

7. BUSINESS OVERVIEW (Cont'd)

7.12 MAJOR LICENCES AND REGISTRATIONS

Save as disclosed below and as at the date of this Prospectus, we have no other major licences or registrations. The major licences and registrations of our subsidiaries, together with the conditions attached thereto and status of compliance thereon, are as follows:

| Company | Approving Authority | Type of licence/ Registration/ Licence and serial number | Date of Issuance/Validity | Equity, Employment and/or other Major Conditions Imposed | Status of compliance |
|-------------------------|---------------------|---|--|--|-------------------------|
| <i>Petronas Licence</i> | | | | | |
| Petra Resources | PETRONAS | L-172962-D | 1 December 2005 to 30 November 2007 | <p>The general conditions of the licence are as follows:</p> <ul style="list-style-type: none"> the company must be duly registered with the Companies Commission of Malaysia; paid up capital of more than RM100,000; financial stability (if the company has been incorporated for more than 18 months, its shareholders funds must be positive; the company's operations must have adequate source of raw materials, manpower from all levels of employment and adequacy of Bumiputera participation in its board of directors, shareholders, management and staff (depending on the category of services or products provided); the company must be registered with the relevant professional bodies or government departments; the company must be duly registered or obtain the necessary licences or permits to carry out the services or to supply the equipment or material related to the company's business activities; the licence is not transferable, | Complied. |

7. BUSINESS OVERVIEW (Cont'd)

| Company | Approving Authority | Type of licence/ Registration/ Licence and serial number | Date of Issuance/Validity | Equity, Employment and/or other Major Conditions Imposed | Status of compliance |
|---------|---------------------|---|------------------------------|--|-------------------------|
| | | | | <ul style="list-style-type: none"> • the licence will be terminated if the company is wound up or has entered into any stage of debt settlement; • the company must observe the Government's guidelines in respect of management, and staff composition and the usage of local material and services; • the company must inform PETRONAS of any change in the shareholders, the board and management staff. Failure to do so will result in the withdrawal of the licence; • the company will not procure any company to act as its principal, agent or sub-contractor to provide any materials or services without the approval in writing from PETRONAS; and • action will be taken against the company if : <ul style="list-style-type: none"> (i) it fails to complete any contract provided; (ii) it fails to carry out its obligations with any of the principal, agent, or sub-contractor; (iii) it fails to receive a garnishee order; (iv) it is wound up; (v) it cannot be traced to its last known address; (vi) it sub-contracts any works to contractors that are not approved by PETRONAS; (vii) it refuses any contracts awarded to the company; (viii) it enters into any contract while its licence is invalid; and (ix) it does not observe the conditions of the licence, etc. | |

7. BUSINESS OVERVIEW (Cont'd)

| Company | Approving Authority | Type of licence/ Registration/ Licence and serial number | Date of Issuance/Validity | Equity, Employment and/or other Major Conditions Imposed | Status of compliance |
|--|------------------------------------|---|--|---|-------------------------|
| <i>Licences for vessel (work barge) - Petra Challenger</i> | | | | | |
| Petra Resources | American Bureau of Shipping | Certificate of Classification | 22 July 2005 and valid until 25 April 2009 | None | N/A |
| Petra Resources | Labuan Registry of Malaysian Ships | Certificate of Malaysian Registry | 3 June 2005 [^] | None | N/A |
| Petra Resources | Domestic Shipping Licensing Board | Domestic Shipping Licence | 14 July 2006 and valid until 13 July 2007 | None | N/A |
| <p>The company must also observe the special conditions of the licence as follows:</p> <ul style="list-style-type: none"> • must be registered with Lembaga Pembangunan Industri Pembinaan Malaysia ("Construction Industry Development Berhad") and Kementerian Kewangan Malaysia ("Ministry of Finance"); • accounts must be audited by 1 July 2006 and 2007 respectively for FYE 31 December 2005 and 2006; • must maintain a positive shareholders' funds; and • must be duly registered with Pusat Khidmat Kontraktor 2 weeks prior to its expiry on 4 March 2006. <p>Complied.</p> | | | | | |

7. BUSINESS OVERVIEW (Cont'd)

| Company | Approving Authority | Type of licence/ Registration/ Licence and serial number | Date of Issuance/Validity | Equity, Employment and/or other Major Conditions Imposed | Status of compliance |
|---|-----------------------------------|---|--|--|---|
| Licences for vessel (work barge) - Petra Discovery | | | | | |
| Petra Resources | American Bureau of Shipping | Certificate of Classification | 5 November 2005 and valid until 13 July 2009 | None | N/A |
| Petra Resources | Miri Divisional Health Office | Certificate of Malaysian Registry | 3 June 2003 [^] | None | N/A |
| Petra Resources | Domestic Shipping Licensing Board | Domestic Shipping Licence | 14 July 2006 and valid until 13 July 2007 | None | N/A |
| Notes: | | | | | |
| [^] Permanent certification | | | | | |
| Manufacturing Licences | | | | | |
| Petra Resources | MITI | 3 Manufacturing Licences under licence no A012121(Labuan), A012122(Kemaman) and A012123(Miri) for production of machined parts and components | 31 December 1999 (unless revoked) | (i) Any shares of the Company that are held by foreigners shall not be sold without the prior written consent of MITI. | Condition cancelled. Please refer to Section 10(A)(a) of this Prospectus. |

7. BUSINESS OVERVIEW (Cont'd)

| Company | Approving Authority | Type of licence/ Registration/ Licence and serial number | Date of Issuance/Validity | Equity, Employment and/or other Major Conditions Imposed | Status of compliance |
|----------------------|---------------------|--|------------------------------------|---|---|
| Petra Fabricators | MITI | Manufacturing Licence under licence no A013625 for the production of pressure vessels, heat exchangers, package boilers and fuel gas skids. | 14 August 2003 (unless revoked) | (ii) The composition of the board of directors of the company should reflect its equity structure and MITI has to be duly informed of any appointments or change in the company's board of directors. | Will inform MITI if there is any new appointment or change in the board composition Complied |
| Petra Boilers | MITI | Manufacturing Licence under licence no A012999 for the production of boilers, pressure vessels, cryogenic storage tanks. | 6 January 2005 (unless revoked) | The conditions to the licence entail that any sale of the shares in the company will have to be duly notified to MITI. | Complied |

7. BUSINESS OVERVIEW (Cont'd)

| Company | Approving Authority | Type of licence/ Registration/ Licence and serial number | Date of Issuance/Validity | Equity, Employment and/or other Major Conditions Imposed | Status of compliance |
|-----------------|---|---|-----------------------------------|--|----------------------|
| Petra Resources | Construction Industry Development Berhad ("CIDB") | CIDB Licence under licence no. 1970308-WP024532 for registration as a contractor with CIDB according to Malaysia Act 1994 | 18 August 2006/ 17 August 2009 | <p>The general conditions of the licence are as follows:</p> <ul style="list-style-type: none"> • The license may not be transferable; • The board has the discretion to review the contractor's registration grade from time to time; • The contractor has to comply with the Akta Lembaga Pembangunan Industri Pembinaan Malaysia 1994; • The contractor is required to provide the details of the construction works or the contract within 1 month from the date of award; and • The contractor shall not undertake any construction projects which exceeds the value of the stated grade under the registration and shall not undertake any construction projects beyond the relevant registration category. | Complied |
| Petra Resources | MOF | Registration of Bumiputera Contractor under registration no. 357-00032555 for acknowledgement that Petra Resources as Bumiputera contractor | 24 July 2006/ 20 August 2009 | <ul style="list-style-type: none"> • General conditions relating to the provision of products and services • Bumiputera participation in equity shareholdings, board of directors, management level and workforce must be above 51% at any point in time. | Complied |

