
16. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2006 for Petra Energy Group and Petra Resources.

Yours faithfully

A handwritten signature in black ink, appearing to read "Horwath", written over the printed name.

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to read "KW", written over the printed name.

Lee Kok Wai
Approval No : 2760/06/08 (J)
Partner

NG & CO.,

Chartered Accountants (AF 580)

718388-H

Lot 3045-3047/3, Batu 4½, Jalan Kelang Lama, 58000 Kuala Lumpur.

Tel: 03-79833964 Fax: 03-79815750

Email: ngco@tm.net.my

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PETRA ENERGY BERHAD**
(formerly known as Portfolio Hitech Sdn Bhd)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 11 to 30. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

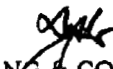
It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content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

We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.

In our opinion: -

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of: -
- (i) the state of affairs of the Group and the Company as at 31 December 2006 and of its results and the cash flows of the Group and of the Company for the financial period ended on that date; and
- (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.


We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes. The auditors' reports on the financial statements of the subsidiaries were not subjected to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.


NG & CO
(AF/0580)

Chartered Accountants

Kuala Lumpur

Dated: 05 APR 2007


NG CHIEW CHAI
1183/12/08(J)

NG & CO.,
Chartered Accountants (AF 580)

172962-D

Lot 3045-3047/3, Batu 4½, Jalan Kelang Lama, 58000 Kuala Lumpur.
Tel: 03-79833964 Fax: 03-79815750
Email: ngco@tm.net.my**REPORT OF THE AUDITORS TO THE MEMBERS OF
PETRA RESOURCES SDN BHD**

We have audited the financial statements set out on pages 10 to 24. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.


We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.

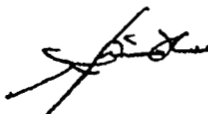
In our opinion: -

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards so as to give a true and fair view of :-
- (i) the state of affairs of the Group and the Company as at 31 December 2004 and of its results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

The auditors' reports on the financial statements of the subsidiary company was not subjected to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.


NG & CO
(AF 580)
Chartered Accountants


NG CHIEW CHAI
1183/12/06(J)

Kuala Lumpur
Dated: 28 APR 2005

NG & CO.,

Chartered Accountants (AF 580)

172962-D

Lot 3045-3047/3, Batu 4¼, Jalan Kelang Lama, 58000 Kuala Lumpur.

Tel: 03-79833964 Fax: 03-79815750

Email: ngco@tm.net.my

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PETRA RESOURCES SDN BHD**

We have audited the financial statements set out on pages 10 to 25. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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


We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.


In our opinion: -

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards so as to give a true and fair view of :-
- (i) the state of affairs of the Group and the Company as at 31 December 2005 and of its results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

The auditors' reports on the financial statements of the subsidiary company was not subjected to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.


NG & CO
(AF 0580)
Chartered Accountants


NG CHIEW CHAI
1183/12/06(J)

Kuala Lumpur

Dated:

25 APR 2006

NG & CO.,
Chartered Accountants (AF 580)

172962-D

Lot 3045-3047/3, Batu 4½, Jalan Kelang Lama, 58000 Kuala Lumpur.
Tel: 03-79833964 Fax: 03-79815750
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**REPORT OF THE AUDITORS TO THE MEMBERS OF
PETRA RESOURCES SDN BHD**


We have audited the financial statements on pages 10 to 26. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.


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

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

In our opinion: -

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of: -
 - (i) the state of affairs of the Company as at 31 December 2006 and of the results of the operations and cash flows of the Company for the year then ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements.
- b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.


NG & CO.,
(AF0580)
Chartered Accountants


NG CHIEW CHAI
11/3/12/08(J)

Kuala Lumpur
Dated: 05 APR 2007

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

(Prepared for inclusion in the Prospectus)

FROST & SULLIVAN

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4 JUN 2007

The Board of Directors
Petra Energy Berhad
No. 6-8, Jalan 3/3C
Batu 7, Jalan Ipoh
68100 Kuala Lumpur

Dear Sirs,

**Executive Summary of the Strategic Analysis of the
Malaysian Integrated Brown Field Services Market**

This Executive Summary of the Strategic Analysis of the Integrated Brown Field Services Market in Malaysia is prepared by Frost & Sullivan (M) Sdn. Bhd. for inclusion in the Prospectus of Petra Energy Berhad ("Petra Energy" or the "Company") in relation to the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Petra Energy on the Main Board of the Bursa Malaysia Securities Berhad.

For the purpose of this executive summary, all reference will be made to Petra Energy Berhad.

Bangalore Bangkok Beijing Bogota Buenos Aires Cape Town Chennai Delhi Dubai Frankfurt
Kolkatta Kuala Lumpur London Melbourne Mexico City Mumbai New York Oxford Palo Alto Paris
San Antonio Sao Paulo Seoul Shanghai Singapore Sydney Tokyo Toronto

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T  S U L L I V A N**Introduction**

The modern oil industry began when the first commercial oil well was discovered in 1859 in Pennsylvania, USA. The upstream oil industry explores for, and produces crude oil. Crude oil contains hydrocarbons that are the source of energy. The downstream oil industry refines the crude oil into various products such as Naphtha, Motor Spirit, Kerosene and heavy distillates.

The global economy grew at 5.4% in 2006 compared to 4.9% in 2005. The slight slow down was precipitated primarily by high oil prices in 2006. Global oil prices remained high throughout 2006 reaching as high as US\$78.40 per barrel in July 2006. IEA and World Bank forecast oil prices to remain high in 2007. Average oil prices are expected to remain in the range of US\$52 - US\$62 per barrel.

Total world energy demand is projected to increase at an annual rate of 1.6% between now and 2030 according to International Energy Agency ("IEA"). The oil and gas sector represents the main driver to the energy industry. Worldwide petroleum demand growth is projected to remain strong during 2006-2020. Developing Asia is expected to account for much of the increased demand. Economic development in Asia will be crucial to long-term growth in oil markets.

