000)	-	-	-
Issue cost of bonus shares		-	(378,320)	-	-	(378,320)
Treasury shares purchased	29	-	-	(230,795)	-	(230,795)
At 31 December 2009		66,240,000	94,298,669	(230,795)	(1,208,348)	159,099,526
At 1 January 2010		66,240,000	94,298,669	(230,795)	(1,208,348)	159,099,526
Total comprehensive income		-	-	-	(8,253,611)	(8,253,611)
At 31 December 2010		66,240,000	94,298,669	(230,795)	(9,461,959)	150,845,915

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

statements of **cash flows**

for the year ended 31 december 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Cash Flows From Operating Activities					
Profit/(Loss) before tax from:					
Continuing operations		9,828,993	37,322,751	(8,130,067)	(880,363)
Discontinued operations	13	(19,194)	(5,371,580)	-	-
Adjustment for:					
Depreciation of property, plant and equipment	9 & 13	15,849,007	21,671,190	100,619	48,216
Net gain on disposal of property, plant and equipment	6 & 13	(10,473)	(65,734)	-	-
Amortisation of prepaid land lease payment		-	2,798	-	-
Impairment of property, plant and equipment	9	-	4,429,224	-	-
RCB issuing cost		-	786,550	-	786,550
RCB discount amortised	25	2,909,625	612,324	2,909,625	612,324
Unrealised exchange (gain)/loss on RCB	25	(2,818,399)	779,651	(2,818,399)	779,651
Property, plant and equipment written off	9 & 13	160,033	962,179	66,172	20,357
Loss on disposal of subsidiary	13 (f)	625,720	1,175,748	310,000	441,172
Amortisation of drydocking expenditure	9	1,620,707	1,114,468	-	-
Impairment of drydocking	9	3,235,290	-	-	-
Share of results of associates		(1,479,786)	(1,316,336)	-	-
Impairment of intangible	9	10,162,672	-	-	-
Impairment loss on trade and other receivable	9	5,402,976	-	2,827,195	-
Loss on disposal of associate	9	3,290,185	-	443,401	-
Inventories written off	9	99,055	-	-	-
Exchange reserve arising due to retranslation of financial statements in foreign currency		16,482,773	8,144,928	-	-
Finance costs:					
- Continuing operations		10,938,335	10,844,024	4,558,369	2,872,509
- Discontinued operations		-	48,475	-	-
Interest income	5 & 13	(15,835)	(14,260)	(650,899)	(1,993,860)
Operating profit/(loss) before working capital changes		76,261,684	81,126,400	(383,984)	2,686,556
Decrease in inventories		-	548,845	-	-
Decrease/(Increase) in trade and other receivables		18,666,440	(22,819,224)	384,325	(15,011,470)
(Decrease)/Increase in trade and other payables		(7,906,898)	32,711,433	(11,457,059)	5,081,545
Cash generated from/(used in) operations		87,021,226	91,567,454	(11,456,718)	(7,243,369)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Cash generated from/(used in) operations					
Interest paid		(10,938,335)	(10,892,499)	(4,558,369)	(2,872,509)
Interest received		15,835	14,260	650,899	1,993,860
RCB issuing cost		-	(786,550)	-	(786,550)
Cost of bonus shares issued		-	(378,320)	-	(378,320)
Taxes paid		(423,563)	(152,843)	(364,805)	(65,201)
Net cash generated from/(used in) operating activities		75,675,163	79,371,502	(15,728,993)	(9,352,089)
Cash Flows From Investing Activities					
Purchase of property, plant & equipment		(18,642,722)	(24,339,640)	(619,039)	(54,915)
Proceeds from disposal of property, plant and equipment		10,755,329	262,401	-	388
Net cash (outflow)/inflow from the disposal of subsidiary	13 (f)	(69,691)	(1,427,575)	7,206	956,400
Proceeds from disposal of associate		3,240,000	-	3,240,000	-
Drydocking expenditure		(87,447)	(4,785,990)	-	-
Investment in associates		(2,837,938)	(4,900)	(2,837,938)	(4,900)
Investment in subsidiaries		-	-	50,889,925	(7,107,058)
Development expenditure		-	4,426,632	-	-
Net cash (used in)/generated from investing activities		(7,642,469)	(25,869,072)	50,680,154	(6,210,085)
Cash Flows From Financing Activities					
Hire purchase payables		431,178	(82,573)	431,178	-
Placement of fixed deposits		-	1,356,836	-	-
Term loans		(34,089,487)	(78,742,452)	(15,755,000)	(13,920,000)
Purchase of treasury shares		-	(230,795)	-	(230,795)
Proceeds from issuance of Redeemable Convertible Bonds		-	29,638,400	-	29,638,400
Redeemable Convertible Bonds redeemed by cash		(15,900,000)	-	(15,900,000)	-
Net cash (used in)/generated from financing activities		(49,558,309)	(48,060,584)	(31,223,822)	15,487,605
Net increase/(decrease) in cash and cash equivalents		18,474,385	5,441,846	3,727,339	(74,569)
Cash and cash equivalents at beginning of year		7,351,116	1,909,270	1,438,815	1,513,384
Cash and cash equivalents at end of year	23	25,825,501	7,351,116	5,166,154	1,438,815

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 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 consolidated financial statements of the Company as at and for the financial year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 December 2010 do not include other entities.

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 18.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 April 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting standards (FRSs), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.2 Changes in accounting policies cont'd

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group or the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 39 to the financial statements.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital as shown in Note 34 to the financial statements.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. There were no any material effects arising from the adoption of this Standard.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

	Effective for financial periods beginning on or after
FRS 1 First-time Adoption of Financial Reporting Standards	*1 July 2010*
FRS 3 Business Combinations (revised)	*1 July 2010*
Amendments to FRS 2 Share-based Payment	*1 July 2010*
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	*1 July 2010*
Amendments to FRS 127 Consolidated and Separate Financial Statements	*1 July 2010*
Amendments to FRS 138 Intangible Assets	*1 July 2010*
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	*1 July 2010*
IC Interpretation 12 Service Concession Arrangements	*1 July 2010*
IC Interpretation 15 Agreements for the Construction of Real Estate	*1 July 2010*
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	*1 July 2010*
IC Interpretation 17 Distributions of Non-cash Assets to Owners	*1 July 2010*
Amendments to FRS 132: Classification of Rights Issues	*1 March 2010*

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.3 Standards issued but not yet effective cont'd

	Effective for financial periods beginning on or after
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	*1 January 2011*
Amendments to FRS 7: Improving Disclosures about Financial Instruments	*1 January 2011*

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15 are described below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination 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 business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.8(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Foreign currency

(a) 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.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.6 Foreign currency cont'd

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

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

2.7 Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Marine vessels	15 - 20 years
Furniture and fittings	10%
Office equipment	10%
Motor vehicles	20%
Air conditioner	10%
Renovation	10%
Tools and equipment	20%
Computer and software	33.33%
Saturation system	10%
Plant and machinery	10%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated 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 are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.8 Intangible assets cont'd

(b) Other intangible assets cont'd

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised 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 and the ability to measure reliably the expenditures during development. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project (ranging from 4 to 8 years) on a straight line basis.

2.9 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 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.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates 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.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.13 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.14 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.14 Impairment of financial assets cont'd

(a) Trade and other receivables and other financial assets carried at amortised cost cont'd

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When discounting is used, the increase in the provision due to the passage of time recognised as a finance cost.

2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.18 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.20 Employee benefits

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) 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.

2.21 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23 (e).

2.22 Discontinued operation

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 of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.23 Revenue

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. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. 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.

(b) Rendering of services

Revenue from the installation of fire prevention equipment is recognised by reference to the stage of completion at the reporting date. Stage of completion is determined 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 to the extent of the expenses recognised that are recoverable.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Management fees

Management fees are recognised when services are rendered.

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.24 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

2.24 Income taxes cont'd

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.27 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

(a) Useful lives of vessel, barges and equipment.

The cost of vessel for the bareboat charter services is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 15 years. These are common life expectancies applied in the bareboat charter services industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 15. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1% (2009: 1.5%) variance in the Group's profit for the year.