7. BUSINESS OVERVIEW (Cont'd)

| Company | Approving Authority | Type of licence/ Registration/ Licence and serial number | Date of Issuance/Validity | Equity, Employment and/or other Major Conditions Imposed | Status of compliance |
|-----------------|--|--|-------------------------------|--|-------------------------|
| Petra Resources | Kementerian Pembangunan Usahawan dan Koperasi | Registration of bumiputera contractor under registration no, 1406A2002 0124 under Pusat Khidmat Kontraktor ("PKK") | 5 March 2006/ 4 March 2008 | In the event that company has any foreign equity, it shall only be allowed to tender for contract above RM25.0 million. The Company's registration as bumiputera contractor shall be cancelled, in the event any of its shareholders, directors, management or staff are actively involved in other registered PKK companies, which are involved in similar works with the Company. | Complied |

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7. BUSINESS OVERVIEW (Cont'd)

7.13 SEASONALITY

Most of our services are provided at offshore platforms. As such, during the annual monsoon season from November to March, our revenue for the first and last quarter of every financial year tends to be lower as compared to the rest of the financial year. Our business usually improves from April onwards until late October before it slows down again. Apart from the monsoon season, our revenue derived from Brown Field Services is not affected by seasonality factor.

7.14 MAJOR SUPPLIERS

As we are principally engaged in providing a wide range of integrated Brown Field Services to the oil and gas industry, our business activities are of a service nature.

We provide staff and skilled personnel with the relevant expertise to carry out all the Brown Field activities and to the extent possible, we will transport our staff and skilled personnel with the 2 accommodation/ work barges which we currently own. In addition, we also package and supply certain engineered equipments as a value-added service to our customers. Hence, our main costs are salaries, vessels charter fee and engineered equipments.

The suppliers who contributed to 10% or more of our total Proforma Group cost of sales for the past three (3) FYE 31 December 2006 are provided below:

| Supplier | 2004 | 2005 | 2006 | Length of relationship (years) |
|-----------------------|--|-------------|-------------|---------------------------------------|
| | Percentage of our total Group cost of sales (%) | | | |
| GE Packaged Power Inc | 13.4 | 0.9 | 4.1 | 8 |
| Intra Oil | 5.5 | 13.6 | 14.8 | 3 |

GE Packaged Power Inc, a company based in US, supplies engineered equipments such as turbines to our Group.

Intra Oil, a subsidiary company of Petra Perdana and hence a company deemed related to our Group, provides marine support services to our Group.

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7. BUSINESS OVERVIEW (Cont'd)

7.15 LOCATION

Our Group's headquarter is located at No. 4, Jalan 3/3C, Batu 7, Jalan Ipoh, 68100 Kuala Lumpur, Wilayah Persekutuan. The location of our regional offices and service facilities are as follows:

| Company | Location of regional offices and service facilities |
|-------------------------------------|---|
| Petra Resources | <p>Miri, East Malaysia Lot 2000, Piasau Industrial Estate P.O Box 1618 98009 Miri, Sarawak</p> <p>Miri Project Office, East Malaysia Lot 1310, 1311 & 1312 Ground, 1st, 2nd & 3rd Floor, Jalan Bendahara Waterfront Commercial Centre 98000 Miri, Sarawak (refer section 12)</p> <p>Bintulu, East Malaysia No.45, Lot 3331, 1st Floor, Park City Commercial Square P.O Box 1127, 97000 Bintulu Sarawak</p> <p>Kemaman, Terengganu Warehouse No. 16, Door No. 09 & 10 Kemaman Supply Base 24007 Kemaman Terengganu</p> |
| Petra Boilers and Petra Fabricators | <p>Shah Alam, Selangor Darul Ehsan Lot 58, Jalan Utas 15/7 Kawasan Perusahaan, Seksyen 15 40000 Shah Alam Selangor Darul Ehsan</p> |

7.16 INTERRUPTIONS TO BUSINESS AND OPERATIONS

The Group has not experienced any major disruption in its business, which had significant effects on its operations for the past 12 months prior to the date of this Prospectus.

7.17 REGULATIONS AND LEGISLATIONS

All our activities to provide integrated Brown Field Services to the oil and gas industry in Malaysia are governed by PETRONAS, through the Petroleum Development Act, 1974. In addition, due to the nature of our business where our services and products are provided or used in handling flammable and toxic substances, our Group's focus on HSE issue is of utmost importance. In this regard, our activities are also governed by the Environmental Quality Act 1974, Exclusive Economic Zone Act 1984, Occupational Safety and Health Act, 1994 and Factories and Machinery Act, 1967.

7. BUSINESS OVERVIEW (Cont'd)

Our manufacturing activities under Petra Resources, Petra Fabricators and Petra Boilers are also governed by MITI.

As we currently own 2 work / accommodation barges, namely Petra Challenger and Petra Discovery, we also observe certain Malaysian law as well as international regulations and conventions relating to ownership of vessels, maintenance of vessels, construction and operations of vessels, health and safety of crew, vessel manning, oil spills and environmental protection. In addition to complying with the Malaysian Shipping Ordinance 1952, our barges also observed, *inter-alia*, the regulations by the following authority / conventions:

- American Bureau of Shipping
- International Convention on Load Lines, 1966
- International Convention on Tonnage Measurement of Ships, 1969
- International Convention for the Prevention of Pollution From Ships 1973 as modified by the Protocol of 1978

7.18 INTELLECTUAL PROPERTY RIGHT

The Company has registered the trademark of "PETRA" for the use of the following category of goods:

| Category | Type of goods |
|-----------------|--|
| Class 6 | Common metals and their alloys |
| Class 7 | Compressors, drilling machines, machine tools and pumps |
| Class 8 | Hand tools and implements (hand operated) |
| Class 9 | Data processing equipment and computer and computer programs |
| Class 16 | Letterheads, stationary, brochures, pamphlets and printed matter |
| Class 42 | Scientific and technological services, research and design thereto |

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8. INDUSTRY OVERVIEW AND PROSPECTS

THE OVERVIEW AND PROSPECTS OF THE OIL AND GAS INDUSTRY AS SET OUT IN SECTIONS 8.3 TO 8.11 BELOW, WHICH ARE SUMMARISED FROM THE INDEPENDENT MARKET RESEARCH REPORT, ARE NOT INTENDED TO BE EXHAUSTIVE BUT REFLECT SOME OF THE FACTORS THAT ARE CONSIDERED RELEVANT TO THE UNDERSTANDING OF THE BUSINESS AND PROFITABILITY OF OUR GROUP BASED ON PREVAILING REGULATIONS, ECONOMIC TRENDS AND DEVELOPMENTS.