Alternative sources of oil such as Coal to Oil Technology and Gas to Oil Technology that can produce synthetic oil can only supplement conventional oil sources and not economically replace conventionally sourced oil globally. The use of alternative sources of energy such as hydrogen, wind, solar and bio-fuel can be considered as a moderate threat to the oil and gas industry. However, oil and gas deliver more energy per unit compared to any other energy source. This makes oil and gas preferred sources of energy. Fossil fuels by virtue of their versatility and higher efficiency will most likely be the dominant source of energy for the next 20 years.

It is estimated that more than 90% of the offshore oil reserves are yet to be tapped. The move into deepwater exploration and production activities is expected to boost the petroleum industry. Due to the maturing of existing petroleum fields, deepwater exploration is viewed as the final frontier of the petroleum industry. In addition, the technological advances in seismic-imaging techniques and more powerful computers are leading to better visualization of the sub-surface offshore terrain thereby improving the oil and gas industry's ability to locate possible oil and gas deposits.

Upstream Oil and Gas Industry, Malaysia

Malaysia's domestic oil production occurs offshore and primarily near Peninsular Malaysia. The crude oil produced in Malaysia is of high quality and contains low sulphur. As of January 2007, Malaysia held proven oil reserves of 3.0 billion barrels and 75 trillion cubic feet ("Tcf") of proven natural gas reserves. The reserve life for Malaysia at the current rate of production is an average of 20 years for crude oil and 34 years for natural gas. Malaysia being a net oil exporting country benefits moderately from high oil prices. Crude petroleum was the third largest export revenue earner for Malaysia in 2006.

Petroleum Nasional Berhad ("PETRONAS") is Malaysia's national oil company and the custodian of petroleum resources with rights to explore and produce resources. Petronas Carigali Sdn Bhd ("PCSB"), a wholly owned subsidiary of PETRONAS is the domestic exploration, development, and production arm, producing approximately one-third of Malaysia's total oil and gas production. PETRONAS retains ownership and management control in exploration, development and production of oil resources in Malaysia. Expenditure and profits are managed under the Production Sharing Contracts (PSCs). PETRONAS has targeted a 3% increase in domestic production oil and gas per annum till 2010. The PSCs with PETRONAS has steadily increased from 46 in 2002 to 62 as of June 2006.

The upstream oil and gas industry in Malaysia has been witnessing increased investment in recent years. In June 2006, PETRONAS reported record profits for the financial year ended March 31st 2006 as a result of the prevailing high prices of crude oil and increased sales of liquefied natural gas (LNG). PETRONAS has also indicated that its focus will now be on development of recent discoveries such as Kikeh and Besut. In 2005, approximately RM12.5 billion was spent on exploration and production activities in Malaysia.

The upstream oil and gas activities include exploration for oil, appraisal of the oil field, development, production, operations and maintenance, and then abandonment. The lifecycle of the upstream activities lasts for around 35 – 42 years. In this, the Green Field phase of exploration, appraisal and development lasts for around 5-7 years. Production phase lasts for around 30-35 years. When the oil field reserves become uneconomical to be extracted, the oil field is abandoned.

During the lifecycle of the oil and gas field, a variety of support services are required. The support activities provided to a Green Field site are termed **Green Field services**. Green Field stage consists of Exploration, Appraisal and Development phases. The support activities provided to a Brown Field site are termed **Brown Field services**. Brown Field stage consists of Production, Operations and Maintenance, and Abandonment phases.

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T  S U L L I V A N

All the support services provided to Brown Fields collectively are termed “**Integrated Brown Field Services**”. With respect to providing integrated Brown Field services, the spectrum of offerings of a service provider must include, inter alia,

- Engineering and project management
- Operations and maintenance (set-up and continuing operations)
- Equipment maintenance and upgrade
- Structural maintenance and upgrade
- Hook-up and commissioning
- Retrofit work
- Minor structure fabrication
- Field optimization review
- Abandonment services
- Marine vessel support (at minimum the principal assets i.e work boat/ work barge)

Brown Field support services are essential to operate mature fields and to maintain optimum production targets. Brown Field services hold a lot of potential considering that more than 50% of the 270 odd platforms in Malaysia are nearing the end of their designed lives; and the industry trend for outsourcing Brown Field services is getting to be more integrated in approach. Most are to be rejuvenated to extend their productive lives. Integrated service providers have a competitive advantage over other competitors who provide only a few services within the range of Brown Field services required. Integrated Brown Field service providers are able to offer shorter completion time and more competitive rates as they act as the “single-point accountable” contractor to undertake the complete scope of work, resulting in enhanced interfaces between parties involved and minimizing errors or rework required.

It is estimated that around 150 platforms in Malaysia are older than 20 years. This gives an indication of the large potential of Brown Field services in Malaysia.

Oil companies that operate oil and gas producing assets source the Brown Field services. The major companies that operate oil and gas producing assets in Malaysia are:

- PCSB (PETRONAS’s domestic exploration, development and production arm)
- ExxonMobil Exploration and Production (Malaysia) Inc (“EMEPMI”)
- Shell Exploration and Production Malaysia (“Shell Oil & Gas (Malaysia)”)
- Talisman Malaysia Limited
- Nippon Oil Exploration (Malaysia) Ltd

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T  S U L L I V A N

All the service providers to the upstream oil and gas sectors must be licensed by PETRONAS. The license must be valid when bidding for contracts. The two major categories under which PETRONAS issues licenses are: Supply and Service. There are various sub-categories under these two main categories. The sub-categories are further sub-divided for issuing a license.

Licenses are issued for these sub-divisions of the specific sub-categories such as equipment supply, platform design and construction, equipment maintenance, and so on. Service Providers must be licensed for the specific activity that they bid for.

The prerequisites for a service provider to obtain PETRONAS license and to participate in tenders are:

- ✓ Prior experience
- ✓ Financial backing
- ✓ Technical abilities
- ✓ Ministry of Finance (MOF) registration

Local companies may tie up with Original Equipment Manufacturers (OEM) for supply and/or servicing of equipment. Local companies seeking to supply proprietary equipment or services need to have an exclusive tie-up with the relevant OEM. Multinational firms also have local subsidiaries that participate in the tenders.