(b) Impairment of goodwill

Goodwill, and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill and brands are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and brands and sensitivity analysis to changes in the assumptions are given in Note 17.

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 21.

4. REVENUE

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Rendering of services	75,213,166	101,180,299	-	-
Management fees from subsidiaries	-	-	2,300,796	5,082,297
	75,213,166	101,180,299	2,300,796	5,082,297

5. COST OF SALES

	Group 2010 RM	Group 2009 RM
Cost of services rendered	(23,783,789)	(39,103,467)

6. INTEREST INCOME

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Interest income from:				
Loans and receivables	15,835	14,260	650,899	1,993,860

7. OTHER INCOME

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Gain on disposal of property, plant and equipment	10,473	65,734	-	-
Net gain on foreign exchange				
realised	1,338	-	-	8,225
unrealised	2,789,765	328,321	2,789,765	-
Share of office facilities	152,008	-	152,008	-
Others	359,473	1,652,335	-	267,384
	3,313,057	2,046,390	2,941,773	275,609

8. FINANCE COSTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest expense on:				
Bank overdraft	1,062,774	427,592	1,052,474	411,511
Term loans	6,958,314	9,505,422	588,648	1,668,786
Hire purchase and finance lease liabilities	7,618	6,150	7,618	-
Amortisation of RCB discount	2,909,629	612,324	2,909,629	612,324
Others	-	292,536	-	179,888
	10,938,335	10,844,024	4,558,369	2,872,509

9. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

The following items have been included in arriving at profit/(loss) before tax from continuing operations:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Employee benefits expenses (Note 10)	2,153,096	1,652,594	2,035,426	1,352,731
Non-executive directors' remuneration and emoluments (Note 11)	143,750	141,000	143,750	141,000
Auditors' remuneration:				
- statutory	99,243	109,948	43,200	35,000
- Overprovision in prior years	(13,000)	(18,000)	-	(10,000)
Depreciation of property, plant and equipment (Note 15)				
- included in cost of sales	15,608,856	21,141,820	-	-
- included in administrative expenses	240,151	252,277	100,619	48,216
Property, plant and equipment written off (Note 15)	160,033	328,084	66,172	20,357
Impairment of property, plant and equipment (Note 15)	-	4,429,224	-	-
Loss on disposal of subsidiary (Note 13 (f))	625,720	1,175,748	310,000	441,172
Loss on disposal of associate (Note 19 (c))	3,290,185	-	443,401	-
Amortisation of drydocking expenditure	1,620,707	1,114,468	-	-
Impairment of drydocking expenditure	3,235,290	-	-	-
Impairment of intangible assets (Note 17)	10,162,672	-	-	-
Operating leases:				
- minimum lease payments for land and buildings	739,410	803,860	727,760	773,760
- minimum lease payments for plant and machineries	32,045	4,740	4,740	4,740
Net foreign exchange losses				
- realised	1,064,908	83,565	776,296	-
- unrealised	220,921	-	-	364,593
Impairment loss on financial assets				
- Trade and other receivables	5,402,976	-	2,827,195	-
Inventories written off	99,055	-	-	-

10. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Wages and salaries				
- included in cost of sales	-	61,062	-	-
- included in administrative expenses	1,072,734	809,279	967,676	707,245
Directors' remuneration and emoluments (Note 11)	901,356	654,625	901,356	538,375
Contributions to defined contribution plan and social security contribution	179,006	111,128	166,394	90,611
Other benefits	-	16,500	-	16,500
	2,153,096	1,652,594	2,035,426	1,352,731

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration and emoluments amounting to RM901,356 (2009 : RM654,625) and RM901,356 (2009 : RM538,375) respectively as further disclosed in Note 11.

11. DIRECTORS' REMUNERATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive directors' remuneration (Note 10):				
Fees and emoluments	624,269	554,625	624,269	438,375
Other emoluments	277,087	100,000	277,087	100,000
	901,356	654,625	901,356	538,375
Non-executive directors' remuneration (Note 9):				
Fees	138,000	138,000	138,000	138,000
Other emoluments	5,750	3,000	5,750	3,000
	143,750	141,000	143,750	141,000
Total directors' remuneration and emoluments	1,045,106	795,625	1,045,106	679,375

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

11. DIRECTORS' REMUNERATION CONT'D

	Number of Directors Company		Number of Directors Subsidiaries	
	2010	2009	2010	2009
Executive directors:				
RM Nil*	-	1	-	-
RM1 - RM100,000	1	1	1	-
RM100,001 - RM250,000	-	-	-	1
RM250,001 - RM350,000	-	-	-	-
RM350,001 - RM550,000	2	1	2	-
Non-Executive directors:				
RM1 - RM100,000	3	3	-	-

* Remuneration paid by subsidiary

12. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Continuing operations				
Current income tax:				
Malaysian income tax	161,750	303,394	123,544	245,259
Under/(Over) provision in				
(Over)/Under provision in prior years:				
Malaysian income tax	(589,797)	128,784	-	128,784
	(428,047)	432,178	123,544	374,043
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(15,089)	571,523	-	-
Total income tax expense from continuing operations	(443,136)	1,003,701	123,544	374,043

12. INCOME TAX EXPENSE CONT'D

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Discontinued operations				
Current income tax:				
Malaysian income tax	-	22,870	-	-
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	-	(265)	-	-
Total income tax expense from discontinued operations	-	22,605	-	-
Total income tax expense	(443,136)	1,026,306	123,544	374,043

Reconciliation between tax expense and accounting profit

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 are as follows:

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Statement of comprehensive income:				
Profit/(loss) before tax from:				
Continuing operations	9,828,993	37,322,751	(8,130,067)	(880,363)
Discontinued operations	(19,194)	(5,371,580)	-	-
Accounting profit/(loss) before tax	9,809,799	31,951,171	(8,130,067)	(880,363)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	2,452,450	7,987,793	(2,032,517)	(220,091)
Expenses not deductible for tax purpose	4,373,900	2,973,435	2,250,902	782,217
Income not subject to tax purpose	(567,684)	(260,857)	(556,673)	(316,867)
Effect of changes in tax rates	15,988	462,082	-	-
Different tax rates in offshore companies	(9,620,733)	(16,487,510)	-	-
Under provision of deferred tax	3,862,686	6,551,663	461,832	-
(Over)/Under provision of income tax in prior years	(589,797)	128,784	-	128,784
Share of results of associates	(369,946)	(329,084)	-	-
Income tax expense for the year	(443,136)	1,026,306	123,544	374,043

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

(a) As disclosed in the prior year Director's report, the Share Sale Agreement ("SSA") entered between the Company and Innovative Upstream Technologies Sdn Bhd ("Purchaser") On 12 August 2009, the Company had granted an option to the Purchaser as per Clause 4.6 of the SSA to purchase 100% equity interest in Orinippon Trading Sdn Bhd shares ("OTSB") subsidiary company of the Company for a total purchase consideration of RM720,000 ("Option"). On 23 December 2010, the Purchaser had exercised this Option.

The salient terms of the SSA include, amongst others, the following:

(i) Mode of Settlement

The Disposal Consideration of RM720,000 shall be satisfied in the following manner:

Mode of settlement	Timing	Consideration RM
Cash	Upon execution of the Option	7,200
Cash	Within 12 months Upon execution of the Option	712,800
	Total	720,000

The disposal was completed on 23 December 2010.

(b) On 10 May 2010, the Company and Nagendran A/L C. Nadarajah ("the Purchaser") entered into the following agreements:

(i) a conditional sale and purchase agreement for the disposal of 1 ordinary share of USD1.00 each in Garuda ("Garuda Sale Share"), representing the entire equity interest in Garuda ("Garuda SPA") for a total cash consideration comprising the following:

- USD1.00 (equivalent to approximately RM3.19) for the Garuda Sale Share; and
- USD5,000,000 (equivalent to approximately RM15,952,500) as an advance by the Purchaser to Garuda by way of a loan ("Garuda Advance"). The Purchaser undertakes to complete the Garuda Advance to Garuda within 7 business days of the date of the Garuda SPA. The parties agree that within 3 business days of the receipt of the Garuda Advance, Garuda shall repay the amount owing to Perisai of USD5,000,000 (equivalent to approximately RM15,952,500).

13. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE CONT'D

(ii) a conditional sale and purchase agreement for the disposal of 1 ordinary share of USD1.00 each in Hummingbird ("Hummingbird Sale Share"), representing the entire equity interest in Hummingbird ("Hummingbird SPA") ("Proposed Hummingbird Disposal").

- USD1.00 (equivalent to RM3.19) for the Hummingbird Sale Share; and

- USD750,000 (equivalent to RM2,392,875) as an advance by the Purchaser to Hummingbird by way of a loan ("Hummingbird Advance"). The Purchaser undertakes to complete the Hummingbird Advance to Garuda within 7 business days of the date of the Hummingbird SPA. The parties agree that within 3 business days of the receipt of the Hummingbird Advance, Hummingbird shall repay the amount owing to Perisai of USD750,000.

The disposal of the above subsidiaries were completed on 30 June 2010.

(c) Statement of comprehensive income disclosure

An analysis of the results of discontinued operations for the financial years ended 31 December are as follows:-

	Group	
	2010	**2009**
	RM	**RM**
Revenue	-	4,006,170
Cost of sales	-	(6,995,356)
Gross (loss)/profit	-	(2,989,186)
Other income	1,368	103,926
Administrative expenses	(20,562)	(2,437,845)
Finance costs	-	(48,475)
Loss before tax from discontinued operation (Note 12)	(19,194)	(5,371,580)
Income tax expense (Note 12)	-	(22,605)
Loss from discontinued operation, net of tax	(19,194)	(5,394,185)

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

	Group 2010 RM	Group 2009 RM
Employee benefits expenses		
Wages and salaries		
- included in cost of sales	-	670,244
- included in administrative expenses	-	475,933
Contributions to defined contribution plan and social security contribution	-	74,028
Directors' remuneration and emoluments	-	49,000
Auditors' remuneration	-	10,530
Depreciation of property, plant and equipment		
- included in cost of sales	-	150,022
- included in administrative expenses	1,128	127,071
Amortisation of prepaid land lease payments	-	2,798
Property, plant and equipment written off	-	634,095
Interest expense on:		
Bank overdraft	-	46,279
Hire purchase and finance lease liabilities	-	2,196
Management fee	-	45,000
Operating leases:		
- minimum lease payments for land and buildings	-	231,283
- minimum lease payments for plant and machineries		
- included in cost of sales	-	323,400
- included in administrative expenses	-	27,448
Dividend income	-	-
Realised gain on foreign exchange	-	(1,106)
Rental income	-	(98,000)
Interest income	-	(4,125)

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

	2010 RM	2009 RM
Operating cash flows	-	(17,275)
Investing cash flows	-	(625)
Financing cash flows	-	6,500
Total cash flows	-	(11,400)

13. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE CONT'D

(e) Statements of financial position disclosures

The major classes of assets and liabilities of the disposable group classified as held for sale as at 31 December are as follows:

	Group 2010 RM	Group 2009 RM
Assets		
Property, plant and equipment	28,133,600	42,338,860
Development expenditure	-	101,004
Deferred tax assets	-	1,292
Investment	-	-
Inventories	-	-
Trade and other receivables	-	1,055,835
Fixed deposits	-	-
Cash and bank balances	-	1,065
Assets of disposal group classified as held for sale	28,133,600	43,498,056
Liabilities		
Trade and other payables	-	80,351
Liabilities directly associated with assets classified as held for sale	-	80,351

The property, plant and equipment of the Group with a carrying value of RM28,133,600 (2009: RM42,337,500) is pledged as securities for borrowings as disclosed in Note 24.

The non-current assets classified as held for sale on the Company's statement of financial position as at 31 December is as follows:

	Company 2010 RM	Company 2009 RM
Assets		
Investment in subsidiary	-	1,030,000

(f) Disposal of Subsidiary Company

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

	Group 2010 RM	Group 2009 RM
Property, plant and equipment (Note 15 and Note 13 (e))	16,195,232	1,989,361
Prepaid land lease payment (Note 13 (e))	-	419,931
Investment (Note 13 (e))	-	3,000,000
Deferred tax assets (Note 27 and Note 13 (e))	1,292	3,756
Inventories	-	1,674,114
Trade and other receivables	3,436,592	19,596,012
Intangible assets (Note 13 (e))	101,004	203,488
Cash and bank balances	76,897	2,383,975
Hire purchase creditors	-	(81,110)
Deferred tax liabilities (Note 27 and Note 13 (e))	-	(161,144)
Trade and other payables	(18,866,262)	(16,601,517)
Minority interest	-	(5,152,711)
Net assets disposed	944,755	7,274,155
Transfer to investment in an associate company	-	(3,683,401)
Attributable goodwill (Note 17)	400,971	939,787
	1,345,726	4,530,541
Total net disposal proceeds	(720,006)	(3,354,793)
Loss on disposal to the Group	625,720	1,175,748
Net disposal proceeds settled by:		
Cash upon execution of SSA	7,206	956,400
Within 12 (2009: 24) months of signing of SSA	712,800	2,398,393
	720,006	3,354,793
Cash inflow arising on disposal:		
Cash consideration received representing cash inflow of the Company	7,206	956,400
Cash and cash equivalents of subsidiary disposed	(76,897)	(2,383,975)
Net cash outflow of the Group	(69,691)	(1,427,575)

13. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE CONT'D

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

	Company	
	2010	**2009**
	RM	**RM**
Total net disposal proceeds	720,006	3,354,793
Less: Net cost of investment in subsidiary	(1,030,006)	(3,795,965)
Loss on disposal of subsidiary	(310,000)	(441,172)

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share has been calculated by dividing the profit for the year attributable to owners of the parent by the number of ordinary shares in issue during the financial year.

	Group	
	2010	**2009**
	RM	**RM**
Profit from continuing operations attributable to owners of the parent	10,272,129	38,432,595
Loss from discontinued operations attributable to owners of the parent	(19,194)	(5,394,185)
Profit attributable to owners of the parent	10,252,935	33,038,410

	2010	**2009**
	000	**000**
Weighted average number of ordinary shares in issue	662,400	516,565
Adjusted for:		
Treasury shares	(400)	(400)
	662,000	516,165
Basic earning per share for (sen):		
Profit from continuing operations	1.55	7.45
Loss from discontinued operations	-	(1.05)
	1.55	6.40

(b) Diluted

Fully diluted earnings per share has been calculated by dividing the profit for the year attributable to owners of the parent by the number of ordinary shares issued and issuable during the financial year is as follows:

	Group	
	2010 **RM**	**2009** **RM**
Profit from continuing operations attributable to owners of the parent	10,272,129	38,432,595
Loss from discontinued operations attributable to owners of the parent	(19,194)	(5,394,185)
Profit attributable to owners of the parent	10,252,935	33,038,410

	2010 **000**	**2009** **000**
Weighted average number of ordinary shares in issue	683,200	516,209
Adjusted for:		
Treasury shares	(400)	(44)
	682,800	516,165

Basic earning per share for (sen):		
Profit from continuing operations	1.50	7.45
Loss from discontinued operations	-	(1.05)
	1.50	6.40