8.1 OVERVIEW OF THE WORLD ECONOMY

The outlook for global performance remains fairly optimistic. Global growth in 2007 is forecast to be sustained at above 4% for the fifth consecutive year. A growth of 4.5% is anticipated in 2007 (5.0% in 2006), with further easing of inflationary pressures and with some moderation in growth of world trade. The adjustment in the US housing market is expected to gradually have a broader impact on consumption. Recovery in Japan would continue, albeit at a more measured pace, while prospects for the euro area now look brighter following signs of a broad-based recovery in the major member countries. Notwithstanding the more moderate pace of expansion in external demand, growth in the Asian region is expected to remain encouraging, supported increasingly by domestic demand, particularly in People's Republic of China ("PR China") and India.

In the US, the prospect for further housing market weakness lingers as the ratio of residential property investment to GDP remains above its historical average while oversupply persists as evident from the high housing inventories and homeowner vacancy rates. There may be some spillover effects into consumption activity and other sectors of the economy in the early part of the year. Import demand may also be more broadly affected, given the moderating domestic demand. This anticipated outcome would contribute to a further improvement in the US external imbalance, which has been a major area of concern associated with the adjustment of global imbalances.

The impact of the moderation of growth in the US on global economic momentum in 2007 depends significantly on the sustainability of the recovery in Europe and Japan and the strength of domestic sources of growth in the rest of Asia. However, while these economies have relied on external demand to support growth and recovery, the share of European and Japanese exports to the US has declined noticeably (European Union-15: 24% in 2000 to 20% of total exports in 2006; Japan: 30% in 2000 to 23% of total exports in 2006). With respect to domestic demand, the euro area economy appears to be better positioned to sustain its expansion. Labour market conditions are expected to continue improving in line with stronger economic activity and higher wage settlements supporting consumer spending. Germany's recovery is also seen to be contributing to global demand, as reflected in the trend of a stronger rise of German imports from economies outside the euro area.

In Japan, however, concerns persist on the prospects for a stronger recovery in private consumption. Enhanced consumption activity needs to be supported by a sustained uptrend in wage and income growth. Nonetheless, the strength in investment spending is expected to prevail as Japanese corporations are well positioned to benefit from the continued expansion of global and regional demand.

With an anticipated moderate softening in external demand, especially in the first half of 2007, regional economies are projected to expand at a slightly less rapid pace in 2007. Domestic demand is expected to play a central role in cushioning the impact of the moderation in external demand. In addition, flexibility in monetary and fiscal policy following the easing of inflationary pressures and improving fiscal positions of regional economies, would provide further support to growth in domestic demand. This development is evident given the more accommodative monetary policy stance in Indonesia, Thailand and the Philippines. Higher consumption activity is also increasingly supported by rising income levels amid improving labour market conditions as seen in the lower levels of unemployment and rising real wages. Recent developments suggest a revival in investment trends. Several large infrastructure projects have been announced or have commenced operations. Such projects include the relocation of the administrative centre and the expansion of public housing supply in Korea, the building of the integrated resorts in Singapore, and public infrastructure projects in Thailand and the Philippines.

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

Trends also suggest that the global semiconductor industry, a key export sector of the region, is poised to record another favourable year with forecast growth of 9.5-10%. Demand for electronic products with advanced features has driven technology enhancement in the semiconductor industry, leading to the production of high-performance microprocessors, graphics processors and memory chips. The new Microsoft operating system, Vista, is expected to lend support to sales in the personal computer segment in the second half of 2007 as demand increases. Meanwhile, in the broad commodity markets, despite some recent corrections, indications are that demand and prices would be generally sustained at elevated levels.

In PR China, rebalancing growth away from investment and export-related activities towards private consumption remains a key focus for policy makers. GDP growth in PR China is expected to ease moderately in 2007 due to slower exports and policy measures undertaken to restrain over-investment and promote economic rebalancing. Ongoing infrastructure projects related to rural development and several significant events like the Olympics 2008, Shanghai World Expo and Guangzhou Asian Games 2010 would continue to support strong investment growth.

Global inflation has started to stabilize amid easing oil prices. However, underlying demand conditions for commodities remain firm, especially in fast-growing regions, which suggests that prices would remain supported in the longer term. Going forward, while easing oil prices and slowing global growth may generally prompt some degree of monetary easing, monetary policy responses are expected to vary based on country-specific circumstances and conditions.

Global financial markets have grown significantly, driven by expanding capital flows and growth of new financial intermediaries. These developments have increased volatility and potential mis-pricing of risks across a number of asset classes and markets. Persistently strong capital inflows have also prompted policy responses by selected monetary authorities in the region. The large increase in carry trades and derivative trades and increased integration of global financial markets have raised the risks of sudden and large adjustments in financial markets and asset prices. Markets remain vulnerable to a sharp correction that could be triggered by a significant change in expectations. The recent developments at the end of February and early March in the global, regional and domestic equity markets reflect the potential for contagion. Nonetheless, the capacity to absorb the volatility from time to time would depend on the resilience and fundamentals of the underlying economies.

While global growth is expected to remain favourable in 2007, several key risks could affect this outlook. One risk is a sharper-than expected US moderation. Although oil prices have declined from their recent peaks, geo-political developments could suddenly reverse this trend with implications for slower global growth and renewed inflationary pressures. Furthermore, while recent developments suggest that the US current account deficit is improving, the risk of a disorderly adjustment still remains. In addition, events that prompt the unwinding of carry trades could also contribute to destabilizing developments in the international financial system.

(Source: Bank Negara Malaysia Annual Report 2006)

8.2 OVERVIEW OF THE MALAYSIAN ECONOMY

Supported by sustained global growth and resilient domestic demand, the Malaysian economy is expected to register solid growth in 2007, with real GDP expanding by 6%. This pace is consistent with the expansion in productive capacity following the strengthening of the recovery in capital formation.

In 2007, investment, particularly private investment, is expected to play a major role in sustaining growth as strong domestic and external demand, coupled with high levels of capacity utilisation, induced firms to expand capacity. In addition, investment activity by the public sector is also expected to expand substantially with the commencement of work on infrastructure and other projects under the Ninth Malaysia Plan ("9MP"). Firm-level investment is also expected to benefit from the reduction in the corporate tax rate that was announced in the 2007 Budget, while ample liquidity in the financial system will ensure funding would be adequate.

8. INDUSTRY OVERVIEW AND PROSPECTS (*Cont'd*)

The year will also see broad-based growth as the mining and construction sectors, which had contracted in 2006, are expected to register positive growth. The construction sector, in particular, will benefit from higher public expenditure as well as strong demand in the non-residential properties segment. In the mining sector, growth would be driven by a recovery in natural gas output after major upgrading work on the MLNG 2 plant is completed. In addition, the Kikeh oil field in Sabah, which was discovered in 2004, is expected to start production in the fourth quarter of the year.

The growth momentum during the year will be influenced by both external and domestic factors. The global economy is expected to expand more moderately in the first half of the year, mirroring the slower growth expected in the US during this period. In addition, the global electronics industry is expected to see demand remain stable in the first half of the year before new products boost demand in the second-half year. On the domestic front, a number of major developments are expected to impact growth, mainly towards the latter part of the year. These include the more rapid implementation of public projects, the start of production at the Kikeh oil field and the significant increase in tourist arrivals for the Visit Malaysia Year 2007 during the peak summer travel season. Reflecting these factors, the Malaysian economy is expected to enjoy stronger growth in the second half-year.