The main drivers for the integrated Brown Field services market are:

Ageing Oil-producing Assets

It is estimated that around 150 platforms in Malaysia are older than 20 years. More than 50% of the oil producing structures, such as offshore platforms, in Malaysia are nearing the end of their designed lives. However, it is believed that a significant number of these are found to carry substantial recoverable reserves and therefore require rejuvenation and retrofitting to extend their useful lives.

The other factor to consider is that these ageing production platforms were constructed based on available technology, engineering and economics of at least 15 to 20 years ago. Retrofitting such production facilities is the fastest way for producers to get their commodity to the market at a mere fraction of Green Field development costs. This provides immediate maximization of opportunity from major increases in oil & gas prices (typically 3 -12 months for retrofit development on existing (Brown Field) facilities compared to the 3 - 5 years for development of new (Green Field) facilities.

Long Life Span of Oil and Gas Structures and Equipment

Typical oil and gas structures and equipment have useful lives ranging from 30-35 years. The structures and equipment in Brown Fields require replacements and regular services during their useful lives. Therefore, there is no seasonality in revenues for Brown Field service providers other than the monsoon season wherein typically the activities slow down primarily due to weather constraints.

Rising Oil Prices

Global oil prices remained high throughout 2006 reaching as high as US\$78.40 per barrel in July 2006. IEA and World Bank forecast oil prices to remain high in 2007. Average oil prices are expected to remain in the range of US\$52 - US\$62 per barrel in 2007.

Slow Growth Trend In The Number Of Newly Found Oil Fields

The years 2003, 2004 and 2005 have been particularly good for new oil and gas discoveries. However, discovery of new oil and gas wells cannot be high in all the years. In years, where the discovery of new oil wells are far and few in between, existing oil wells will have to be worked hard to extract the remaining reserves.

Decreasing Shallow Water Reserves

Oil reserves in shallow water fields are showing a decreasing trend. Hence, the trend is moving exploration and development to deep and ultra deep waters. Deep water and ultra deepwater production require more support services compared to production in shallow waters.

Market Size

The integrated Brown Field services market consists of all services required on an ongoing basis to help maximize daily production levels and to extend the productive lifespan of the existing oil and gas facilities. They include Engineering, Project Management and other supporting services such as marine and minor fabrication services, to carry out maintenance, modifications and upgrades to the equipment and structure of existing facilities. The Brown Field services are of two major categories as outlined below:

- **Topside Services:** All services that are on structures and facilities above the water line and
- **Sub-sea / Sub-surface Services:** All services that are on structures below the water line

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T  S U L L I V A N

This study/report includes only the topside services and does not take into account the sub-sea services.

In 2006, approximately RM16.1 billion was spent on Exploration and Production activities in Malaysia. It is estimated that around RM3.4 billion was spent on integrated Brown Field services in Malaysia, in 2006. The RM3.4 billion is the total available market in 2006 and includes both the outsourced component and the in-house expenditure on top-side Brown Field services by the oil field operators. The accessible market for the Brown Field service providers is the outsourced component of the total available market.

Historically, it has been estimated that around 60% to 65% of the Brown Field services are outsourced by oil and gas field operators to service providers. This percentage is showing an increasing trend and is expected to increase in the future

The revenue forecasts and market share assessments have been provided in terms of the total available market as it is extremely difficult to estimate the accessible market in any given year. The accessible market for Brown Field service providers in any given year depends on the operator companies' decision to outsource Brown Field services for that year. The operator companies' decision to outsource depends on various variable factors such as scope of the project, age of the platform and available in-house and external resources as well as the overall budget. With this background, it is practical to consider the total available market in a given year for revenue forecasts and market share assessments rather than the accessible market.

The Integrated Brown Field services market in Malaysia is estimated to be around RM3.40 billion in 2006. This market is expected to grow at a Compound Annual Growth Rate ("CAGR") of 10.2% during the forecast period (2007-2013). The market is expected to be RM6.69 billion in 2013. The growth during the forecast period is expected to be driven by the current large investments in Green Fields that are likely to increase the number of oil and gas fields in addition to the current (as of 2006) platforms. Also, new fields discovered in the previous years are most likely to come on stream during 2007 to 2013, providing ample growth opportunities for Brown Field services.

The Malaysian upstream oil and gas support services market has more than 45 market participants. Some companies offer services only in their niche areas. Some companies tend to concentrate on one core business area and then spread out to other areas. There is a tendency among these companies to become a "one stop shop" for all the requirements of the upstream oil and gas

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T & S U L L I V A N

industry. These companies tend to acquire companies serving certain niche areas and broadening their portfolio of offerings. These companies are striving to become "integrated service providers". The integrated service providers can expect more revenues from this market as their portfolio of services offered increases.

Market Players

The players are distributed over **three broad categories** as outlined below:

The first category of players consists of **multinational companies** that are well established globally and conduct business in many countries across the world and are widely recognized. They have huge R&D expenditure to develop new products and services. The companies in this category include Kellogg Brown Root (Halliburton Company), Schlumberger Limited and Baker Hughes Incorporated. These companies focus more on the Exploration and Development areas of the upstream industry. They are not too active in the Brown Field services sector in Malaysia.

The second category of players consists of **medium to large local companies** that provide support services to the upstream oil and gas sector. This category primarily includes companies such as SapuraCrest Petroleum Bhd ("SapuraCrest") (includes subsidiaries such as Sarku Engineering Services Sdn Bhd, TL Offshore Sdn Bhd and others), Petra Energy (holding company comprising Petra Resources Sdn Bhd, Petra Fabricators Sdn Bhd and Petra Boilers Sdn Bhd), Tanjung Offshore Bhd., Intraline Resources Sdn. Bhd., SAAG Consolidated (M) Bhd., Ramunia Fabricators Sdn. Bhd., Dayang Enterprise Sdn. Bhd., Delcom Services Sdn. Bhd., Vastalux Sdn. Bhd., and Oilfab Sdn. Bhd.

The third category comprises **small local companies** offering a limited array of support services to the upstream oil and gas sector.

Petra Energy is an integrated Brown Field services provider providing wide and comprehensive range of Brown Field services. Subsidiaries of SapuraCrest are mainly focused on the Green Field services. Amongst the primary players in this category, based on current track records, Petra Energy emerges as the only player with an **exclusive focus on the Brown Field sector** capable of providing the comprehensive range of services required by this sector.