15. PROPERTY, PLANT AND EQUIPMENT

Group At 31 December 2010	Motor vehicles	Office equipment, furniture and fittings	Renovation, air conditioners and site equipments	Tools and equipment and moulds	Computers	Marine vessels and equipment	Total
Cost	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At beginning of year	-	212,313	123,948	1,698,063	328,180	330,867,610	333,230,114
Disposals	-	-	-	(302,863)	-	-	(302,863)
Additions	537,290	59,205	9,360	-	13,183	18,023,684	18,642,722
Disposal of subsidiary Note 13(f)	-	-	-	-	-	(16,195,000)	(16,195,000)
Exchange differences	-	-	-	-	-	(32,139,190)	(32,139,190)
Written off	-	(42,370)	(43,270)	(761,465)	(47,697)	-	(894,802)
At end of year	537,290	229,148	90,038	633,735	293,666	300,557,104	302,340,981
Accumulated Depreciation							
At beginning of year	-	71,604	16,556	1,297,169	327,847	18,592,954	20,306,130
Depreciation charge for the year	53,729	12,103	9,953	95,459	67,779	15,608,856	15,847,879
Disposals	-	-	-	(141,336)	-	-	(141,336)
Exchange differences	-	-	-	-	-	(2,425,145)	(2,425,145)
Written off	-	(11,562)	(5,072)	(673,739)	(44,396)	-	(734,769)
Reclassification	-	76,532	-	-	(76,532)	-	-
At end of year	53,729	148,677	21,437	577,553	274,698	31,776,665	32,852,759
Net Carrying Amount							
At 31 December 2010	483,561	80,471	68,601	56,182	18,968	268,780,439	269,488,222

15. PROPERTY, PLANT AND EQUIPMENT CONT'D

Group At 31 December 2009	Motor vehicles	Office equipment, furniture and fittings	Renovation, air conditioners and site equipments	Plant and machineries and diving equipments	Tools and equipment and moulds	Computers	Marine vessels and equipment	Saturation diving system	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM	RM
At beginning of year	399,440	321,483	462,865	573,464	3,300,455	469,688	360,347,044	14,909,000	380,783,439
Disposals	(310,178)	(46,810)	(30,001)	-	(221,107)	(55,568)	-	-	(663,664)
Additions	-	21,740	37,024	-	33,004	20,359	24,223,025	-	24,335,152
Exchange differences	-	-	-	-	(30,678)	(1,615)	(12,428,919)	(514,250)	(12,975,462)
Written off	-	(73,710)	(149,693)	-	(1,887,752)	(91,569)	-	-	(2,202,724)
Reclassification	-	-	-	(573,464)	584,565	-	(11,101)	-	-
Disposal of subsidiary Note 13 (f)	(89,262)	(10,390)	(196,247)	-	(80,424)	(13,115)	-	-	(389,438)
Reclassified as held for sale Note 13 (e)	-	-	-	-	-	-	(41,262,439)	(14,394,750)	(55,657,189)
At end of year	-	212,313	123,948	-	1,698,063	328,180	330,867,610	-	333,230,114
Accumulated Depreciation									
At beginning of year	272,075	114,775	196,315	-	2,002,768	321,607	7,624,169	869,693	11,401,402
Depreciation charge for the year	13,227	18,823	57,702	-	456,321	135,190	19,273,527	1,485,375	21,440,165
Disposals	(262,987)	(19,874)	(16,300)	-	(119,083)	(48,753)	-	-	(466,997)
Exchange differences	-	-	-	-	(28,830)	(1,690)	(943,274)	(105,823)	(1,079,617)
Written off	-	(37,694)	(50,859)	-	(1,697,218)	(88,869)	-	-	(1,874,640)
Reclassification	-	-	-	-	(8,945)	-	8,945	-	-
Disposal of subsidiary Note 13 (f)	(22,315)	(4,426)	(170,302)	-	(22,488)	(4,187)	-	-	(223,718)
Impairment losses	-	-	-	-	714,644	14,549	2,731,626	968,405	4,429,224
Reclassified as held for sale Note 13 (e)	-	-	-	-	-	-	(10,102,039)	(3,217,650)	(13,319,689)
At end of year	-	71,604	16,556	-	1,297,169	327,847	18,592,954	-	20,306,130
Net Carrying Amount									
At 31 December 2009	-	140,709	107,392	-	400,894	333	312,274,656	-	312,923,984

15. PROPERTY, PLANT AND EQUIPMENT CONT'D

	Motor vehicle & Renovation	Office equipment & Furniture and fittings	Computer hardware	Total
	RM	RM	RM	RM
Company				
Cost				
At 1 January 2010	121,600	96,327	97,372	315,299
Additions	546,650	59,205	13,184	619,039
Disposal	-	-	-	-
Written off	(43,270)	(34,624)	(11,851)	(89,745)
At 31 December 2010	624,980	120,908	98,705	844,593
Accumulated Depreciation				
At 1 January 2010	14,500	15,492	63,881	93,873
Depreciation charge for the year	63,683	11,397	25,539	100,619
Disposal	-	-	-	-
Written off	(5,073)	(8,816)	(9,684)	(23,573)
At 31 December 2010	73,110	18,073	79,736	170,919
Net Carrying Amount				
At 31 December 2010	551,870	102,835	18,969	673,674
Cost				
At 1 January 2009	119,328	81,337	86,465	287,130
Additions	27,270	14,990	12,655	54,915
Disposal	-	-	(1,748)	(1,748)
Written off	(24,998)	-	-	(24,998)
At 31 December 2009	121,600	96,327	97,372	315,299
Accumulated Depreciation				
At 1 January 2009	7,738	6,689	37,231	51,658
Depreciation charge for the year	11,403	8,803	28,010	48,216
Disposal	-	-	(1,360)	(1,360)
Written off	(4,641)	-	-	(4,641)
At 31 December 2009	14,500	15,492	63,881	93,873
Net Carrying Amount				
At 31 December 2009	107,100	80,835	33,491	221,426

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

	Group	
	2010 RM	2009 RM
Motor vehicles	483,561	-

(b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings as disclosed in Note 24 are as follows:

	Group	
	2010 RM	2009 RM
Marine Vessels	268,780,439	312,274,656
	268,780,439	312,274,656

16. DRYDOCKING EXPENDITURE

	Group	
	2010 RM	2009 RM
At 1 January	5,090,908	1,434,425
Addition	87,447	4,785,990
Exchange differences	(322,358)	(15,039)
Charged to income statement	(1,620,707)	(1,114,468)
Impairment loss	(3,235,290)	-
At 31 December	-	5,090,908

17. INTANGIBLE ASSETS

	Goodwill RM	Development costs RM	Patent rights RM	Total RM
Group				
Cost				
At 1 January 2009	77,066,368	12,866,197	383,335	90,315,900
Additions	-	-	-	-
Disposal	-	(4,426,632)	-	(4,426,632)
Disposal of subsidiary (Note 13 (f))	(939,787)	-	-	(939,787)
At 31 December 2009 and 1 January 2010	76,126,581	8,439,565	383,335	84,949,481
Additions	-	-	-	-
Disposal	-	-	-	-
Disposal of subsidiary (Note 13 (f))	(400,971)	-	-	(400,971)
Impairment	(1,339,772)	-	-	(1,339,772)
Written off	-	(8,439,565)	(383,335)	(8,822,900)
At 31 December 2010	74,385,838	-	-	74,385,838
At 31 December 2009	76,126,581	8,439,565	383,335	84,949,481
At 31 December 2010	74,385,838	-	-	74,385,838

The recoverable amount of CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering 5 years period and assume no growth rate.

The key assumptions used for value in use calculations are as follow:

Period of projected cash flows	5 years based on the estimated remaining useful life of assets and operation of subsidiaries acquired
Discount rate	9%

Management determined budgeted gross margin and results based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

With regard to the assessment of value in use, the management believes that no possible change in any of the above key assumptions would cause the carrying values of CGU to be materially different from their recoverable amount.

Impairment test for goodwill on consolidation

Goodwill on consolidation has been allocated for impairment testing purposes to the individual entities which is also the cash-generating units ("CGU") identified.