Inflation is expected to remain benign during the year. After having increased in 2006 following the partial reduction of fuel and other subsidies, inflation is expected to trend downwards during the year. Price pressures from demand conditions are expected to remain subdued, given that the economy would be on a balanced growth path during the year. In addition, lower oil and energy prices would mitigate imported inflation. As a result of these factors, the average inflation rate for 2007 is expected to be in the range of 2 - 2.5%.

The current account is forecasted to record a surplus, driven by the trade surplus and improved services receipts arising from the tourism sector. Inflows of foreign direct investment are expected to remain substantial. Balancing these inflows, however, would be the strong outflows that are characteristic of a highly open economy. The nation's external indebtedness is expected to decline as the public sector will continue to register net repayment of its external obligations. Similarly, the strong performance of the trade, oil and gas and financial sectors would see significant repatriation of profits and dividends by foreign direct investors back to their home offices. In addition, Malaysian investors and firms are expected to intensify the diversification of their portfolios by investing abroad. These healthy two-way flows will combine to improve Malaysia's fundamentals while enhancing the economic integration with the regional and global economies.

(Source: Bank Negara Malaysia Annual Report 2006)

8.3 OVERVIEW AND PROSPECTS OF THE GLOBAL OIL AND GAS INDUSTRY

The International Energy Outlook 2006 ("IEO2006") projects strong growth for worldwide energy demand over the 27-year projection period from 2003 to 2030. Despite world oil prices that are 35 percent higher in 2006 than projected in last year's outlook, world economic growth continues to increase at an average annual rate of 3.8 percent over the projection period, driving the robust increase in world energy use. The oil and gas sector represents the main driver to the energy industry, that drives economic growth and helps improve the living standards of the population.

Many factors that drove world oil markets in 2006, such as low OPEC spare oil production capacity and rapid world oil demand growth, are likely to continue to affect markets in 2007. Other factors are less certain, such as the frequency and intensity of hurricanes, other extreme weather and geopolitical instability.

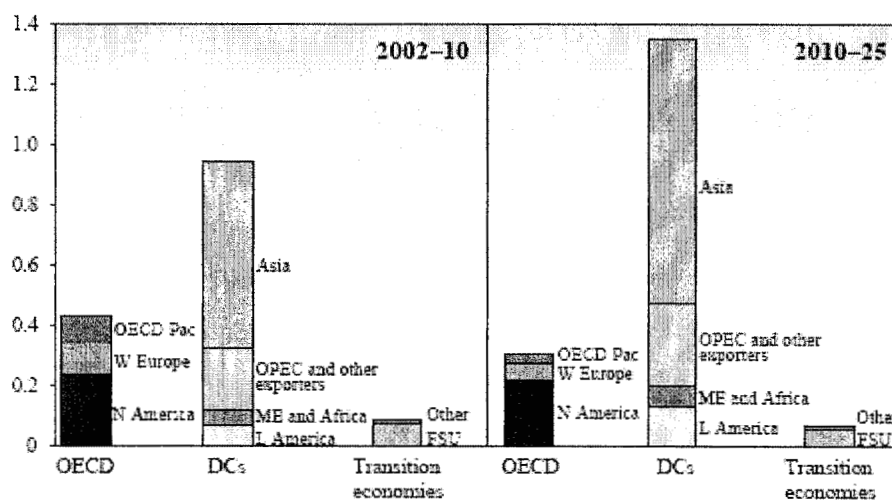
OPEC spare production capacity stood at approximately 1.3 million bbl/d in 2006. For 2007 and 2008, EIA expects OPEC spare capacity to average over 2-million bbl/d. Crude oil output from OPEC remained flat in 2006, at about 27 million bbl/d.

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

Out of the non-OPEC supply outside the US, approximately 400,000 bbl/d is likely to come online from the Caspian region (Azerbaijan and Kazakhstan), roughly 450,000 bbl/d from the Western Hemisphere (Canada and Brazil in particular), and about 150,000 barrels from West Africa. However, the net supply growth is likely to be hindered due to the decline in natural production at mature fields located in the North Sea, Mexico, and the Middle East region. Therefore it is estimated that in 2006, supply will increase by only 700,000 bbl/d.

The chart below shows the annual growth in global oil demand during the period 2000-2025 as projected by OPEC. The maximum demand is expected to be from Asia during the period 2011-2025.

Annual growth in oil demand, 2000-25
mb/d p.a.



Notes:

FSU – Former Soviet Union

ME – Middle East

L America – Latin America

W Europe – Western Europe

N America – North America

Source: OPEC Report 2004

According to the IEO2006, world oil demand is projected to grow from 80 million barrels per day in 2003 to 98 million barrels per day in 2015 and subsequently to 118 million barrels per day in 2030. Much of the growth in oil consumption is projected for the nations of non-OECD (Organisation for Economic Co-operation and Development) Asia, where strong economic growth is expected. Non-OECD Asia (including China and India) accounts for 43 percent of the total increase in world oil use over the projection period.

In the emerging economies, strong expansion of oil use is projected, as robust economic growth fuels demand for oil to fuel burgeoning industrial sectors and rapidly expanding transportation use. The fastest growth in oil demand is projected for the emerging Asian economies, at an average rate of 3.5% per year from 2002 to 2025, and the other emerging economy regions are also expected to experience fast-paced increases in oil use. From 2002 to 2025, consumption of petroleum is projected to increase on average by 2.1% per year in the Middle East, 2.5% per year in Central and South America, and by 2.7% per year in Africa.

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

Economic development in Asia will be crucial to long-term growth in oil markets. China, India, and the other nations of emerging Asia are expected to experience combined economic growth of 5.5% per year between 2002 and 2025, the highest rate of growth in the world. This robust expansion in GDP translates to a 3.5% annual increase in regional oil use.

Studies conducted by leading oil companies have shown that the overall global energy consumption is expected to grow by about 40% in 2020 in comparison with 2003-2004. This is equivalent to the demand of about 215 million barrels of oil equivalent per day ("boepd") in 2003-2004 to almost 300 million boepd, or 13 billion gallons per day in 2020. Oil and gas are major contributors to the global energy mix. Therefore, the supply and demand of oil and gas will have a large impact on the global economy.

In addition, energy sources that are expected to be consumed in the foreseeable future will continue to be largely derived from fossil fuels such as coal, oil, and natural gas. It is expected that fossil fuels will provide about 80% of the energy consumption in 2020 that translates into an increase of around 68 million boepd. This translates to nearly eight times the size of the output of the world's largest petroleum producing country such as Saudi Arabia in early 2006.

Non-fossil fuel consumption is also expected to increase by about 8 million boepd. It is expected that growth for nuclear power and hydropower will be moderate due to geographical limitations and environmental obstacles, while wind and solar energy are expected to supply about 0.5% of the world's total energy consumption in 2020.

Alternative sources of oil such as Coal to Oil technology and Gas to Oil Technology that can produce synthetic oil can supplement the global supply of oil. These technologies are only supplements to conventional oil sources and cannot 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, as it may to some extent restrain/hinder the market growth for the same. Currently, energy from solar, wind, and hydrogen are more expensive than energy derived from oil. Also, developing the hydrogen economy of the future involves a lot of investment that is not yet justifiable when fossil fuel is available. Oil and gas deliver more energy per unit compared to any other energy source. This makes oil and gas preferred sources of energy.

In conclusion, it can be said that fossil fuels by the virtue of their versatility and higher efficiency will most likely be the dominant source of energy for the next 20 years.

