

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or transferred all your ordinary shares in Perisai Petroleum Teknologi Bhd (“Perisai” or “Company”), you should hand this Circular and the Annual Report 2005 of the Company, together with the accompanying Form of Proxy, immediately to the purchaser or the transferee or to the stockbroker or agent through whom the sale was contracted or transfer was effected for onward transmission to the purchaser or transferee.

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PERISAI PETROLEUM TEKNOLOGI BHD

(Company No. 632811 - X)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

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

Manager



RHB SAKURA MERCHANT BANKERS BERHAD

(Company No: 19663-P)

The Notice of the 3rd Annual General Meeting of Perisai to be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Tuesday, 27 June 2006 at 10.30 a.m. is set out in the Annual Report 2005 of the Company which is being sent to you together with this Circular. Shareholders are advised to refer to the Notice of the 3rd Annual General Meeting (under “Special Business”) and the Form of Proxy which are included in the Annual Report 2005 of the Company. The Form of Proxy must be lodged at the Registered Office of the Company at Suite 2, Penthouse, Lobby A, Wisma Leopard, No. 9, Jalan Tun Sambanthan, 50470 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the meeting should you subsequently decide to do so.

This Circular is dated 2 June 2006

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout and for the purpose of this Circular:

Act	:	Companies Act, 1965
AGM	:	Annual General Meeting
Alpha Perisai	:	Alpha Perisai Sdn Bhd (Company No. 700769-U)
AME	:	Allied Marine & Equipment Sdn Bhd (Company No. 176294-K)
AMR	:	Allied Marine Robotics Sdn Bhd (Company No. 641534-A)
AMS	:	AME Marine Services Sdn Bhd (Company No. 644333-U)
Bio-X	:	Bio-X Technologies Sdn Bhd (Company No. 644538-W)
Board	:	Board of Directors of Perisai
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CORRO-PRO	:	CORRO-PRO (L) Inc. (Company No. LL04771)
CSSB	:	Corro-Shield (M) Sdn Bhd (Company No. 383695-M)
FSSB	:	Fibaroll (SEA) Sdn Bhd (Company No. 259263-P)
FYE	:	Financial year(s) ended 31 December
ISSB	:	Impact Surge Sdn Bhd (Company No. 310095-A)
Maju Hydro	:	Maju Hydro Sdn Bhd (Company No. 513376-M)
MCSB	:	Merit Composites Sdn Bhd (Company No. 624928-P)
MESDAQ Market	:	MESDAQ Market of Bursa Securities
MMLR	:	Listing Requirements of Bursa Securities for the MESDAQ Market
OTSB	:	Orinippon Trading Sdn Bhd (Company No. 478158-M)
Perisai or Company	:	Perisai Petroleum Teknologi Bhd (Company No. 632811-X)
Perisai Group or Group	:	Perisai, its subsidiaries and associated companies collectively
Perisai Inc	:	Perisai (L) Inc (Company No. LL04478)
Perisai Research	:	Perisai Research Sdn Bhd (Company No. 732557-V)
Perisai RRPT Group	:	Perisai and its subsidiaries
Perisai Share(s)	:	Ordinary share(s) of RM0.10 each in Perisai
Proposed New Shareholders' Mandate	:	Proposed shareholders' approval for the new shareholders' mandate in respect of the additional RRPTs as set out in Section 2.3 herein
Proposed Renewal of Shareholders' Mandate	:	Proposed shareholders' approval for the renewal of existing Shareholders' Mandate in relation to the RRPTs as set out in Section 2.3 herein
Proposed Shareholders' Mandate	:	Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate, collectively
Related Party(ies)	:	Related Party as defined under Rule 6.2 of the MMLR as: (i) A substantial shareholder and includes any person who is or was within the 12 months preceding the date of the related party transaction a substantial shareholder of the listed company; or (ii) A director who is or was within the 12 months preceding the date of the related party transaction a director of the listed company or any of its related companies or associated companies or any associated company of its holding company; or (iii) An associate of a related party under (i) or (ii) above

DEFINITIONS (Cont'd)