18. INVESTMENT IN SUBSIDIARIES

	Company 2010 RM	Company 2009 RM
Unquoted shares, at cost	144,276,781	144,276,787

(a) Subsidiaries

Details of subsidiaries are as follows:

Name of companies	Country of Incorporation	Ownership Interest 2010 %	Ownership Interest 2009 %	Principal Activities
(i) Subsidiaries of Perisai Petroleum Teknologi Bhd.				
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
Alpha Perisai Sdn. Bhd. **	Malaysia	100	100	Design, fabrication and installation of relocatable incremental modular field development structure for topside and subsea
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

18. INVESTMENT IN SUBSIDIARIES CONT'D

Name of companies	Country of Incorporation	Ownership Interest 2010 %	Ownership Interest 2009 %	Principal Activities
(i) Subsidiaries of Perisai Petroleum Teknologi Bhd.				
SJR Marine (L) Ltd **	Malaysia	100	100	Provision of vessels, barges and equipment on bareboat charter services
Orinippon Trading Sdn.Bhd. **	Malaysia	Nil	100	Design and engineering and patent holder
Garuda Energy (L) Inc. **	Malaysia	Nil	100	Dormant
HummingBird Energy (L) Inc. **	Malaysia	Nil	100	Dormant

Name of companies	Country of Incorporation	Ownership Interest 2010 %	Ownership Interest 2009 %	Principal Activities
(ii) Subsidiary of Orinipon Trading Sdn. Bhd.				
Impact Surge Sdn. Bhd. **	Malaysia	Nil	100	Dormant

* Audited by AljefriDean
** Audited by firms other than AljeffriDean

19. ASSOCIATED COMPANIES

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Unquoted shares at cost – in Malaysia	17,416,000	3,688,301	17,416,000	3,688,301
Share of post acquisition (loss)/profits	(50,662)	1,316,336	-	-
	17,365,338	5,004,637	17,416,000	3,688,301

The details of the associate companies of the Group are as follows:

Name of companies	Country of Incorporation	Ownership Interest 2010 %	Ownership Interest 2009 %	Principal Activities
Corro-Shield (M) Sdn. Bhd. **	Malaysia	Nil	30	Manufacturing, supplying, commissioning and installation of corrosion control products and related services, primarily for the oil and gas industry
Phoenix Energy Sdn. Bhd. **	Malaysia	32%	49%	Project management works, conducting research and development on the Mobile Offshore Production and Storage Unit Technology
Larizz Petroleum Services Sdn. Bhd. *	Malaysia	40%	Nil	Provision of upstream oil and gas services

* Audited by AljeffriDean
** Audited by firms other than AljeffriDean

Summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2010 RM	Group 2009 RM
Assets and Liabilities		
Total assets	54,390,069	22,946,104
Total liabilities	(66,831)	(8,136,941)
Revenue for the year	-	3,490,217
Loss for the year	(65,938)	1,316,336

19. ASSOCIATED COMPANIES CONT'D

(a) Subscription of share in associate

On 29 December 2010, the associate company, Phoenix Energy Sdn Bhd ("PESB") increased its issued and paid up share capital from RM10,000 to RM54,300,000 ordinary shares of RM1.00 each by way of issuance 54,290,000 ordinary shares of RM1.00 each of which 17,371,100 ordinary shares of RM1.00 each were subscribed by the Company by way of capitalisation amount due from PESB to the Company. The issuance of the additional shares in PESB has resulted in dilution of the Company's interest from 49% to 32% at the end of the financial year.

(b) Incorporation of an associate

On 3 November 2010, the Company incorporated a new associate company known as Larizz Petroleum Services Sdn. Bhd. ("LPSSB") with an issued and authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each of which 40% ownership interest were subscribed by the Company for a purchase consideration of RM40,000 while the balance of 60% were subscribed by the Managing Director of the Company, En. Zainol Izzet Bin Mohamed Ishak for a purchase consideration of RM60,000.

(c) Disposal of an associate

As disclosed in the prior year Director's report, the Share Sale Agreement ("SSA") entered between the Company and Innovative Upstream Technologies Sdn Bhd ("Purchaser") On 12 August 2009, the Company had granted an option to the Purchaser as per Clause 4.6 of the SSA to purchase the balance 30% ownership interest in Corro-Shield (M) Sdn. Bhd., ("CSSB") comprising 180,000 ordinary shares of RM1.00 each ("Share Sale") for a total purchase consideration of RM3,240,000.

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Sales Proceeds Received	3,240,000	-	3,240,000	-
Less: Cost of investment at cost	(3,683,401)	-	(3,683,401)	-
Loss to the Company	(443,401)	-	(443,401)	-
Less: Share of post acquisition profits	(2,846,784)	-	-	-
Loss to the Group	(3,290,185)	-	(443,401)	-

20. INVENTORIES

	Group 2010 RM	Group 2009 RM
Cost		
Work-in-progress	-	99,055
	-	99,055

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Trade receivables	11,850,955	30,830,575	-	-
Less: Allowance for impairment	(4,933,995)	(2,849,501)	-	-
	6,916,960	27,981,074	-	-
Other receivables	7,430,497	18,955,463	3,896,626	18,204,552
Less: Allowance for impairment	(3,318,482)	-	(2,827,195)	-
	4,112,015	18,955,463	1,069,431	18,204,552
Deposits	94,506	5,401,706	80,931	74,030
Prepayments	1,310,890	79,916	77,174	20,836
	1,405,396	5,481,622	158,105	94,866
Total trade and other receivables	12,434,371	52,418,159	1,227,536	18,299,418
Add: Cash and bank balances	26,220,542	17,781,935	5,561,195	11,378,378
Total loans and receivables	38,654,913	70,200,094	6,788,731	29,677,796

21. TRADE AND OTHER RECEIVABLES CONT'D

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 120 days (2009 : 30 to 120 days) terms. They are recognised at their original invoice amounts which represents their fair value on initial recognition.

Ageing analysis of the Group's trade receivables is as follows:

	Group	
	2010	**2009**
	RM	**RM**
Neither past due nor impaired	-	-
1 to 30 days past due not impaired	6,482,960	3,381,619
31 to 60 days past due not impaired	-	574,774
91 to 120 days past due not impaired	-	7,214,566
91 to 120 days past due not impaired	-	-
More than 121 days past due not impaired	434,000	16,810,115
	6,916,960	27,981,074
Impaired	4,933,995	2,849,501
	11,850,955	30,830,575

Movement in allowance accounts:

	Group	
	2010	**2009**
	RM	**RM**
At 1 January	2,849,501	-
Allowance made	2,084,494	2,849,501
At 31 December	4,933,995	2,849,501

(b) Other receivables

Included in the other receivables of the Group and of the Company is an amount of RM118,725 (2009 : RM14,573,162 and RM14,379,386) respectively due from an associate company which is non-trade in nature, non-interest bearing and repayable on demand.

22. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Group	
	2010 RM	2009 RM
Amount due from subsidiaries	43,782,405	58,782,144
Amount due to subsidiaries	(44,544,801)	(8,654,615)
	(762,396)	50,127,529

(i) Amount due from subsidiaries

Amount due from certain subsidiaries bear interest ranging from 7.75% to 8.50% (2009 : 7.75% to 8.50%) per annum, which is non-trade in nature and repayable on demand.

(ii) Amount due to subsidiaries

Amount due to subsidiaries are non-trade in nature, non-interest bearing and repayable on demand.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash on hand and at banks	26,220,542	7,620,935	5,561,195	1,217,378
Deposits with licensed banks	-	10,161,000	-	10,161,000
Cash and bank balances	26,220,542	17,781,935	5,561,195	11,378,378

Deposits with licensed financial institution of the Group and of the Company amounting to RM Nil (2009: RM10,161,000) was deposited as a short term deposit from Disbursement Account which is secured against RCB issuance as disclosed in Note 25.

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash and bank balances	26,220,542	7,620,935	5,561,195	1,217,378
Cash and bank balances classified as held for sale Note 13(e)	-	1,065	-	-
Deposits with licensed banks	-	10,161,000	-	10,161,000
Bank overdrafts	(395,041)	(10,431,884)	(395,041)	(9,939,563)
Total cash and cash equivalents	25,825,501	7,351,116	5,166,154	1,438,815

24. BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short term borrowings				
Secured:				
Bank overdrafts	395,041	10,431,884	395,041	9,939,563
Term loans	38,052,249	47,145,171	1,315,000	11,735,000
Redeemable Convertible Bond (Note 25)	15,221,601	-	15,221,601	-
	38,447,290	57,577,055	1,710,041	21,674,563
Long term borrowing				
Secured:				
Redeemable Convertible Bond (Note 25)	-	31,030,375	-	31,030,375
Term loans	137,676,169	162,672,734	-	5,335,000
	137,676,169	193,703,109	-	36,365,375
Total borrowings				
Bank overdrafts	395,041	10,431,884	395,041	9,939,563
Term loans	175,728,418	209,817,905	1,315,000	17,070,000
Redeemable Convertible Bond (Note 25)	15,221,601	31,030,375	15,221,601	31,030,375
	191,345,060	251,280,164	16,931,642	58,039,938

(a) Bank Overdrafts

The bank overdrafts of the Group and of the Company are subject to interest at rates ranging from 1.25% to 1.50% (2009: 1.25% to 1.50%) and 1.5% (2009: 1.5%) respectively per annum above the bank based lending rates and are secured against property, plant and equipment as disclosed in Note 15 and Note 13 (e).