(Source: The Independent Market Research Report)

8.4 OVERVIEW AND PROSPECTS OF THE MALAYSIAN OIL AND GAS INDUSTRY

The mining sector in Malaysia registered a mild contraction of 0.2% in 2006 due to lower production of crude oil and natural gas. The shutdown of a number of oil fields for maintenance, as well as the phased upgrading to expand capacity at the MLNG 2 plant, led to lower activity in the mining sector during the year. Nevertheless, the sector's contribution to the overall economy was significant in terms of foreign exchange earnings from exports, revenue to the Government and investments in exploration and downstream activities. Malaysia remained a net energy-exporting nation. Export earnings from minerals rose further due entirely to higher oil prices, as the export volume declined during the year. Over the years, the share of mineral exports to total gross exports has increased gradually from 7.2% in 2000 to 9.7% in 2006.

In 2006, crude oil production (including condensates) averaged 699,796 bbl/d, representing a decline of 0.5%. The lower production of crude oil (excluding condensates: -3.5% to 548,487 bbl/d) was a result of the shutdown of several oil installations during the year for repairs and maintenance.

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

This was mitigated to some extent by the rising contribution of condensates to overall oil production. Condensates, which in its natural state is in a gaseous form but is condensed into liquid during production, shares the same high quality properties as Malaysian light, sweet crude oil. During the year, output of condensates rose further at a double-digit rate (12%) to an increased share of 21.6% of total crude oil output (2001: 13%).

Following six continuous years of growth in the sector, output of natural gas declined marginally by 0.4% in 2006. Activity was influenced by the sequenced shutdown of facilities at the MLNG 2 plant in Sarawak for upgrading to expand capacity. The increase in capacity is to meet future demand from Malaysia's traditional buyers as well as from the new market, China. Currently, Malaysia is a major supplier of liquefied natural gas to Japan and Korea, capturing one-fifth of the domestic gas market in these two countries. The oil and gas sector continued to benefit from the strong global oil prices that have prevailed since 2004. The price of the Malaysian benchmark oil grade, the Tapis Blend, rose by 20% to an average of USD68 per barrel in 2006. The price of the Tapis Blend strengthened steadily from USD64 per barrel at the beginning of the year to briefly breach USD80 per barrel in August before consolidating thereafter to around USD60 per barrel towards end-year.

The mining sector is expected to expand by 2.8%, supported by higher output of crude oil and natural gas. Crude oil production (including condensates) is expected to average 722,500 bbl/d, supported by the commencement of operations at the new Kikeh oil field located offshore from Sabah in the final quarter of the year. The Kikeh plant is expected to produce 60,000 bbl/d initially before increasing to 120,000 bbl/d by the first quarter of 2008. Output of natural gas is also expected to increase by 2.2% as the MLNG 2 plant comes into full operation in the second half of the year following a capacity upgrade exercise. The increased production is to cater to long-term contracts with Japan and Korea.

(Source: Bank Negara Malaysia Annual Report 2006)

8.5 OVERVIEW AND PROSPECTS OF THE MALAYSIAN BROWN FIELD SECTOR

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. Most are to be rejuvenated to extend their productive lives. Integrated service providers have a competitive advantage over other competitors providing only a few services. Integrated service providers are able to quote shorter completion times and more competitive rates.

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

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 compounded 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 prospects for the Brown Field Services market in Malaysia look promising during the forecast period (2007-2013). The number of mature oil fields is increasing in Malaysia. So is the number of aged platforms. Decreasing productivity in the mature fields coupled with increased oil prices are leading the companies to spend more on rejuvenating the Brown Fields.

8. INDUSTRY OVERVIEW AND PROSPECTS (*Cont'd*)

The demand for oil and gas is going to be strong in the coming years. The downstream demand is also forecast to be strong in the coming years. All these augur well for the Brown Field Services market.

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

Deepwater exploration is gaining importance as output from shallow water fields are declining. Deepwater and ultra deepwater oil fields will require larger scope of support services. Development of these fields will lead to more opportunities for Brown Field Services.

Expenditure for oil and gas exploration and production has been increasing over the years and this is an encouraging sign for the support service providers to this industry.

(Source: The Independent Market Research Report)

8.6 OUR POSITION IN THE INTEGRATED BROWN FIELD SERVICES SECTOR

With respect to providing integrated brown field services, the spectrum of offerings include:

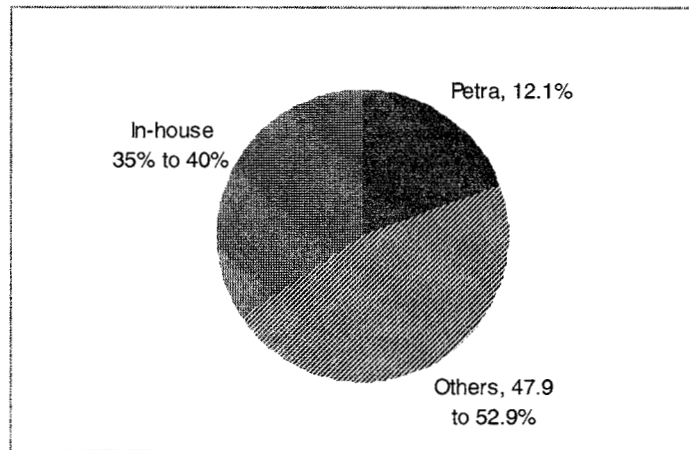
- *Operations and Maintenance*
 - Operation and Maintenance Systems Set-up, Management and Execution Support
 - Operations Support (on-going)
 - Engineering Support
 - Equipment Maintenance
 - Structural Maintenance
 - Parts Re-manufacturing
- *Oil Field Optimisation*
- *Retrofits*
 - Overall Project Management
 - Design & Engineering
 - Engineering Studies & Processes
 - Procurement of Materials & Equipment
 - Fabrication
 - Installation
 - Hook-up & Commissioning
 - Host Tie-ins
 - Marine support
- *Domestic Vessels Recharter*
- *Equipment Packaging & Fabrication*
 - Rotating and Mechanical Equipment
 - Process Equipment

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

Our Group provides a wide and comprehensive range of Brown Field Services, gaining a competitive edge as an "Integrated" Brown Field Services provider and our revenues deriving from Brown Field Services making us one of the largest integrated Brown Field Service providers in Malaysia (*Source: The Independent Market Research Report*). The revenues of our Group comprising revenues generated by our subsidiary companies namely Petra Resources and Petra Fabricators, including Petra Boilers FYE 31 December 2006 was RM431.35 million, a 3.37% increase compared to FYE 31 December 2005 revenues.

According to the Independent Market Research Report, in 2006, our Group had an estimated 12.1% market share in the Malaysian Brown Field services market.

Our Group's Estimated Market Share of the Brown Field Services Market, (Malaysia) 2006



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 witnessing an increasing trend. Our market share, not considering the in-house spending by the oil field operators, is estimated to be around 19% to 20% of the estimated accessible market in 2006. For further details of our competitors' market share, please refer to Section 1.5 of the Executive Summary of the Independent Market Research Report.