RHB Sakura	:	RHB Sakura Merchant Bankers Berhad (Company No. 19663-P)
RM and sen	:	Ringgit Malaysia and sen, respectively
RMSB	:	Romilly (M) Sdn Bhd (Company No. 477626-H)
RRPT(s)	:	Recurrent related party transaction(s) of a revenue or trading nature which are necessary for the day-to-day operations and are in the ordinary course of business of the Perisai RRPT Group, which involve the interest, direct or indirect, of a Related Party(ies)
Shareholders' Mandate	:	The shareholders' mandate obtained on 3 June 2005 for the Perisai RRPT Group to enter into RRPTs based on the terms set out in the circular to shareholders dated 11 May 2005
TTSB	:	Tinggi Tiasa Sdn Bhd (Company No. 622752-K)
USD	:	United States Dollar
£	:	Great Britain pounds

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Perisai Petroleum Teknologi Bhd

(Company No. 632811 - X)
(Incorporated in Malaysia under the Act)

Registered Office:

Suite 2, Penthouse
Lobby A, Wisma Leopad
No. 9, Jalan Tun Sambanthan
50470 Kuala Lumpur

2 June 2006

Board of Directors:

Dato' Dr. Mohamed Ariffin bin Hj. Aton (*Independent Non-Executive Chairman*)
Chan Feoi Chun (*Independent Non-Executive Director*)
Yogesvaran a/l T. Arianayagam (*Non-Independent Non-Executive Director*)
Tengku Daud Shaifuddin bin Tengku Zainudin (*Executive Director*)
Nagendran a/l C. Nadarajah (*Executive Director*)
Aloysius Albert Michael (*Executive Director*)
Mohd Jeffrey De Jong Bin Abdullah (*Executive Director*)
Juhari bin Husin (*Alternate Director to Tengku Daud Shaifuddin bin Tengku Zainudin*)

To : Shareholders of Perisai Petroleum Teknologi Bhd

Dear Sir/Madam,

Proposed renewal of shareholders' mandate for existing recurrent related party transactions of a revenue or trading nature and proposed new shareholders' mandate for additional recurrent related party transactions of a revenue or trading nature

1. INTRODUCTION

At the 2nd AGM held on 3 June 2005, Perisai had obtained the Shareholders' Mandate from its shareholders for the Perisai RRPT Group to enter into RRPTs.

The aforesaid authorisation for the Shareholders' Mandate shall, in accordance with the MMLR, lapse at the conclusion of the forthcoming 3rd AGM unless renewal of the Shareholders' Mandate for the RRPTs is obtained from the shareholders of Perisai at the said AGM.

Perisai had on 1 June 2006, announced that the Company proposes to seek shareholders' approval for the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate at the forthcoming AGM to be convened.

The purpose of this Circular is to provide you with relevant details of the Proposed Shareholders' Mandate, to set out your Board's recommendation thereon, and to seek your approval for the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM of the Company.

2. INFORMATION ON THE PROPOSED SHAREHOLDERS' MANDATE

2.1 Background

Pursuant to Rule 6.8 and Guidance Note 12 of the MMLR, a listed issuer may seek shareholders' mandate to enter into RRPTs subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;
- (c) the issuance of a circular to shareholders containing information as specified in the MMLR;
- (d) in a meeting to obtain shareholders' mandate:-
 - (i) the related party which has interest, directly or indirectly in the transaction; and
 - (ii) where it involves the interest of:-
 - (aa) an associate of a party referred to under sub-Rule 6.2(a) or (b) of the MMLR; or
 - (bb) person connected with a director of the listed company or its holding company as referred to under Rule 6.4 of the MMLR (the director or the listed company or its holding company is referred to as "the Relevant Director"),

the party referred to under sub-Rule 6.2(a) or (b) of the MMLR or the Relevant Director, as the case may be,

must not vote on the resolution approving the transactions; and
- (e) where the related party is either a related party under sub-Rule 6.2(a) or (b) of the MMLR or the Relevant Director which has interest, directly or indirectly in the transaction (referred to as "interested related party"), the interested related party must ensure that its/his associates or persons connected, as the case may be, abstain from voting on the resolution approving the transactions.