(b) Term Loans

The term loans of the Group and of the Company are subject to interest at rates ranging from 0.75% to 4.75% (2009: 0.75% to 1.50%) per annum above the bank based lending rates and USD LIBOR and 2.25% (2009: 1.25%) per annum above the bank's cost of funds respectively.

The maturity of the term loans are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Not later than 1 year	38,052,249	47,145,171	1,315,000	11,735,000
Later than 1 year but not later than 2 years	36,727,577	40,745,171	-	5,335,000
Later than 2 years but not later than 5 years	73,425,149	70,820,341	-	-
Later than 5 years	27,523,443	51,107,222	-	-
	175,728,418	209,817,905	1,315,000	17,070,000

The above banking facilities are secured by the following:

(i) A legal charge over marine vessels belonging to the subsidiary companies as disclosed in Note 15 and Note 13(e) ;

(ii) Specific and limited debenture over the vessels of the subsidiary companies; and

(iii) Corporate guarantee by the Company.

25. REDEEMABLE CONVERTIBLE SECURED BONDS ("RCB")

As disclosed in the prior year Director's report the Company had issued USD10,000,000 equivalent to RM33,680,000 nominal value of zero coupon two (2)-year Redeemable Convertible Secured Bonds ("RCB") at a discount rate of 12% (net 88%) of the nominal value of the RCB for additional working capital purposes.

On 27 May 2010, the Company had exercised its option under the condition 7.6 Part III of Schedule of the Security Agency Agreement dated 18 September 2009 to redeem USD5,000,000 in nominal value equivalent to RM15,900,000 by way of cash.

(a) Conversion rights

The registered holders of the RCB will have the right to convert the RCB during the conversion period into new ordinary shares with a par value of RM0.10 each in the Company at a conversion price of RM0.675 per share.

(b) Conversion period

The conversion right may be exercised, at the option of the RCB holder, at any time (including part-conversion) after the date of issuance of the RCB until the 2nd anniversary of the date of issue of the RCB.

25. REDEEMABLE CONVERTIBLE SECURED BONDS ("RCB") CONT'D

(c) Conversion price

The conversion price is set at RM0.675 per ordinary share.

(d) Coupon Rate

The RCB were issued at zero coupon rate.

The new ordinary shares to be allotted and issued upon conversion of the RCB shall rank pari passu in all respects with the existing ordinary shares of the Company.

The RCB are secured as follows:

(i) Debenture incorporating a fixed and floating charge over the assets of the Company both present and future;

(ii) Charge over the assets to be acquired / investments to be made from the proceeds of the RCB;

(iii) Charge over the account with financial institution in which the proceeds from the issuance of the RCB was deposited into the disbursement account as disclosed in Note 23.

The amount recognised in the balance sheets of the Group and of the Company may be analysed as follows:

	Group/Company	
	2010	2009
	RM	RM
Liability component at the beginning of the year/date of issue	31,030,375	29,638,400
Redeem during the year	(15,900,000)	-
Discount amortised in income statement	2,909,625	612,324
Unrealised (gain)/loss on foreign exchange	(2,818,399)	779,651
	15,221,601	31,030,375

The discount amortised for the financial year is calculated by applying an effective interest rate of 16.99% (2009: 12.36%) to the liability component.

The directors estimate the fair value of the liability component of the convertible bonds as at 31 December 2010, to be approximately RM15 million (2009 : RM31 million). This fair value has been measured at amortised cost using effective interest rate of 16.99% (2009 : 12.36%) over the bond maturity period.

26. HIRE PURCHASE PAYABLES

	Group/Company 2010 RM	Group/Company 2009 RM
Minimum lease payments:		
Not later than 1 year	105,756	-
Later than 1 year but not later than 2 years	105,756	-
Later than 2 years but not later than 5 years	290,799	-
Later than 5 years	-	-
Total minimum lease payments	502,311	-
Less: Amounts representing finance charges	(71,133)	-
Present value of minimum less payments	431,178	-
Present value of payments:		
Not later than 1 year	79,162	-
Later than 1 year but not later than 2 years	85,358	-
Later than 2 years but not later than 5 years	266,658	-
Later than 5 years	-	-
Present value of minimum lease payments	431,178	-
Less: Amount due within 12 months	(79,162)	-
Amount due after 12 months	352,016	-

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Trade payables				
Third parties	6,916,961	12,926,853	-	-
Other payables				
Accruals	396,071	718,199	370,883	551,391
Other payables	748,680	21,372,519	739,905	12,016,456
	1,144,751	22,090,718	1,110,788	12,567,847
	8,061,712	35,017,571	1,110,788	12,567,847

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 credit terms are assessed and approved on case to case basis.

28. DEFERRED TAXATION

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
At 1 January	(5,650,391)	(6,225,670)	(994,314)	(994,314)
Recognised in income statement (Note 12)	(15,089)	571,523	-	-
Disposal of subsidiary (Note 13 (f))	-	3,756	-	-
At 31 December	(5,665,480)	(5,650,391)	(994,314)	(994,314)
Presented after appropriate offsetting as follows:				
Deferred tax assets	(5,665,480)	(5,650,391)	(994,314)	(994,314)

Deferred Tax Assets of the Group:

	Unused Tax Losses RM	Total RM
At 1 January 2010	(5,650,391)	(5,650,391)
Recognised in the income statement	(15,089)	(15,089)
Disposal of subsidiary (Note 13 (f))	-	-
At 31 December 2010	(5665,480)	(5,665,480)
At 1 January 2009	(6,225,670)	(6,225,670)
Recognised in the income statement	571,523	571,523
Disposal of subsidiary (Note 13 (f))	3,756	3,756
At 31 December 2009	(5,650,391)	(5,650,391)

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 Assets of the Company:

	Unused Tax Losses RM	Total RM
At 1 January 2010	(994,314)	(994,314)
Recognised in the income statement	-	-
At 31 December 2010	(994,314)	(994,314)
At 1 January 2009	(994,314)	(994,314)
Recognised in the income statement	-	-
At 31 December 2009	(994,314)	(994,314)

29. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary Share of RM0.10 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Authorised share capital				
At 1 January	1,000,000	500,000	100,000	50,000
Created during the year	-	500,000	-	50,000
At 31 December	1,000,000	1,000,000	100,000	100,000
Issued and paid-up share capital				
At 1 January	662,400	294,400	66,240	29,440
Issue of bonus shares	-	368,000	-	36,800
At 31 December	662,400	662,400	66,240	66,240

The holders of ordinary shares (except treasury 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.

29. SHARE CAPITAL AND TREASURY SHARES CONT'D

Treasury Shares

This amount relates to the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

Of the total 662,400,000 (2009: 662,400,000) issued and fully paid ordinary shares as at 31 December 2010, 400,000 (2009: 400,000) are held as treasury shares by the Company. As at 31 December 2010, the number of outstanding shares in issue after set-off is therefore 662,000,000 (2009: 662,000,000) ordinary shares of RM0.10 each.

30. OTHER RESERVE

	Foreign currency translation reserve RM	Total RM
At 1 January 2010	(2,896,952)	(2,896,952)
Addition	(17,174,201)	(17,174,201)
At 31 December 2010	(20,071,153)	(20,071,153)
At 1 January 2009	869,004	869,004
Addition	(3,765,956)	(3,765,956)
At 31 December 2009	(2,896,952)	(2,896,952)

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 foreign operation.