In addition to the existing players, the expected growth opportunities in the Brown Field services have attracted various companies both in and outside the oil and gas sector. These include companies such as the Dialog Group, which is a strong player in the downstream sector and is venturing into the upstream (Green Field and Brown Field) services sector.

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T & S U L L I V A N

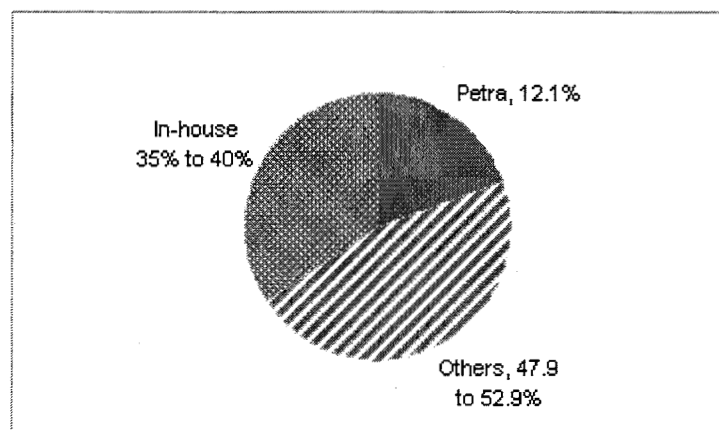
Petra Energy focuses entirely on Brown Field services and has the track record, experience and capabilities to offer integrated Brown Field services. As a whole, taking all its subsidiaries into consideration, although SapuraCrest Petroleum Berhad has the capability to provide all the Brown Field services, its focus area are largely into the Green Field activities. Most of the other regional and local companies are now broadening their portfolio of offerings to include more services. They are aiming to become “one stop shops” for the requirements of the upstream oil and gas sector.

Market Share Analysis

Petra Energy provides a wide and comprehensive range of Brown Field services, gaining a competitive edge as an “Integrated” Brown Field services provider. More than 90.0% of Petra Energy’s total revenues are from Brown Field services making them one of the largest integrated Brown Field service providers in Malaysia. Petra Energy’s domestic Brown Field revenues (operating subsidiaries Petra Resources Sdn Bhd and Petra Fabricators Sdn Bhd which includes Petra Boilers Sdn Bhd) in 2006 were RM431.3 million, a 3.37% increase compared to 2005 revenues.

In 2006, Petra Energy had an estimated 12.1% market share in the Malaysian Brown Field services market.

Chart 1.1: Petra Energy’s Estimated Market Share of the Brown Field Services Market, (Malaysia) 2006



Source: Frost & Sullivan

The in-house services of the oil field operators account for 35.0% to 40.0% of the total Brown Field services market. It is therefore estimated that the other / remaining Brown Field service providers account for the balance 47.9% to 52.9% of the market. Outsourcing to service providers is

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T  S U L L I V A N

witnessing an increasing trend. Petra Energy's market share, not considering the in-house spending by the oil field operators, is estimated to be around 19% to 21% of the estimated accessible market in 2006. Our estimates indicate that the next largest service provider for Brown Field services holds approximately 15% to 16% market share (excluding the in-house contribution).

Ownership of Marine Assets – An Advantage

Service providers with their own marine support have an advantage over others in the industry that do not own marine vessels. An integrated Brown Field service provider with in-house marine service support can be assured of this important service at all times and can quote effectively compared to other service providers who have to depend on other agencies for marine support services.

Brown Field service providers who do not own marine support vessels have limited control over these essential marine assets. Chartering marine vessels from other sources especially at times of acute marine vessel shortage can be extremely difficult both in terms of ensuring availability to suit work-schedule and/or impact on input costs. Thus, Brown Field service providers with in-house marine support services have a definite competitive advantage.

Petra Energy's in-house Brown Field marine assets have strengthened the group's ability to provide Brown Field services. In addition to its own 2 work barges, Petra Energy has access to its parent company's (Petra Perdana Berhad) fleet of around 20 vessels comprising 2 work boats, 3 work barges, 4 crew boats, 2 Platform Supply Vessels (PSVs) and 9 Anchor Handling Tug Supply (AHTS) Vessels, and is therefore able to offer attractive rates with firm commitments on vessels availability which is a critical factor in winning Integrated Brown Field contracts, especially over the foreseeable future where there is likely to be a shortage of such vessels based on industry feedback.

EROM Markets

The key market under focus within the gamut of Brown Field services offered for Malaysian oil and gas industry is the Engineering, Procurement and Construction ("EPC"), Retrofit and Operations and Maintenance services market. For convenience, this market has been defined as the EROM Services Market that constitutes the following services:

- Operations and Maintenance (O&M)
- Equipment Maintenance
- Structural Maintenance
- Hook-up, Commissioning and Retrofit Works
- Minor Structure Fabrication

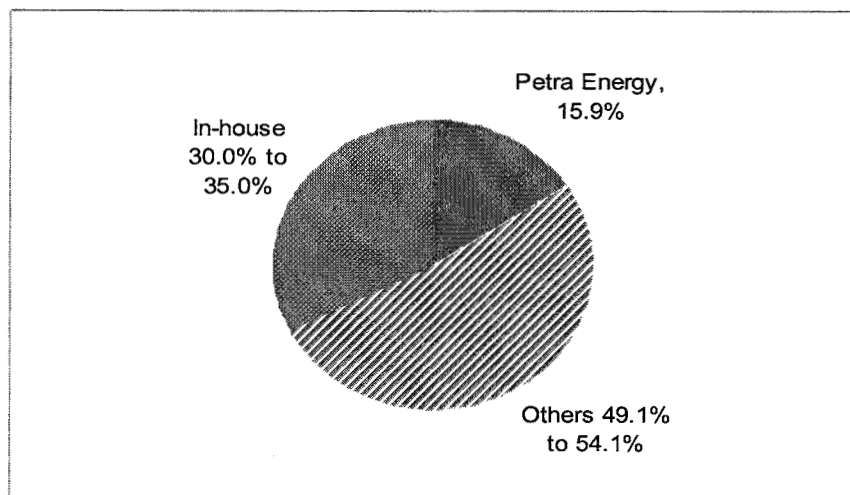
17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T & S U L L I V A N

Out of the estimated RM3.4 billion spent on Brown Field services in Malaysia for the year 2006 (which is the total available market), the EROM services market is estimated to constitute around 70.0% of the total available Brown Field services market. Hence the estimated Total Available Market (TAM) for the EROM services is roughly RM2.38 billion in 2006.