The Proposed Shareholders' Mandate, if approved by the shareholders of Perisai at the forthcoming AGM, shall continue to be in force until:

- (a) the conclusion of the first AGM of Perisai following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

Thereafter, the approval of the shareholders of Perisai will be sought for a renewal of the shareholders' mandate for RRPTs at each subsequent AGM of the Company.

Disclosure will be made in the annual report of Perisai in accordance with Section 3.1.5 of Guidance Note 12 of the MMLR, which requires a breakdown of the aggregate value of the RRPTs entered into during the financial year based on the following information:

- (i) types of RRPTs; and
- (ii) names of the Related Parties involved in each RRPT entered into and their relationship with the Company.

The above disclosure will be made in the Company's annual report for each subsequent financial year after the Proposed Shareholders' Mandate has been obtained.

2.2 Principal Activities of the Company and its subsidiaries

The Perisai Group is principally involved in the manufacturing, supplying, commissioning and installation of corrosion control products as well as the inspection and maintenance of pipes, pipelines, risers and heat exchangers primarily for the oil and gas industry.

The subsidiaries of Perisai and their principal activities are as follows:

Subsidiaries	Equity interest (%)	Principal activities
CSSB	60	Manufacturing, supplying, commissioning and installation of corrosion control products and related services primarily for the oil and gas industry
FSSB	100	Trading, design and application of specialist composite materials primarily for the oil and gas industry
RMSB	100	Provision of services relating to advanced engineering inspection techniques, heat exchanger tubes restoration technology and plants engineering maintenance primarily for the oil and gas industry
OTSB	100	Design and engineering and patent holder
Perisai Inc	100	Supplying, commissioning and installation of corrosion control products and inspection and maintenance of pipes, pipelines, risers and heat exchangers primarily for the oil and gas industry outside Malaysia
MCSB	100	Research, development, design and applications, installation and construction of composite materials and technologies
CORRO-PRO	100	Supplying, commissioning and installation of corrosion control products and inspection and maintenance of pipes, pipelines, risers and heat exchangers primarily for the oil and gas industry in Brunei Darussalam
Perisai Research	100	Provision of research and development services
Alpha Perisai	70	Design, fabrication and installation of relocatable incremental modular field development structure for topside and subsea application
AME	55	To deal in diving industry equipment. To deal in any system, equipment and machine in connection with the oil and gas industry. To provide and operate or act as an agent for any services in connection with the oil and gas industry
Bio-X	51	Supply and provision of bio-remediation products, equipment and services for removing harmful and hazardous oil contaminants and transforming it into environmentally friendly products
<u>Subsidiary of OTSB</u>		
Impact Surge Sdn Bhd	100	Design and consultancy service and patent holder

Subsidiaries	Equity interest (%)	Principal activities
<u>Subsidiaries of AME</u>		
AMR	100	Dealers in underwater diving equipment.
AMS	100	Operation of dynamic positioning marine vessel and provision of related services.
Maju Hydro	51	Provision of surveys relating to off-shore and marine industries.

2.3 Details of the Proposed Shareholders' Mandate

Details of the RRPTs for which approval is being sought for under the Proposed Shareholders' Mandate are set out below. The basis of arriving at the estimated value as indicated below is based on the actual transacted value that had been previously incurred in the previous FYE 2005 and also the Perisai Group's budget for the FYE 2006.

- (a) Existing RRPTs for which approval is being sought pursuant to the Proposed Renewal of Shareholders' Mandate at the forthcoming AGM are as follows:

	Companies within the Perisai RRPT Group	Transacting Party	Interested Directors/ Substantial shareholders	Nature of transaction	Estimated value of transactions to be entered into from the forthcoming AGM to the next AGM (RM'000)
1.	Perisai	CSSB	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows 	Provision of management, advisory and administrative services by Perisai to CSSB	1,200
2.	FSSB	CSSB	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows 	Provision of specialised technical services, design and drawings, specification on application method, project and quality assurance/ quality control supervision for the riser repair by FSSB to CSSB	10,000