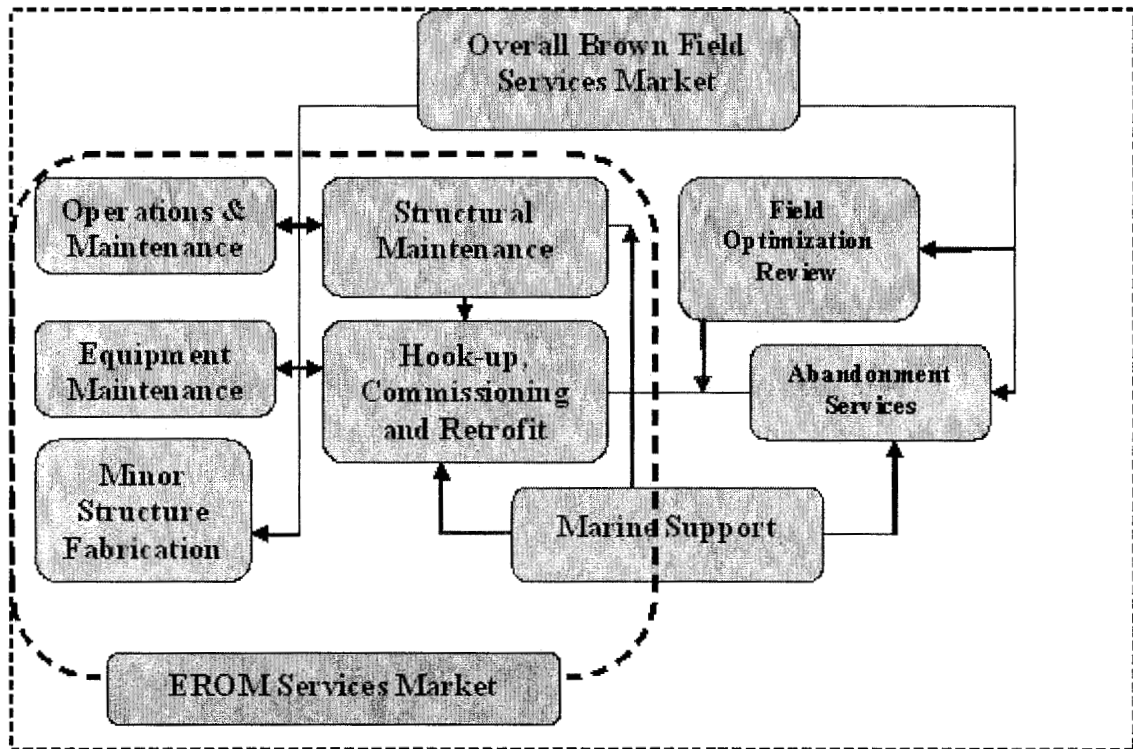
(*Source: The Independent Market Research Report*)

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8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

EROM Services Markets

The chart below illustrates the definition of Engineering, Procurement, Construction and Commissioning ("EPCC"), Retrofit and Operations and Maintenance ("EROM") Services Markets as a component of the overall Brown Field Services market.



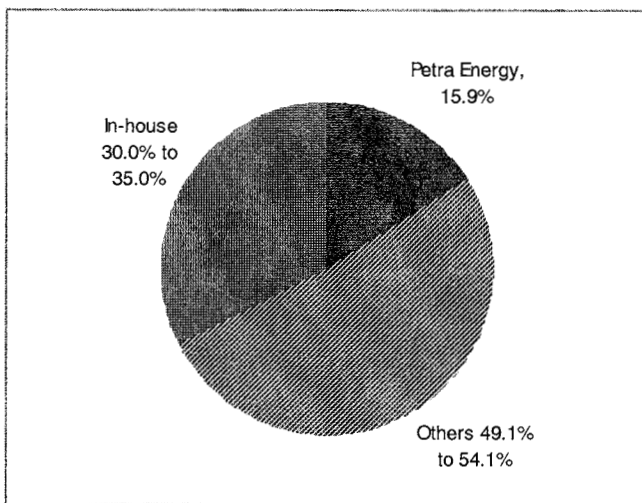
(Source: *The Independent Market Research Report*)

The key market under focus within the gamut of Brown Field Services offered for Malaysian oil and gas industry is the EROM Services Markets. The EROM Services Market constitutes the following services:

- Operations and Maintenance
- Equipment Maintenance
- Structural Maintenance
- Hook-up, Commissioning and Retrofit Works
- Minor Structure Fabrication

The marine support is an important requirement for carrying out the EROM services as indicated above. However, the marine support is also required for the other components of the Brown Field services, viz., Field Optimization and Review and Abandonment and therefore is depicted in the manner as shown.

Out of the estimated RM3.4 billion spent on Brown Field Services in Malaysia for the year 2006 (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 approximately RM2.38 billion in 2006.

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)**Our Market Share in EROM Services Market, (Malaysia) 2006**

According to the Independent Market Research Report, in 2006, our estimated market share in the Malaysian EROM services market (total available market) is 15.9%. Our revenues from the EROM market only have been considered to arrive at the company's market share in Malaysia. Revenues attributable to the Domestic Vessel Rechartering, Field Review & Optimization and Abandonment services, if any, have not been considered. The rest of the total market revenues are contributed by other competitors/ market participants as well as the in-house expenditure on Brown Field services.

Our revenue from EROM services is estimated at RM379.3 million for the year 2006. Frost & Sullivan estimated our market share at approximately 15.9% for the Malaysian EROM services market. 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%.

(Source: The Independent Market Research Report)

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8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

8.7 INDUSTRY PLAYERS AND COMPETITION

According to the Independent Market Research Report, the Malaysian upstream oil and gas support service market has more than 45 market participants. The competitive landscape of the Malaysian upstream oil and gas support service in 2006 is as follows:

| Competitive Landscape | Measurement | Trend |
|---------------------------------------|--|------------|
| Number of Players in base year (2006) | Over 45 | Increasing |
| Categories of Competition | Multinational Companies | Stable |
| | Medium – Large Regional and Local Companies | Increasing |
| | Smaller local companies | Increasing |
| Key Strategies | Provide end to end Integrated services- “One Stop Shop” | Increasing |
| | Specialized services – Niche areas | Stable |

These market participants are generally categorised into 3 broad categories:

First Category

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 research and development 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.

Second Category

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 (includes subsidiaries such as Sarku Engineering Services Sdn Bhd, TL Offshore Sdn Bhd and others), Petra Energy (holding company comprising Petra Resources, Petra Fabricators and Petra Boilers), 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.

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8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

Third Category

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

Frost & Sullivan has primarily highlighted only those companies within the Second Category that provide three or more categories of Brown Field Services as key competitors of our Group. However, they are of the view that our Group is the only player with an exclusive focus on Brown Field sector capable of providing comprehensive services.

The “one-stop shop” approach adopted by our Group is aimed at allowing us to provide our customers a wide range of Brown Field Services to meet their needs which encompass Operations and Maintenance, Oil Field Optimisation, Retrofits and Support Services.

Through our ability to provide customers with a diverse and wide range of Brown Field Services, our Group would achieve economies of scale and as a result, we are able to offer our products and services at competitive rates.

8.8 RELEVANT LAWS AND REGULATIONS GOVERNING THE INDUSTRY AND PECULIARITIES OF THE INDUSTRY

8.8.1 Environmental Regulations

Malaysia has adopted a legislative framework for the control of pollution and the protection of the environment in Malaysia. The environmental legislation applies to the offshore petroleum industry through the Environment Quality Act 1974 and the Exclusive Economic Zone Act 1984. There are no economic incentives in place at present.