31. RETAINED EARNINGS

The Company has an 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.

32. 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:

	2010 RM	2009 RM
Company		
Subsidiary companies		
Management fee	2,300,796	5,082,297
Group		
Related Party:		
Rental of office space charged to Bayu Emas Sdn. Bhd.	152,008	-
Vessel maintenance services charged by Emas Offshore Services Pte. Ltd.	(1,251,822)	-
Vessel maintenance services charged by Emas Offshore Services Sdn. Bhd.	(496,563)	-

The transactions are related party in nature by virtue of the abovementioned companies are the wholly owned subsidiaries of Ezra Holding Limited and HCM Logistics Limited, being one of the major shareholders of Perisai is also a wholly owned subsidiary of Ezra Holdings Limited.

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.

33. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board of Directors reviews and agrees policies for the management of these risks, which are executed by the Head of Finance Division and heads of departments within Finance Division. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group has not undertake any derivatives throughout the current and previous financial year. The following sections provide detail regarding the Group's and Company's exposure to the above-mentioned financial risks and objectives, policies and processes for the management of these risks.

33. FINANCIAL INSTRUMENTS CONT'D

Financial Risk Management Objectives and Policies cont'd

(a) 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.

(b) 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.

(c) 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.

(d) Credit Risk

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

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

(e) 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.

(f) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group			
2010			
Financial Assets			
Trade and other receivables	12,434,371	-	12,434,371
Cash and bank balances	26,220,542	-	26,220,542
Total financial assets	38,654,913	-	38,654,913
Financial Liabilities			
Trade and other payables	-	8,061,712	8,061,712
Hire purchase payables	-	431,178	431,178
Borrowings	-	191,345,060	191,345,060
	-	199,837,950	199,837,950
Group			
2009			
Financial Assets			
Trade and other receivables	52,418,159	-	52,418,159
Cash and bank balances	17,781,935	-	17,781,935
Total financial assets	70,200,094	-	70,200,094
Financial Liabilities			
Trade and other payables	-	35,017,571	35,017,571
Hire purchase payables	-	-	-
Borrowings	-	251,280,164	251,280,164
	-	286,297,735	286,297,735

33. FINANCIAL INSTRUMENTS CONT'D

Financial Risk Management Objectives and Policies cont'd

(f) Classification of financial instruments cont'd

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company			
2010			
Financial Assets			
Trade and other receivables	1,227,536	-	1,227,536
Cash and bank balances	5,561,195	-	5,561,195
Total financial assets	6,788,731	-	6,788,731
Financial Liabilities			
Trade and other payables	-	1,110,788	1,110,788
Hire purchase payables	-	431,178	431,178
Borrowings	-	16,931,642	16,931,642
Amount due to subsidiaries		762,396	762,396
	-	19,236,004	19,236,004
Company			
2009			
Financial Assets			
Trade and other receivables	18,299,418	-	18,299,418
Cash and bank balances	11,378,378	-	11,378,378
Amount due from subsidiaries	50,127,529	-	50,127,529
Total financial assets	79,805,325	-	79,805,325
Financial Liabilities			
Trade and other payables	-	12,567,847	12,567,847
Hire purchase payables	-	-	-
Borrowings	-	58,039,938	58,039,938
	-	70,607,785	70,607,785

34. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to maintain a strong credit rating and healthy capital ratios in order to support their business and maximise shareholder value.

The Group and the Company manages their capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's and the Company's policy is to maintain the gearing ratio not exceeding 250% respectively. The Group and the Company includes within net debt, loans and borrowings, less cash and bank balances. Capital includes equity attributable to the owners of the Group and the Company less the fair value adjustment reserve if any.

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Loans and borrowings	191,776,238	251,280,164	17,362,820	58,039,938
Less: Cash and bank balances	(26,220,542)	(17,781,935)	(5,561,195)	(11,378,378)
Net debt	165,555,696	233,498,229	11,801,625	46,661,560
Equity attributable to the owners of the parent	233,752,073	240,673,339	150,845,915	159,099,526
Add: Foreign exchange reserve	20,071,153	2,896,952	-	-
Total capital	253,823,226	243,570,291	150,845,915	159,099,526
Capital and net debt	419,378,922	477,068,520	162,647,540	205,761,086
Gearing ratio	39%	49%	7%	23%

35. CONTINGENCIES

	Group 2010 RM	Group 2009 RM
(i) Banking facilities of the subsidiaries		
Unsecured:		
Corporate guarantee given to banks for credit facilities granted to Subsidiaries	183,480,000	270,960,000

(ii) Acquisition of subsidiary

Pursuant to the acquisition of SJR Marine (L) Ltd ("SJR") from Mercury Pacific Marine Pte Ltd ("Vendor"), 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 RM30,580,000) shall be paid by Company to the Vendor in cash if:-

(i) SJR achieves an average Profit After Tax of USD11,000,000 (equivalent to RM33,638,000) 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 (excluding SJR PAT) 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 RM45,870,000) 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 RM33,638,000) 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 (excluding SJR PAT) of at least RM20,000,000 per annum for three respective financial year ending 31 December 2009, 2010, and 2011.

(iii) Material litigation

A legal claim was lodged against a Subsidiary Company's contractor in respects of construction works claimed to be substandard for an amount of USD18,734,502 (equivalent to RM57,290,107) and the contractor has filed a counter claim against the Subsidiary Company for an amount of USD3,450,685 (equivalent to RM10,552,195) in respect of non-compliance with the term of the engagement. A trial date has not yet been set and therefore it is not practicable to state the timing of any payment. The Subsidiary Company has been advised by its' legal council that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability or asset has been made in these financial statement.

36. OTHER SIGNIFICANT EVENT

(i) Mr. Nagendran C. Nadarajah, the Substantial Shareholder of the Company has entered into a Share Sale Agreement dated 9 April 2010 with HCM Logistics Limited, a wholly-owned subsidiary of Ezra Holdings Limited, Singapore, for the sale of his entire direct and indirect shareholdings in the Company representing approximately 19% of the ordinary share capital of the Company ("the Disposal").

The Disposal was completed on 7 May 2010.

None of the other director and person connected to them have any interest in aforesaid disposal.

(ii) On 1 March 2010, the wholly-owned subsidiary company of the Company had entered into a Memorandum of Agreement ("MOA") with Olap International Limited ("OIL") to dispose off 9 man Portable Saturation Diving System for a total cash consideration of USD3,300,000 (equivalent to approximately RM11,154,000)

The disposal was completed on 4 May 2010.

37. SUBSEQUENT EVENTS

(i) On 13 January 2011, the Company has exercised its option under the Condition 7.6 Part III of Schedule 1 of the Security Agency Agreement dated 18 September 2009 to redeem USD1,000,000 (equivalent to RM3,058,000) in nominal value of the outstanding Redeemable Convertible Bonds ("RCB") by way of cash.

(ii) On 24 January 2011, the Company has exercised its option under the Condition 6.1 Part III of Schedule 1 of the Security Agency Agreement dated 18 September 2009 to redeem USD2,000,000 (equivalent to RM7,020,000) in nominal value of the outstanding Redeemable Convertible Bonds ("RCB") by way of issuance of 10,400,000 ordinary shares of RM0.10 each at an issue price of RM0.675 each.

The newly issued shares shall rank pari passu in all respects with the existing ordinary shares of the Company.

(iii) On 16 March 2011, the Company has exercised its option under the Condition 6.1 Part III of Schedule 1 of the Security Agency Agreement dated 18 September 2009 to redeem the remaining USD2,000,000 (equivalent to RM7,020,000) in nominal value of Redeemable Convertible Bonds ("RCB") by way of issuance of 10,400,000 ordinary shares of RM0.10 each at an issue price of RM0.675 each.

The newly issued shares shall rank pari passu in all respects with the existing ordinary shares of the Company.