	Companies within the Perisai RRPT Group	Transacting Party	Interested Directors/ Substantial shareholders	Nature of transaction	Estimated value of transactions to be entered into from the forthcoming AGM to the next AGM (RM'000)
3.	RMSB	CSSB	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows 	Provision of heat exchanger inspection and specialist services by RMSB to CSSB	2,500
4.	OTSB	CSSB	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows 	Royalty income payable by CSSB to OTSB for all patented products, such as CorroCaps™, FlangeShield™, Impactor and Protector for Marine Growth and Composites Sleeve Repairs	600
5.	Perisai	Bio-X	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows • Hilmy bin Ahmad • Shanmugaraj a/l Rajadurai 	Provision of management, advisory and administrative services by Perisai to Bio-X	120
6.	CSSB	Bio-X	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows • Hilmy bin Ahmad • Shanmugaraj a/l Rajadurai 	Provision of bio-remediation products and its related services by Bio-X to CSSB	500

	Companies within the Perisai RRPT Group	Transacting Party	Interested Directors/ Substantial shareholders	Nature of transaction	Estimated value of transactions to be entered into from the forthcoming AGM to the next AGM (RM'000)
7.	CSSB	AME	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows • Aloysius Albert Michael • Hilmy bin Ahmad 	Provision of corrosion control products and its related services by CSSB to AME	3,000
8.	FSSB	AME	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows • Aloysius Albert Michael • Hilmy bin Ahmad 	Supply and provision of services for the total composite sleeve system by FSSB to AME	2,000
9.	FSSB	AME	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows • Aloysius Albert Michael • Hilmy bin Ahmad 	Provision of pipeline repairs by FSSB to AME	500

- (b) New RRPT for which approval is being sought pursuant to the Proposed New Shareholders' Mandate at the forthcoming AGM are as follows:

	Companies within the Perisai RRPT Group	Transacting Party	Interested Directors/ Substantial shareholders	Nature of transaction	Estimated value of transactions to be entered into from the forthcoming AGM to the next AGM (RM'000)
I.	Perisai Research	CSSB	<ul style="list-style-type: none"> • Tengku Daud Shaifuddin bin Tengku Zainudin • Nagendran a/l C. Nadarajah • Juhari bin Husin • Zamri bin Zakaria • Abdul Hamid bin Mohamed Ghows 	Provision of research and development services	2,000

Tengku Daud Shaifuddin Bin Tengku Zainudin is a director of Perisai, CSSB, RMSB, OTSB, AME and Perisai Research. He is also a substantial shareholder of Perisai and CSSB and deemed interested in FSSB, RMSB, OTSB, CSSB, Bio-X, AME and Perisai Research by virtue of his substantial shareholdings in Perisai.

Nagendran a/l C. Nadarajah is a director of Perisai, FSSB, OTSB and Perisai Research and was also a director of CSSB and RMSB within the 12 months period preceding the date of this Circular. He is also a substantial shareholder of Perisai and deemed interested in FSSB, RMSB, OTSB, CSSB, Bio-X, AME and Perisai Research by virtue of his substantial shareholdings in Perisai.

Juhari Bin Husin is an alternate director of Perisai and a director of CSSB, RMSB and AME. He is also a substantial shareholder of Perisai (by virtue of his substantial shareholdings in TTSB, which is a substantial shareholder of Perisai) and deemed interested in FSSB, RMSB, OTSB, CSSB, Bio-X, AME and Perisai Research by virtue of his substantial shareholdings in Perisai.

Zamri bin Zakaria is a director of CSSB and RMSB. He is also a substantial shareholder of Perisai (by virtue of his substantial shareholdings in TTSB, which is a substantial shareholder of Perisai) and deemed interested in FSSB, RMSB, OTSB, CSSB, Bio-X, AME and Perisai Research by virtue of his substantial shareholdings in Perisai.

Abdul Hamid bin Mohamed Ghows was a director of Perisai, CSSB, RMSB, Bio-X and AME within the 12 months period preceding the date of this Circular.

Aloysius Albert Michael is a director of Perisai and AME. He is deemed interested in AME by virtue of his substantial shareholdings in AME Asset Sdn Bhd, which is a substantial shareholder of AME.

Hilmy bin Ahmad is a director of MCSB, AME and Bio-X. He is also a substantial shareholder of Bio-X.