The Malaysian Department of Environment (“DOE”) enforces the environment act if the oil and gas activities are within territorial waters.

If the oil and gas activities are beyond the territorial waters and in the Economic Exclusive Zone (“EEZ”), the regulatory control rests with the Petroleum Authorities which include, PETRONAS and the Ministry of Domestic Trade and Consumer Affairs with input from the DOE.

The Marine Department enforces claims and compensation covering damage to marine environment by vessels under the Merchant Shipping Oil Pollution Act 1994. The Ministry of Transport, Malaysia and National Security Division of the Prime Minister's Department also exercise regulatory control in matters relating to the environment.

Federation of Malaysian Manufacturers, Malaysian Gas Association and Society of Petroleum Engineers are the major industry associations that outline and promote environmental performance of oil and gas activities.

The other relevant national regulatory framework acts are:

- Petroleum Mining Act 1966
- Petroleum Safety Measures Act 1984
- Continental Shelf Act 1966
- Merchant Shipping Ordinance 1952

The Malaysian national oil industry has adopted voluntary environment protection measures. PETRONAS has adopted a HSE policy and carries out frequent inspections and audits.

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

Other applicable voluntary environmental measures are as follows:

- Environmental codes of practice
- National emission targets
- Co-operative research programs
- Guidelines or indicators for environmental reporting
- Environmental Management Systems (EMS/ISO 14001)

The following international agreements are applicable to offshore platforms in Malaysia:

- International Convention for the Prevention of Pollution From Ships 1973 as modified by the Protocol of 1978 (MARPOL 73/78)
- The United Nations Convention on the Law of the Sea (UNCLOS) 1983
- Basel Convention for Waste Disposal
- Convention on Wetlands of International Importance (RAMSAR)
- Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer

8.8.2 Government Regulations, Incentives and Peculiarities

The power to regulate all activities in the upstream petroleum sector is PETRONAS, through the Petroleum Development Act, 1974. PETRONAS is the legal custodian of all oil and gas deposits in Malaysia.

PETRONAS carries out exploration, development and production activities in Malaysia through PSC with a number of international oil and gas companies and with its wholly-owned subsidiary, PETRONAS Carigali. All foreign energy investment is conducted through production sharing contracts between foreign operators and PETRONAS.

Non-Malaysian firms are permitted to participate in oil services either in partnership with local firms or as contractors. They are restricted to a 30% equity stake if they are incorporated locally.

Effective from the year of assessment 1998, income tax on the petroleum industry was reduced from 40% to 38% while the export duty for crude oil and condensate was reduced from 20% to 10% with effect from 1 January 1998.

The upstream oil and gas industry in Malaysia is very conservative and will not take the risk of contracting with new service providers. Contractors with a good track record are preferred to provide services. A high degree of safety is required in the upstream oil and gas operations. The oil producing companies face enormous risks when contracting with new service providers. This aspect adds to the high level of entry barriers for service providers into this industry.

Historically, the upstream oil and gas industry has seen increased investment for oil exploration and production activities when oil prices have been high. When oil prices dipped, the industry has typically shied away from new investments. This has caused the industry to behave in a cyclical fashion.

The Green Field Services sector of the industry is highly prone to these cyclical fluctuations. The Brown Field Services sector is cushioned to a large extent from the effects of the cyclical nature of the industry. This is because mature oil fields require support services for maintaining production targets and this spending is not effected to a great extent by low oil prices.

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8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

8.9 DEMAND AND SUPPLY CONDITIONS**8.9.1 Demand Conditions**

Demand for integrated Brown Field Services are determined by the following factors:

(a) 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 is 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. PETRONAS has also indicated that the thrust will be on refurbishing old platforms and pipelines in 2006.

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.

(b) 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.

Fabrication of replacement structures and spare parts are required periodically to maintain production targets. This ensures a steady revenue stream for the Brown Field service providers. Because of this there is no seasonality in revenues for Brown Field service providers. The impact of this driver is expected to be high during the forecast period as most of the oil producing structures in Malaysia is near the end of their designed lives.

(c) 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.

In addition, the increased of Green Fields lead to more platforms and this created an upside for the Brown Field Services as the number of platforms increase. High oil prices are a major driver for the upstream oil support services market.

(d) 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.

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

(e) *Decreasing Shallow Water Reserves*

Oil reserves in shallow water fields are showing a decreasing trend. This 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.

(f) *Government Commitment on Increasing Domestic Production*

PETRONAS has targeted a 3% increase in domestic oil and gas production for the next five years (2006-2010). This means new exploration activity and also activity to rejuvenate mature oil and gas fields.

(g) *Increased Downstream Demand*

The demand from refineries and petrochemical industries has increased over the years. The petrochemical industry is an important sector in Malaysia with investments in this sector around RM34.8 billion in 2006. This industry is poised to grow further in the coming years. The increased demand from the downstream industry encourages the upstream industry to produce more crude oil and gas. Higher production means higher requirement of support services.

(h) *Locally Available Technical Expertise and Capital*

Malaysia now has local companies that have the necessary technical expertise to handle complex support services in the upstream segment. Capital is also now available allowing the local companies to obtain contracts that were once the domain of only multinational companies. The availability of local talent is likely to promote the upstream support service industry to grow faster.

(Source: The Independent Market Research Report)

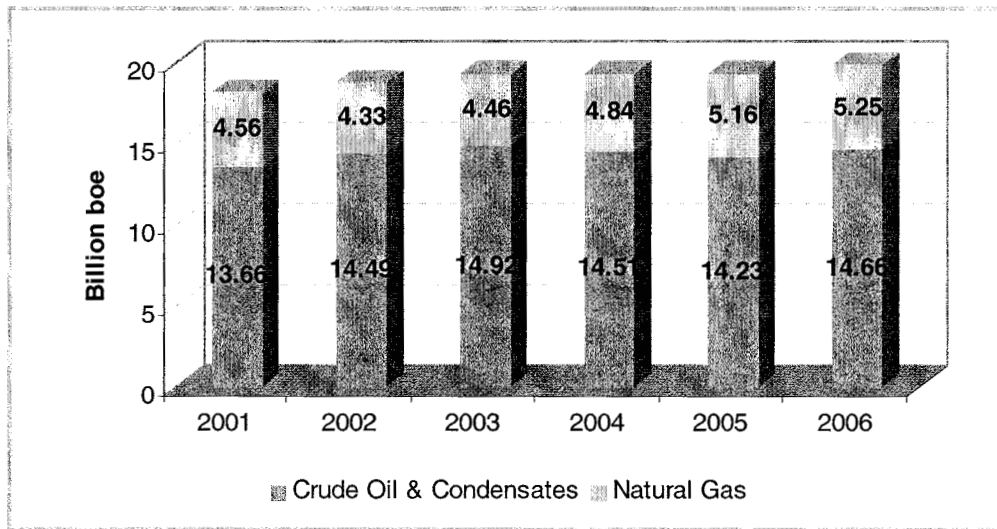
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8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

8.9.2 Supply Conditions

As of 1 January 2006, Malaysia's total reserves stood at 19.91 billion barrels of oil equivalent ("boe") compared to 19.39 billion boe in the preceding year. Malaysia's total oil and gas reserves from 2001 to 2006 are shown in the chart below.