Petra Energy's revenue from EROM services is approximately RM 379.3 million for the year 2006. It has an estimated market share of almost 15.9% for the Malaysian EROM services market in 2006. Frost & Sullivan estimates that the contribution of the in-house expenditure on these Brown Field services by the oil field operators is around 30.0 to 35.0% whereas the share of all the other market participants is estimated to be around 49.1% to 54.1%.

Chart 1.2: Petra Energy's Market Share in EROM Services Market, (Malaysia) 2006



Source: Frost & Sullivan

Barriers to Entry

Entry barriers to the upstream oil and gas support service market are high. All service providers to the oil and gas sectors must be licensed by PETRONAS. This requires a high level of technical capability coupled with previous experience. Financial backing is important. So, companies with sufficient capital and technical capabilities can only be expected to enter this market. Assets such as important equipment are also required.

Ownership of marine support vessels such as work boats and barges give competitive advantage. Entrants from other industries such as construction have had difficulty in securing and fulfilling contracts in the oil and gas upstream market. Previous relevant experience in accordance with the

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T  S U L L I V A N

specific international upstream oil & gas standards is crucial for market participation. Competence of current in-house personnel is essential to undertake assignments in this market.

In addition, the upstream oil and gas industry is very conservative when it comes to trying new entrants. Concomitantly, health, safety, and environment issues have compelled oil companies to engage experienced contractors only. One of the critical factors driving the very strict criteria of market entry is the oil companies' extreme concern about the possible loss of production.

The buyers have more power in this market. The contracts for support services are getting bigger in size and duration with each passing year as more and more functions are being delegated to support service providers. Suppliers with a broad range of services now tend to be in a better position to offer competitive prices and time for completion.

The critical success factors for integrated Brown Field services providers are:

- ✓ Technical capability (depth/specialisation and breadth/scope of services)
- ✓ Marine assets
- ✓ Experience/proven track record
- ✓ Time for completion (turnaround time)
- ✓ Competitive pricing
- ✓ Financial resources / financial stability

Petra Energy Group, by virtue of being an integrated and focused Brown Field service provider, has a definite competitive edge over other service providers.

Industry Outlook - Malaysia

The number of mature aged oil fields and platforms producing assets in Malaysia is increasing. Older platforms require more maintenance services. The productivity in mature oil fields is declining leading the oil companies to spend on rejuvenating the Brown Fields. With oil prices remaining high, the incentives for oil companies to invest in Brown Fields are high. The demand for oil and gas is expected to remain strong in the coming years. The prospects for Brown Field services market in Malaysia look promising during the forecast period (2007-2013).

The contracts for Brown Field services are getting larger in terms of size and scope. The outsourcing contracts for Brown Field services are becoming more "integrated" in nature favouring

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



integrated service providers. Integrated service providers have competitive advantage over others. Specific PETRONAS licenses, technical abilities, financial backing, experienced personnel, essential equipment and marine support services are necessary for an integrated Brown Field service provider to succeed.

Upstream Oil and Gas Industry, Indonesia

Much of Indonesia's proven oil reserve base is located onshore. Indonesia's two main export crudes are Sumatra Light, or Minas and the heavier Duri crude. A study released in August 2002 by Indonesia's Directorate General of Oil and Gas shows that oil reserves in the Cepu block alone, located in Central/East Java, are close to 600 million barrels, about half of which is considered recoverable.

With the introduction of the new Indonesian oil and gas law, the national oil company PERTAMINA became PT PERTAMINA (PERSERO), a limited liability company owned by the state government. This was done to encourage competition. Badan Pelaksana (BP) MIGAS is now the regulating authority for oil and gas exploration and development. Now all oil companies in Indonesia hold co-operation contracts with BP MIGAS, the oil and gas regulatory body and can engage directly in upstream business activity.

Indonesia is the only Asian country to be a member of the Organization of the Petroleum Exporting Countries (OPEC). In 2004, Indonesia became a net importer of oil because of declining production and increasing domestic demand. The Government of Indonesia has acknowledged that most of its oil fields are mature and their production rate is declining at the rate of about 15% every year. The production decline is mainly due to the natural decline in production of ageing oil fields and lack of investment in upstream activities such as deep-sea exploration.

Government statistics indicate that in 2006, the crude oil and condensate production fell from 1.05 to 1.01 million barrels per day ("bbl/d"). ChevronTexaco's PT Caltex Indonesia remains the largest oil producer in the country, accounting for 46% of total oil production. U.S. companies account for a combined 60% of the country's production.

Key factors in Indonesia's declining oil production have been the result of continued decrease in new exploration and sluggish investment.

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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In an effort to maintain/increase current production, the government of Indonesia is trying to:

- Stimulate exploration activities
 - Offering new acreage through regular tender and new offer
 - Controlling implementation of oil contracts

- Improve Brown Field performance
 - Optimising production through use of technology and equipment

- Production from marginal fields
 - Production Incentives

Potential gas reserves in Indonesia increased slightly in 2006. Total gas reserves in 2006 stood at 187.1 trillion cubic feet (TCF). This consists of 94 TCF proven reserves, and 93.1 TCF potential reserves. The gas production is expected to peak in 2008, with a volume of 8.3 billion cubic feet per day.

The major companies in Indonesia operating oil and gas producing assets are:-

- PT Pertamina (Persero)
- PT CALTEX Indonesia
- PT MEDCO Energy
- PT ExxonMobil
- Shell Indonesia
- Unocal Indonesia Company
- China National Offshore Oil Corporation
- YPF Maxus
- VICO Indonesia
- Amerada Hess (Indonesia) Ltd
- British Petroleum (BP) Plc
- Conoco Phillips (Grissik) Ltd
- Talisman Energy Incorporated
- PT Gulf Oil Indonesia
- Santa Fe Energy Resources Ltd
- Serica Energy Corporation

These companies are major buyers of upstream oil and gas support services.