Shanmugaraj a/l Rajadurai was a director of MCSB within the 12 months period preceding the date of this Circular. He is also a director and substantial shareholder of Bio-X.

2.4 Review Procedures for the RRPTs

The Perisai Group has established various procedures to ensure that the RRPTs are undertaken on an arm's length basis and on commercial terms consistent with the Perisai Group's usual business practices and policies, which are no more favourable to the Related Parties than those extended to the public and, are not to the detriment of Perisai's minority shareholders.

The review procedures established by the Perisai Group for RRPTs are as follows:

- (i) All companies within the Group have been informed of the definition of Related Party and the review procedures applicable to all RRPTs with Related Parties;
- (ii) All companies within the Group shall only enter into RRPTs after taking into account the pricing, level of service, quality of product as compared to market prices and industry standards. Any RRPTs entered into shall be treated and processed on normal commercial terms consistent with the Company's usual business practices and policies and will not be detrimental to the minority shareholders;
- (iii) The transaction prices are determined by the prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms;
- (iv) All RRPTs shall be reviewed by the Audit Committee;
- (v) Any member of the Audit Committee may as he or she deems fit, request for additional information pertaining to the transactions including from independent sources or advisers;
- (vi) If a member of the Audit Committee has an interest, direct or indirect, in any particular transaction, he or she will have to abstain from any deliberation and also voting on the matter at the Audit Committee meeting in respect of such transaction;
- (vii) Proper records shall be maintained to capture all RRPTs entered into pursuant to the Proposed Shareholders' Mandate to ensure accurate disclosure thereof. Disclosure will be made in the annual report of the breakdown of the aggregate value of the RRPTs during the financial year, amongst others, based on the following information:
 - (a) the type of RRPTs made; and
 - (b) The names of the Related Parties involved in each type of the RRPTs made and their relationship with Perisai.
- (viii) The annual internal audit plan shall incorporate a review of all RRPTs entered into pursuant to the Proposed Shareholders' Mandate to ensure that relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- (ix) The Audit Committee shall review the internal audit reports to ascertain that the guidelines and the procedures established to monitor RRPTs are complied with; and
- (x) The Audit Committee shall have the overall responsibility of determining whether the review procedures are appropriate, with the authority to delegate such function to individuals or committee within the Company as it shall deem fit.

2.5 Statement by Audit Committee of Perisai

The Audit Committee of the Company has seen and reviewed the procedures as mentioned in Section 2.4 above and are of the view that the said procedures are sufficient to ensure that the RRPTs are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of Perisai's minority shareholders.

3. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE

The RRPTs entered or to be entered into by the Perisai RRPT Group are recurrent transactions of a revenue or trading nature conducted in the ordinary course of business of the Perisai RRPT Group and which are likely to occur with some degree of frequency and arise at any time and from time to time.

These transactions may be constrained by the time-sensitive nature and confidentiality of the same may render it impractical to seek shareholders' approval on a case by case basis before entering into such RRPTs. As such, your Board is seeking the Proposed Shareholders' Mandate in respect of Rule 6.8.1 of the MMLR for the RRPTs made on an arm's length basis and on normal commercial terms and which are not to the detriment of Perisai's minority shareholders.

By obtaining the shareholders' mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPTs occur, would not arise. This will substantially avoid expenses associated with the convening of general meetings on an *ad hoc* basis and prevent administrative inconvenience.

The Group is primarily involved in the provision of corrosion control services to the oil and gas industry. Each of the subsidiaries is involved in providing different aspects of the said services. As such, it is in the interest of the Perisai Group to have transactions entered into between the companies in the same group as it allows the Perisai Group to meet its business needs by enjoying synergistic and complementary benefits and thus enabling the Perisai Group to provide a complete solution to its customers. Further, the Company would have an advantage of familiarity and reliability of the products and services provided, thus ensuring quality and prompt delivery of its solutions to its customers.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Tengku Daud Shaifuddin bin Tengku Zainudin, Nagendran a/l C. Nadarajah, Juhari bin Husin and Aloysius Albert Michael are deemed interested in the Proposed Shareholders' Mandate. Accordingly, they have and will continue to abstain from Board deliberations and voting pertaining to the Proposed Shareholders' Mandate. In addition, Tengku Daud Shaifuddin bin Tengku Zainudin, Nagendran a/l C. Nadarajah, Juhari bin Husin and Aloysius Albert Michael will also abstain from voting in respect of their direct and indirect shareholdings in Perisai, if any, on the ordinary resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM.