(iv) On 27 January 2011, the Company entered into a conditional share sale agreement with Emas Offshore (M) Sdn Bhd for the acquisition of 51% equity interest in Intan Offshore Sdn Bhd ("Intan Offshore") for a purchase consideration of RM45,237,000 to be satisfied by way of issuance of 70,683,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.64 per share ("Proposed Acquisition").

The Proposed acquisition is pending completion.

(v) On 29 March 2011, the Company has entered into Term Sheet with Mr Nagendran Nadarajah ("the Vendor") to acquire 100% equity interest in Garuda Energy (L) Inc a company incorporated in Labuan for a purchase consideration of USD70,000,000 (equivalent to approximately RM210,000,000) ("Purchase Consideration") to be satisfied by way of USD50,000,000 (equivalent to approximately RM150,000,000) cash ("Cash Consideration") and the balance of USD20,000,000 (equivalent to approximately RM60,000,000) to be satisfied by way of issuance of new ordinary shares of RM0.10 each at an issue price of RM0.65 per share.

The Proposed acquisition is pending completion.

38. MATERIAL CAPITAL COMMITMENTS

	Group 2010 RM	2009 RM
Capital Expenditure		
Approved and contracted for:		
Property, plant and equipment	-	28,789,500

39. SEGMENTAL INFORMATION

In the prior year's audited financial statements, the basis of segmentation was on geographical segment. In the current financial year ended 31 December 2010, the basis of segmentation has been changed to operating segments based on information reported internally to the Board of Directors of the Company. The Group is organised into legal entities based on the marine vessel charter services and separate business as held by each entity. Marine vessel charter services is the largest contributor to the Group in terms of revenue, profit for the year and total assets and hence is reported as a separate operating segment whilst the rest are reported as 'Others'.

Operating segment information for the current financial year ended 31 December 2010 is as follows:

	Marine vessels RM	Others RM	Total RM
2010			
Revenue	75,213,166	-	75,213,166
Profit/(loss) for the year	29,415,372	(19,162,437)	10,252,935
Total assets	306,292,251	127,401,140	433,693,391
2009			
Revenue	99,680,226	1,500,073	101,180,299
Profit/(loss) for the year	40,425,986	(9,501,121)	30,924,865
Total assets	394,319,424	133,097,182	527,416,606

40. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010 into realised and unrealised earnings is presented as follows, in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants:

	Group 2010 RM	Company 2009 RM
Total retained earnings/(accumulated losses) of the Company and subsidiaries		
- realised profits/(losses)	138,710,110	(13,246,038)
- unrealised profits	8,455,245	3,784,079
	147,165,355	(9,461,959)
Associates		
- realised profits	1,528,129	-
- unrealised profits	(48,343)	-
	1,479,786	-
Group consolidated adjustments	(55,129,789)	-
Total Group retained earnings	93,515,352	(9,461,959)

analysis of **shareholdings**

as at 29 April 2011

Authorised Share Capital	:	RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each
Issued and paid-up Share Capital	:	RM68,320,000 comprising 683,200,000 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
as at 29 April 2011

Size of Holdings	No. of Shareholders	Total Holdings	%
Less than 100 shares	183	7,807	0.00
100 - 1,000 shares	279	208,832	0.03
1,001 - 10,000 shares	4,137	25,324,987	3.71
10,001 - 100,000 shares	2,384	76,711,256	11.22
100,001 - below 5% of issued shares	430	290,680,868	42.55
5% and above of issued shares	2	290,266,250	42.49
	7,415	683,200,000	100.00

SUBSTANTIAL SHAREHOLDERS
as at 29 April 2011

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1.	Mercury Pacific Marine Pte. Ltd.	158,266,250	23.18	-	-
2.	HCM Logistics Limited	132,000,000	19.33	-	-

* Excluding a total of 400,000 shares bought back by the Company and retained as treasury shares.

DIRECTORS' SHAREHOLDINGS
as at 29 April 2011

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1.	Dato' Yogesvaran A/L T. Arianayagam	3,856,207	0.56	-	-

* Excluding a total of 400,000 shares bought back by the Company and retained as treasury shares.

thirty (30) **largest shareholders**

as at 29 April 2011

No.	Names	No. of Shares held	%
1	Mercury Pacific Marine Pte Ltd	158,266,250	23.18
2	UOBM Nominees (Asing) Sdn Bhd HCM Logistics Limited	132,000,000	19.33
3	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank NA, Singapore (Julius Baer)	27,400,000	4.01
4	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for Prudential Fund Management Berhad	17,156,000	2.51
5	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Ablelink Investments Ltd	9,725,000	1.42
6	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Phoenix Pacific International Investment Ltd	8,500,000	1.24
7	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund ITTE for Commonfund Emerging Markets Investors Company	7,596,100	1.11
8	Lim Chin Sean	7,000,000	1.03
9	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	6,196,900	0.91
10	Mayban Nominees (Tempatan) Sdn Bhd Syarikat Takaful Malaysia Berhad	5,420,000	0.79
11	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Prusmall-Cap Fund	4,443,300	0.65
12	Amsec Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Pacific Pearl Fund	3,892,500	0.57
13	Dato' Yogesvaran A/L T Arianayagam	3,856,184	0.56
14	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Shobana A/P K Balakrishnan	3,755,200	0.55
15	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Prugrowth Fund	3,746,200	0.55
16	Citigroup Nominees (Tempatan) Sdn Bhd UBS AG Singapore for Tai Fook Hee	3,285,800	0.48
17	Amanahraya Trustees Berhad Public Islamic Alpha-40 Growth Fund	3,109,100	0.46
18	Koperasi Permodalan Felda Malaysia Berhad	3,000,000	0.44
19	HSBC Nominees (Asing) Sdn Bhd Exempt An for The Bank of New York Mellon SA/NV (Amex-Foreign)	2,875,000	0.42
20	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for American International Assurance Berhad	2,761,900	0.40
21	Tai Fook Hee	2,629,200	0.39

thirty (30) **largest shareholders** cont'd

No.	Names	No. of Shares held	%
22	Citigroup Nominees (Tempatan) Sdn Bhd Allianz Life Insurance Malaysia Berhad	2,600,000	0.38
23	UOBM Nominees (Asing) Sdn Bhd UOB-IOD for United Overseas Bank Limited	2,573,500	0.38
24	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ai Ling	2,500,000	0.37
25	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for GSI Asian Capital Growth Fund	2,210,400	0.32
26	Universal Trustee (Malaysia) Berhad CIMB Islamic Small Cap Fund	2,193,500	0.32
27	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse	2,039,000	0.30
28	Leong Wye Keong	2,000,000	0.29
29	Universal Trustee (Malaysia) Berhad TA Islamic Fund	1,957,500	0.29
30	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Sivananthan A/L K Nataraja	1,920,000	0.28
	TOTAL	**436,608,534**	**63.93**

* Excluding a total of 400,000 shares bought back by the Company and retained as treasury shares.

PERISAI

PERISAI PETROLEUM TEKNOLOGI BHD
632811-X

Number of Ordinary Shares Held

form of **proxy**

(Before completing this form, please refer to the notes below)

I/We ______________________________ I.C. No./Co. No./CDS No. ____________________
(Full name in block letters)

of ____
(Full Address)

being a member/members of PERISAI PETROLEUM TEKNOLOGI BHD hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address	No. of shares to be represented by proxy
1. ____________________	____________
2. ____________________	____________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held at Raya Room, Mezzanine Floor, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 24 June 2011 at 10.00 a.m. and at any adjournment thereof. My/our proxy/proxies is/are to vote as indicated below:-

RESOLUTIONS	FIRST PROXY		SECOND PROXY	
	For	Against	For	Against
Ordinary Resolution 1				
Ordinary Resolution 2				
Ordinary Resolution 3				
Ordinary Resolution 4				
Ordinary Resolution 5				
Special Resolution 1				

(Please indicate with a "√" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion). The first named proxy shall be entitled to vote on a show of hands on my/our behalf.

Dated this ____________ day of ____________ 2011

____
Signature/Common Seal

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 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 at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time of meeting or any adjournment thereof.

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Secretary
PERISAI PETROLEUM TEKNOLOGI BHD (632811 X)
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur.

1st Fold Here