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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The service providers / players in the upstream oil and gas industry in Indonesia can be segregated into three categories.

Category – I: Large multinational companies such as Halliburton Ltd, Schlumberger Ltd & Baker Hughes Incorporated.

Category – II: Regional companies including companies from neighbouring countries such as Malaysia and larger local companies.

Category - III: Smaller local companies.

Brown Fields in Indonesia have assumed importance as production has declined threatening Indonesia's status as an oil exporting country. The government, apart from trying to attract investment for exploration activities, has also focused on Brown Fields' development. The oil and gas producers have also shown a keen interest in (existing fields) to increase production.

The service providers can expect the volume of contracts to increase because of the efforts by the government and oil producers to improve the performance of Brown Fields.

The major companies that provide support services to Brown Fields in Indonesia include:

- Kellogg Brown Root (Halliburton Indonesia)
- AMEC Indonesia
- PT. McConnell Dowell
- PT. Jaya Wijaya Raya
- PT Resources Jaya Teknik Management Indonesia (PT RMI)- PT RMI is a wholly owned subsidiary of PT Kinanti Satya Karsa

There are two main regulations governing the supply of goods and services to Indonesian oil and gas companies. These are:

- a) Presidential Decree No. 18/2000 on procurement of goods & services in government & related institutions.
- b) Directive SK No. 077 issued by the Managing Director of Pertamina covering procurement of goods and services for Production Sharing Contractors (PSC), Joint Operating Bodies (JOB), and Technical Assistance Contracts (TAC).

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T  S U L L I V A N

Oil companies are contractors to the Government of Indonesia and therefore these laws are applicable to them.

Foreign service providers need to partner or sub-contract with local firms to provide services to the oil and gas companies in Indonesia.

In order to participate in a tender, a local firm must fulfil the following:

- Be an Indonesian registered entity.
- Be registered with the Indonesian Chamber of Commerce.
- Register with each oil and gas company as a vendor.

Industry Outlook - Indonesia

With the introduction of the new oil and gas law, the regulating authority for oil and gas exploration in Indonesia vests with BP MIGAS. PERTAMINA, now called PT PERTAMINA (PERSERO), has been transformed into a limited liability company owned by the state government and competes on an equal platform with oil exploration firms operating in Indonesia. This new competitive environment has been created to attract foreign investment for oil exploration. Declining investment for exploration during the past few years has led to a decline in domestic oil production. Dependence on existing fields has increased because of the decline in the number of new oil discoveries. The mature fields require Brown Field services to maintain production targets.

The Indonesian government is keen on developing new fields and at the same time maintaining production in the older fields. This is a major driver for Brown Field services. Indonesia will have to try to maximize production from its Brown Fields to retain its status as an oil exporting country. In this situation, Brown Field services have a lot of potential to grow in Indonesia.

Brown Field service providers in Malaysia have an opportunity to provide similar services in neighbouring Indonesia. As per existing Indonesian law, foreign companies need to partner or sub-contract with local companies to provide services to the oil and gas industry. Indonesia is geographically near to Malaysia and gives Malaysia based players an advantage. By the virtue of being a strong player in the Malaysian Brown Field services markets, Petra Energy Group can potentially compete for similar Brown Field contracts in the growing Indonesian Brown Field services market by partnering or sub-contracting with local companies.

17. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT *(Cont'd)*

F R O S T  S U L L I V A N

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours Sincerely,



Sanjay Singh

Frost & Sullivan (M) Sdn. Bhd.

18. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)



Registered Office:

No. 6-8, Jalan 3/3C
Batu 7, Jalan Ipoh
68100 Kuala Lumpur

Date: **20 JUN 2007**

The shareholders of Petra Energy Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Petra Energy Berhad ("Petra Energy"), I report after due and careful enquiry that during the period from 31 December 2006 (being the date to which the last audited financial statements of the Company and its subsidiary companies have been made) to **20 JUN 2007** (being a date not earlier than fourteen days before the issuance of this Prospectus):

- (i) the businesses of Petra Energy and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or of its subsidiary companies;
- (iii) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities by reason of any guarantees or indemnities given by the Company or any of its subsidiary companies;
- (v) since the last audited financial statements of the Company and its subsidiary companies, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and
- (vi) save as disclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of Petra Energy and its subsidiary companies since the last audited financial statements of the Company and its subsidiary companies.

Yours faithfully

For and on behalf of the Board of Directors

Petra Energy Berhad

A handwritten signature in black ink, appearing to read "Ibrahim Petra".

Yang Mulia Tengku Dato' Ibrahim Petra bin Tengku Indra Petra
Executive Chairman

PETRA ENERGY BERHAD (Company No. 718388-H)
(formerly known as Portfolio Hitech Sdn Bhd)

4, Jalan 3/3C, Batu 7 Jalan Ipoh, 68100 Kuala Lumpur, Malaysia.
Tel: +60 3 6257 1111 Fax: +60 3 6257 8382

19. ADDITIONAL INFORMATION

19.1 SHARE CAPITAL

- (a) No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.
- (b) There is no founder, management or deferred shares in the Company. There is only one class of shares in the Company, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.
- (c) No other persons have been or are entitled to be given an option to subscribe for or purchase any shares, stock or debentures of the Group.
- (d) Save as disclosed in Sections 6.2 and 6.3 of this Prospectus and the new Petra Energy Shares to be issued pursuant to the Public Issue, no shares, stocks or debentures in our Company or its subsidiary have been issued or are proposed to be issued as partly or fully paid-up in cash or otherwise than in cash within the 2 years preceding the date of this Prospectus.
- (e) As at the date of this Prospectus, our Company and its subsidiary do not have any outstanding convertible debt securities.
- (f) None of the capital of our Company or any of its subsidiary has been put under any option or has been agreed conditionally or unconditionally to be put under any option.
- (g) There are currently no schemes involving our Directors and employees in our capital or our subsidiary companies capital.

19.2 ARTICLES OF ASSOCIATION

The following provisions are reproduced from our Company's Articles of Association and are qualified in its entirety by the provisions of the Articles of Association of the Company and by applicable law.