Zamri bin Zakaria, who is a substantial shareholder of Perisai (by virtue of his substantial shareholding in TTSB, which is a substantial shareholder of Perisai), as well as Abdul Hamid bin Mohamed Ghows, Hilmy bin Ahmad and Shanmugaraj a/l Rajadurai, are all interested in the Proposed Shareholders' Mandate and will abstain from voting in respect of their direct and indirect shareholdings in Perisai, if any, on the ordinary resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM.

Tengku Daud Shaifuddin bin Tengku Zainudin, Nagendran a/l C. Nadarajah, Juhari bin Husin, Aloysius Albert Michael, Zamri bin Zakaria, Abdul Hamid bin Mohamed Ghows, Hilmy bin Ahmad and Shanmugaraj a/l Rajadurai will also ensure that persons connected to them, abstain from voting in respect of their direct and indirect shareholdings in Perisai on the ordinary resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM.

As at 5 May 2006, the direct and indirect interests of the abovementioned interested persons in Perisai are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Nagendran a/l C. Nadarajah	17,706,300	8.51	44,366,998 ⁽¹⁾	21.33
Tengku Daud Shaifuddin bin Tengku Zainudin	14,451,480	6.95	44,366,998 ⁽¹⁾	21.33
Juhari bin Husin	4,301,500	2.07	11,740,000 ⁽²⁾	5.64
Zamri bin Zakaria	209,100	0.10	11,740,000 ⁽²⁾	5.64
Abdul Hamid bin Mohamed Ghows	40,000	0.02	-	-
Shanmugaraj a/l Rajadurai	10,000	^	-	-
Aloysius Albert Michael	-	-	-	-
Hilmy bin Ahmad	-	-	-	-

Notes:

(1) Deemed interested by virtue of his shareholdings in Maya Terang Sdn Bhd.

(2) Deemed interested by virtue of his shareholdings in TTSB.

^ Negligible

Save as disclosed above and insofar as the Directors of Perisai are able to ascertain, and based on Perisai's Register of Directors' shareholdings and Register of Substantial Shareholders' shareholdings, none of the Directors and/or substantial shareholders or persons connected to them, as defined in the MMLR, has any interest, direct or indirect, in the Proposed Shareholders' Mandate.

5. DIRECTORS' RECOMMENDATION

Your Board (save for Tengku Daud Shaifuddin bin Tengku Zainudin, Nagendran a/l C. Nadarajah, Juhari bin Husin and Aloysius Albert Michael who are deemed interested in the Proposed Shareholders' Mandate and therefore abstained from opining on the resolution pertaining to the Proposed Shareholders' Mandate), having considered all aspects of the Proposed Shareholders' Mandate are of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company. Accordingly, your Board (save for Tengku Daud Shaifuddin bin Tengku Zainudin, Nagendran a/l C. Nadarajah, Juhari bin Husin and Aloysius Albert Michael who are deemed interested in the Proposed Shareholders' Mandate and therefore abstained from making any recommendation on the resolution pertaining to the Proposed Shareholders' Mandate), recommend that the shareholders vote in favour of the resolution in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

6. AGM

The ordinary resolution pertaining to the Proposed Shareholders' Mandate is set out as Special Business in the Notice of the 3rd AGM contained in the Annual Report 2005 of the Company, which is being sent to you together with this Circular. The 3rd AGM of Perisai will be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 27 June 2006 at 10.30 a.m.