Article Transfer of Securities

50. (1) Subject to these Articles and the Act, any member may transfer all or any of his shares by way of a proper instrument of transfer in writing in any usual or common form or in any other form, which the Directors may approve. The instrument of transfer of any shares in the Company shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the holder of the share until the transferee's name is entered in the Register as the holder of that share and/or the Record of Depositors, as the case may be.
- (2) The instrument of transfer must be left for registration at the Office together with such fee not exceeding RM1.00 as the Directors from time to time may require accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by these Articles register the transferee as a shareholder and retain the instrument of transfer.
- (3) The Directors may decline to register the transfer of shares, which are due and remain unpaid shares and any shares on which the Company has a lien, to person of whom they do not approve. Subject to the Act, if the Directors refuse to register a transfer, a written notice of the refusal shall be sent to the transferee stating the reasons for declining, and the instrument of transfer concerned shall on demand be returned to the person depositing the same.

19. ADDITIONAL INFORMATION (*Cont'd*)

51. The transfer of any listed securities or class of listed securities of the Company which have been deposited with the Depository, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.
52. All transfer of deposited securities shall be effected in accordance with the Act, the Central Depositories Act and the Rules.
53. Subject to these Articles, there shall be no restriction on the transfer of fully paid up shares except where required by law. However, no securities shall, in any circumstances, be transferred to any infant, bankrupt or person of unsound mind.
54. The Depository may, in its absolute discretion, refuse to register any transfers of deposited securities that do not comply with the Central Depositories Act and the Rules.
55. Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the Directors may in their absolute discretion and without assigning any reason thereof, decline to register any transfer of shares which are not deposited with the Depository.
56. Subject to the Listing Requirements and the Rules, the registration of transfer of any securities may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole thirty (30) days in any calendar year.
57. Subject to these Articles, the Directors may recognize a renunciation of any shares by the allottee thereof in favour of some other persons.
58. Neither the Company nor the Directors nor any of its officers shall incur any liability for authorising or causing the registering or acting upon a transfer of securities apparently made by sufficient parties, although the same may by reason of any fraud or other cause not known to the Company or the Directors or other officers be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although transferred, the transfer may, as between the transferor and the transferee, be liable to be set aside. And in every such case, the person registered as the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Article Remuneration of Directors

111. The fees of the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting, and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled to rank in such division for a proportion of the fees related to the period during which the Director has held office provided always that:-
 - (a) Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or a percentage of profits or turnover.
 - (b) Fees payable to Directors shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
 - (c) Any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.
112. Notwithstanding any provisions of these Articles, salaries payable to Directors who hold executive office in the Company may not include a commission on or percentage of turnover.

19. ADDITIONAL INFORMATION *(Cont'd)*

113. The Directors may also be paid and/or reimbursed all traveling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.
114. If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors. Extra remuneration payable to non-executive Director(s) shall not include a commission or percentage of turnover or profits.
131. The remuneration of Executive Director and Managing Director shall (subject to the provisions of any contract between him or them and the Company) from time to time be fixed by the Directors, and may be by way of fixed salary, or commission or participation in profits of the Company or by any or all of these mode or otherwise as may be expedient, but shall not include a commission on or percentage of turnover.

Article Voting Powers of Directors

115. The business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are not, by the Act or by these Articles required to be exercised by the Company in general meeting, subject, nevertheless, to any of these Articles, to the provisions of the Act, and to such regulations, not being inconsistent with these Articles, as may be prescribed by the Company in general meeting, or the provisions of the Act, but no regulation so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.
116. The Directors shall not without the prior approval of the Company in general meeting:-
- (a) carry into effect any proposal or execute any transaction for the acquisition of any undertaking or property of a substantial value, or the disposals of a substantial portion of or a controlling interest in the Company's main undertaking or property;
 - (b) exercise any power of the Company to issue shares unless otherwise permitted under the Act;
 - (c) subject to Section 132E of the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a Director to acquire from or dispose to such Director or person, any non-cash assets of the requisite value; and
 - (d) issue warrants on such terms and subject to such conditions as may be determined by the Directors, which confers a right to registered warrant holders to subscribe equity shares of the Company.
145. Every Director shall comply with the provisions of sections 131 and 135 of the Act in connection with the disclosure of his interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property and in connection with the disclosure of his interest in the shareholdings and other securities of the Company, whereby whether directly or indirectly, the duties or interests might be in conflict with his duties or interests as Director of the Company. A Director shall not participate in the deliberations and voting in respect of any contract or proposed contract or arrangement in which he is directly or indirectly interested (and if he shall do so his vote shall not be counted).

19. ADDITIONAL INFORMATION (Cont'd)

146. A Director may vote in respect of:-
- (a) Any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
 - (b) Any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by a deposit of a security.
147. A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement which he is in any way interested provided always that he has complied with Section 131 and all other relevant provisions of the Act and these Articles.

Article Borrowing Powers of Directors

117. (1) Subject to the provision of the Act and the Listing Requirements, the Directors may exercise all the powers of the Company to borrow money, or to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party.
- (2) The Directors shall not borrow any money, or mortgage or charge any of the Company's or its subsidiaries' undertaking, property and any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
- (3) The Directors shall cause a proper register to be kept in accordance with Section 115 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 108 of the Act in regard to the registration of mortgages and charges therein specified and otherwise.
118. The Directors may exercise all the powers of the Company to guarantee payment of money payable under contracts or obligations of any subsidiary company or companies with or without securities.

Article Alteration of Share Capital

10. The Company may with the sanction of ordinary resolution in general meeting:-
- (a) whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs.
 - (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

19. ADDITIONAL INFORMATION (*Cont'd*)

- (c) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares; and
 - (d) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.
11. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any authorisation, and consent required by law.
 12. The Company may by ordinary resolution passed at a general meeting convert any paid-up shares into stock or re-convert any stock into paid-up shares of any denomination.
 13. The holders of the stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.
 14. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such aliquot part of stock which would not, if existing in shares have conferred that right, privilege or advantage.
 15. Such of the Articles of the Company as are applicable to paid-up shares shall apply to stock and in all such provisions, the words "share" shall include "stock" and the word "shareholder" and "member" shall include "stockholder".