If you are unable to attend and vote in person at the 3rd AGM, you are requested to complete, sign and return the Form of Proxy contained in the Annual Report 2005 of the Company in accordance with the instructions printed thereon, as soon as possible, so as to arrive at the registered office of the Company at Suite 2, Penthouse, Lobby A, Wisma Leopad, No. 9, Jalan Tun Sambanthan, 50470 Kuala Lumpur, not less than 48 hours before the time fixed for the forthcoming AGM or any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

7. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix for further information

Yours faithfully,
For and on behalf of the Board of Directors of
PERISAI PETROLEUM TEKNOLOGI BHD

DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON
Independent Non-Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY

This Circular has been reviewed and approved by the Directors of Perisai and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that after making all reasonable inquiries and, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

RHB Sakura has been appointed as Manager for the Proposed Shareholders' Mandate. As Manager for the Proposed Shareholders' Mandate, RHB Sakura assisted the Company in the preparation of this Circular. However, RHB Sakura was not involved in any negotiations on the terms and conditions of the RRPTs and verifying the amount and nature of RRPTs contained herein.

The written consent of RHB Sakura to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear, has been given and has not subsequently been withdrawn.

3. MATERIAL LITIGATION

As at 29 May 2006, save as disclosed below, neither Perisai nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of Perisai or its subsidiaries. The Directors of Perisai and its subsidiaries are not aware of any proceedings pending or threatened against Perisai and its subsidiaries or any facts likely to give rise to any proceedings which might materially affect the financial position or business of Perisai and its subsidiaries:

- (i) Shah Alam Sessions Court Summons No. 4-52-1504-2002 dated 31 May 2002 between Mark Brian McIntyre, being the plaintiff and AME, being the defendant. The plaintiff made a claim for negligence against AME for failing to provide a safe and proper work environment. The action is being taken up by the insurers, Capital Insurance Bhd. The plaintiff is seeking unqualified general and aggravated damages (unquantifiable amount). The matter was fixed for trial on 29 and 30 March 2005. The court had subsequently adjourned the trial to 6 June 2006. The Directors of AME, after consulting with its legal adviser, believe that it has a good defensible case.
- (ii) Kuala Lumpur Industrial Court matter No. 12/4-1988/04 dated 17 November 2004 between Charles Mok Ngoh Chek, being the plaintiff and AME, being the defendant. The plaintiff made a claim for reinstatement or alternatively compensation (unquantifiable) for wrongful dismissal. The matter is fixed for trial on 1 and 2 August 2006. The Directors of AME, after consulting with its legal adviser, believe that it has a good defensible case.

4. MATERIAL CONTRACTS

Save as disclosed below, neither Perisai nor its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business), within the two (2) years immediately preceding the date of this Circular:

- (i) Sale and Purchase Agreement dated 15 June 2004 made between Dolomite Industrial Park Sdn Bhd, being the vendors and AME, being the purchaser for the acquisition of a vacant piece of freehold land held under H.S. (D) 21766 P.T. 28815 Mukim Batu, District of Gombak, State of Selangor measuring approximately 39,956 square feet for a total cash consideration of RM4,392,960;
- (ii) Hire purchase agreement dated 21 July 2004 between AME and Southern Finance Berhad for a sum of RM700,000, in relation to the acquisition by AME of a Porsche 911 Turbo Coupe WLY919 for a sum of RM930,000;