Article Variation of Class Rights

8. If at any time the share capital of the Company is divided into different classes of shares, the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the share of that class) may, whether or not the Company is being wound up, be varied or abrogated, with the sanction of a special resolution passed at a general meeting of the holders of that class of shares, provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing of the holders of the three-fourths of such capital concerned within 2 months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. To every such separate general meeting, the provisions of these Articles relating to general meeting shall *mutatis mutandis* apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of that class and that any holder of shares of that class present in person or by proxy may demand a poll. To every such resolution, the provisions of Section 152 of the Act shall, with such adaptations as are necessary apply.
9. The rights attached to any class of shares, issued with preferred or other rights shall unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

19. ADDITIONAL INFORMATION (*Cont'd*)

19.3 GENERAL

- (a) The nature of our Company's business is set out in Section 7 of this Prospectus.
- (b) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 20 of this Prospectus.
- (c) The time of the opening of the Application List for the Public Issue Shares is set out in Section 4.1 of this Prospectus.
- (d) The amount payable in full upon application is RM2.62 per Public Share.
- (e) Particulars relating to the outstanding borrowings and contingent liabilities of our Group are disclosed in Sections 14.3.4 and 14.5.2 of this Prospectus.
- (f) The name and address of the Auditors and Reporting Accountants of our Company are set out in the "Corporate Directory" section of this Prospectus.

19.4 PROMOTERS, DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- (i) Save as disclosed in Section 11.1 of this Prospectus, none of our Directors or substantial shareholders has any interest in any contract or arrangement, which is significant in relation to the business of our Company or subsidiary taken as a whole and which is still subsisting as at the date of this Prospectus; and
- (ii) Save as disclosed in Section 5.2.5 of this Prospectus, our Directors and/or substantial shareholders are not aware of any person who is able to, directly or indirectly, jointly or severally, exercise control over our Group.
- (iii) Save as disclosed in Section 9.2.8 of this Prospectus, we have not paid or given nor intended to be paid or given any amount or benefit to our Promoters, Directors and Substantial Shareholders within the two (2) years preceding the date of this Prospectus.

19.5 MATERIAL CONTRACTS

Save as disclosed below, neither our Company nor any of our subsidiaries have entered into any contracts which are or may be material (not being contracts entered into in the ordinary course of business) during the 2 years preceding the date of this Prospectus:

- (a) Share sale agreement dated 23 December 2005 made between Petra Perdana and Petra Energy in respect of the sale of Petra Perdana's 100% equity interests in Petra Resources comprising 8,000,000 ordinary shares of RM1.00 each for a total consideration of RM39,852,922 to be satisfied in full by the issuance of 39,852,922 new ordinary shares of RM1.00 each in Petra Energy. By a supplementary agreement dated 7 March 2006, the purchase consideration was to be satisfied by the issuance of 79,705,844 new Petra Energy Shares instead of 39,852,922 ordinary shares of RM1.00 each in Petra Energy. The relevant approval from FIC has been obtained and PETRONAS and MITI have been duly informed of the sale. The sale transaction was completed on 8 March 2006;

19. ADDITIONAL INFORMATION (Cont'd)

- (b) Share sale agreement dated 23 December 2005 made between Petra Perdana and Petra Energy in respect of the sale of Petra Perdana's 100% equity interests in Petra Fabricators comprising 3,000,000 ordinary shares of RM1.00 each for a total consideration of RM2,147,076 to be satisfied in full by the issuance of 2,147,076 new ordinary shares of RM1.00 each in Petra Energy. By a supplementary agreement dated 7 March 2006, the purchase consideration was to be satisfied by the issuance of 4,294,152 new Petra Energy Shares instead of 2,147,076 ordinary shares of RM1.00 each in Petra Energy. The relevant approval from FIC has been obtained and MITI have been duly informed of the sale. The sale transaction was completed on 8 March 2006; and
- (c) Sale and purchase agreement dated 24 July 2006 entered into between Petra Fabricators and Petra Perdana in respect of a sale of a land located at Lot 58, Jalan Utas 15/7, Kawasan Perusahaan Seksyen 15, 40000 Shah Alam owned by Petra Perdana for a total cash consideration of RM6,389,809. The sale transaction was completed on 3 April 2007.

19.6 MATERIAL LITIGATION/ ARBITRATION

Save as disclosed below, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries are engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect and/or adverse effect on our Group's financial position or business.

- (a) In Suit No. KLHC D3-22-1700-2003 dated 3 November 2003, Best Wide Matrix Sdn Bhd ("BWM") claimed a sum of RM1,071,899 against Petra Fabricators for a breach of contract whereby Petra Fabricators agreed to supply and/or carry out work in relation to a seal gas skid for a project. BWM obtained a summary judgment against Petra Fabricators. Petra Fabricators counter-claimed against BWM for a sum of RM2.1 million for rectification work performed.

On 3 September 2004, Petra Fabricators had filed a writ of summons and statement of claim in the Kuala Lumpur High Court via KLHC Suit No. S6-23-56-2004 for damages for libel, aggravated and exemplary damages and an injunction against BWM for certain defamatory statements made and circulated by BWM.

In the meantime in Appeal No: W-02-735-05, Kamarudin & Partners had on 17 August 2005 filed in the Appeal Record on Petra Fabricators' appeal against the decision of the High Court in allowing BWM's appeal for the summary judgement in favor of BWM.

Petra Fabricators had filed a stay of execution of the summary judgment pending disposal of the counter-claim, which was heard and disposed by the Judicial Commissioner on 2 December 2005. Petra Fabricators had proceeded to file in a certificate of urgency to the Court of Appeal ("CA") on 6 December 2005 for the CA to hear the appeal as soon as possible.

On 14 December 2005, the solicitors of Petra Fabricators had received notification from the CA that Petra Fabricators's appeal on the stay application has been fixed on 23 January 2006. However on 14 December 2005, despite Petra Fabricators's appeal on the stay proceedings to the CA, the solicitors for BWM executed a writ of seizure and sale on Petra Fabricators' premises.

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