FURTHER INFORMATION

- (iii) On 4 August 2004, Perisai entered into a joint venture agreement ("JV Agreement") with SIF Universal Sdn Bhd ("SIF-U") in relation to the incorporation of a joint venture company to be known as Perisai SIFU Sdn Bhd ("PSSB") (or such other name as may be mutually agreed) to undertake research and development for the application of Fiber Optic Sensors ("FOS") into Perisai's Composite Sleeve Repair System and other corrosion prone areas, to facilitate the promotion and sale of FOS and all intellectual property to be developed by PSSB or intellectual property rights belonging to PSSB, to oil and gas companies worldwide. Subsequently, Perisai had, on 25 October 2005, terminated the JV Agreement;
- (iv) On 4 August 2004 Perisai subscribed for 51,000 new ordinary shares of RM1.00 each in Nottingham AI Sdn Bhd ("Nottingham AI"), representing 51% of the entire enlarged issued and paid-up capital of Nottingham AI for a cash consideration of RM51,000 ("Subscription"). Upon completion of the Subscription, Nottingham AI had on the same day, entered into a Memorandum of Understanding with University of Nottingham Malaysia Campus to engage in joint research and development to produce intelligent electronic systems for the oil and gas industry;
- (v) On 26 August 2004, CSSB, a 60% owned subsidiary of the Company, has entered into a conditional Sale and Purchase Agreement to purchase two (2) pieces of leasehold land from Perbadanan Kemajuan Negeri Selangor ("PKNS") in Bangi for a total cash consideration of RM2,084,166 ("Proposed Land Acquisitions");
- (vi) On 30 September 2004, Perisai had entered into a conditional sale and purchase agreement with Encik Hilmy bin Ahmad for the acquisition of 51,000 new ordinary shares of RM1.00 each in Bio-X, representing 51% of the issued and paid-up capital of Bio-X for a cash consideration of RM100,000;
- (vii) On 30 September 2004, Perisai had entered into a conditional sale and purchase agreement with Encik Hilmy bin Ahmad and Cik Salina binti Shariff for the acquisition of 250,000 new ordinary shares of RM1.00 each in MCSB, representing the entire enlarged issued and paid-up capital of MCSB for a cash consideration of RM3,600,000;
- (viii) On 15 October 2004, Perisai entered into a joint venture agreement with Morstrong Industries Sdn Bhd in relation to the incorporation of a Joint Venture Company to undertake research and development in, manufacturing and marketing of specialised protective underwater and surface coating for corrosion control purposes in the oil and gas industry which are synergistic to the principal activities of the Perisai Group. Subsequently, Perisai had, on 25 October 2005, terminated the joint venture agreement;
- (ix) On 18 October 2004, Perisai had entered into a share sale agreement with AME Asset Holdings Sdn Bhd, Mohd Naim bin Hassan, Poon Sing Kwong and Nor Hidayah binti Abdul Aziz for the acquisition of a 55% equity interest in AME for a cash consideration of RM29,700,000;
- (x) Memorandum of agreement between AME and Mansal Offshore QSC Qatar dated 7 February 2005 for the acquisition of a Dynamic Positioning II vessel named Mansal 19 for a purchase consideration of USD4,250,000;
- (xi) Facilities agreement dated 16 February 2005 between AME and Malayan Banking Berhad for a sum of RM12 million in relation to the acquisition of the Dynamic Positioning II vessel;
- (xii) Facilities agreement dated 1 March 2005 between Perisai and RHB Bank Berhad for a sum of RM26,730,000 in relation to the acquisition of AME;
- (xiii) On 7 September 2005, Perisai entered into an agreement with Parthipan A/L S. Krishnasamy for the disposal of its entire 51% equity interest comprising 51,000 ordinary shares of RM1.00 each in Nottingham AI for a cash consideration of RM100,000;

FURTHER INFORMATION

- (xiv) On 30 October 2005, Perisai entered into an agreement with Meridian Term Sdn Bhd for the disposal of its entire 37.5% equity interest comprising 37,500 ordinary shares of RM1.00 each in Whizz Water Sdn Bhd for a cash consideration of RM1,500,000; and
- (xv) On 24 June 2005, Perisai entered into the following agreements:
 - (a) shareholder agreement with Alpha Thames Subsea Limited ("ATS") governing their commitment and regulating their rights in relation to Alpha Perisai, the joint venture company between Perisai and ATS;
 - (b) a license agreement with Alpha Perisai and ATS in relation to the sole and exclusive right to the AlphaPRIME™ and all other components relating thereto for a consideration of £100,000; and
 - (c) a research and development agreement with Alpha Perisai and ATS in relation to the continued research and development work for the AlphaPRIME™ for a consideration of £900,000.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at Suite 2, Penthouse, Lobby A, Wisma Leopad, No. 9, Jalan Tun Sambanthan, 50470 Kuala Lumpur, during normal business hours on Mondays to Fridays (excluding public holidays) from the date of this Circular up to the date of the forthcoming AGM:

- (i) Memorandum and Articles of Association of Perisai;
- (ii) Letter of consent referred to in Section 2 above;
- (iii) Audited consolidated financial statements of Perisai for the FYE 2004 and 2005 and the unaudited consolidated results of Perisai for the 3 months financial period ended 31 March 2006;
- (iv) The relevant cause papers for the material litigation referred to in Section 3 above; and
- (v) The material contracts referred to in Section 4 above.