Total Oil and Gas Reserves, 2001 – 2006 (Malaysia)



Source: PETRONAS and Frost & Sullivan

The reserve life for Malaysia is an average of 20 years and 34 years for crude oil and natural gas reserves respectively, at current rate of production. PETRONAS has targeted a 3% increase per annum in domestic production of oil and gas till 2010.

With respect to providing integrated Brown Field Services, the spectrum of offerings must include, inter-alia:

- Engineering and Project Management
- Operations and Maintenance
- 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)

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8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

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

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

Suppliers with a broad range of services now tend to be in a better position to offer competitive prices and time for completion. An integrated Brown Field Services 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 no control over other marines support service providers. Brown Field Service providers with in-house marine support services have a definite competitive advantage.

8.10 SUBSTITUTION

Fossil fuel is likely to be the dominant energy source during the forecast period (2007-2013). Substitutes for fossil fuels are not expected to gain significant momentum during the short term (1 – 2 years). In the 3 – 7 years range, palm oil based bio-fuel is likely to be used in Malaysia to supplement fossil fuel, especially in the transportation sector. The impact of emergence of bio-fuel is likely to be low to moderate during the forecast period. Alternative energy sources are expensive compared to fossil fuel sources and are expected to remain so throughout the forecast period. Synthetic oil producing technology such as coal to gas and gas to oil are not expected to have significant impact on the conventional method of extracting crude oil during the forecast period.

8.11 INDUSTRY'S RELIANCE ON AND VULNERABILITY TO IMPORTS

The Brown Field Services market is not reliant on imports. Only certain spares of high value equipment such as turbines and compressors are imported from original equipment manufacturers (OEMs). Some maintenance providers have tie-ups with the OEMs for supply of genuine spares. This helps the maintenance providers obtain service contracts for the equipment supplied by the OEMs. However, local players have gained sufficient expertise to fabricate these spares locally and service the equipment.

The local companies have extensive experience in maintaining oil producing assets. Oil producing companies in Malaysia have been contracting with local companies for providing Brown Field Services. PETRONAS actively encourages the participation of local companies in the upstream oil and gas industry. So the threat of imports for Brown Field Services is very minimal in Malaysia.

8.12 PROSPECTS AND PLANS OF OUR GROUP

The demand for crude oil and high oil prices is expected to spur more exploration, development and production activities. On the same note, operational and maintenance activities and 'rejuvenation' of Brown Fields (retrofitting of existing oil and gas fields) are expected to increase correspondingly in an effort to shore up reserves and boost production output.

8. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)

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. (*Source: The Independent Market Research Report*)

Given the growing demand for such services in the upstream sector of the industry, our efforts will be focused on the following target areas:

- Strengthening our scope and role in Brown Field Services in the country and the region, given the positive market trends and the growing potentials of Brown Field Services such as maintenance and retrofitting works for onshore and offshore oil and gas facilities, in the medium term;
- To promote our Group’s ‘one-stop-shop’ approach in Brown Field Services, by providing a comprehensive scope of services under a ‘single-point responsibility and accountability’ concept, enabling oil majors to minimize project cost and schedule;
- To ensure that our offshore marine services/vessels complement our role in Brown Field activities, thus providing customers with timely services at competitive market rates. The availability of the required marine resources in-house will enhance the chances of securing more new contracts from oil majors;
- To further expand our Brown Field Services with respect to subsurface activities to enhance oil and gas recovery from mature fields;
- Based on our successful business model and track record, to establish joint ventures and alliances with appropriate local partners in their respective domestic market to tap into the Brown Field Services regional market;
- To continuously seek and acquire value added assets that will enhance the core ability of the Group to further explore the business potential available within the oil & gas industry. This is an integral part of the Group’s dynamic business plan in order to stay ahead of the competition to ensure consistent strong financial performance and enhanced shareholders’ value; and
- To maintain high QA/QC and HSE standards of our services and products, thus enabling us to meet, and even exceed, customers’ needs to reduce costs, minimize downtime and accelerate project turnaround.

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9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

9.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Promoters' and substantial shareholders' shareholdings

The following table lists our Promoters and substantial shareholders and their respective shareholdings in Petra Energy after the Public Issue and Bonus Issue:

| Name | <-----Before Public Issue-----> | | | | <-----After Public Issue and Bonus Issue-----> | | | |
|-----------------------------|---------------------------------|--------|----------------------------|--------|--|----------------|----------------------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Petra Energy Shares | % | No. of Petra Energy Shares | % | No. of Petra Energy Shares | % | No. of Petra Energy Shares | % |
| Petra Perdana*~ | 84,000,000 | 100.00 | - | - | 126,000,000 | 64.62 | - | - |
| Tengku Ibrahim Petra*~ | - | - | 84,000,000 ¹ | 100.00 | 1,056,616 ³ | 0.54 | 127,663,013 ⁴ | 65.47 |
| Datin Nariza Hajjar Hashim~ | - | - | 84,000,000 ² | 100.00 | 4,051 ³ | - ⁵ | 128,715,578 ⁴ | 66.01 |

The table above has been presented on the basis that person(s) who hold less than 15% of equity interests (direct and indirect) in Petra Perdana, will not be deemed to be interested in the Shares of our Company.

Notes:

* Promoter

~ Substantial shareholder

1. Deemed interested by virtue of the interest of Tengku Ibrahim Petra in Petra Perdana via TI Equity, Cosmos Time and 1st Systems and via the interest of his spouse, Datin Nariza Hajjar Hashim pursuant to Section 6A of the Act.
2. Deemed interested by virtue of the interest of Datin Nariza Hajjar Hashim in Petra Perdana via the interests of her spouse, Tengku Ibrahim Petra in his own name and via his interests in TI Equity, Cosmos Time and 1st Systems pursuant to Section 6A of the Act .
3. Assuming Tengku Ibrahim Petra and Datin Nariza Hajjar Hashim subscribed in full to their respective entitlement for the Restricted Issue Shares reserved for them as shareholders of Petra Perdana under the Restricted Issue Tranche.
4. Deemed interested by virtue of Tengku Ibrahim Petra and Datin Nariza Hajjar Hashim's interests in Petra Perdana, and via TI Equity, Cosmos Time and 1st Systems and assuming these companies subscribed in full to their respective entitlement for the Restricted Issue Shares reserved for them as shareholders of Petra Perdana under the Restricted Issue Tranche as the case may be.
5. Negligible.

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9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

9.1.2 Profiles

The profiles of the Promoters and our substantial shareholders are as follows:

(a) Petra Perdana

(i) Background Information

Petra Perdana was incorporated in Malaysia as a private limited company under the Act on 28 December 1995 and was converted into a public limited company on 1 July 1997. Subsequently, Petra Perdana was listed on the Second Board of the Securities Exchange (then known as the Kuala Lumpur Stock Exchange) on 16 August 2000. Petra Perdana was transferred to the Main Board of the Securities Exchange on 23 January 2003.

Petra Perdana is principally involved in the supply of engineered equipment, marine services for the oil and gas, petrochemical and other heavy industries and the provision of administrative and management services to its subsidiaries. The principal activities of its subsidiaries are mainly in:

- Provision of services in operations and maintenance, oil field optimisation, retrofits, domestic vessels recharter, geophysical, design and fabrication of process equipment and packaging and supply of engineered equipment for the oil and gas industry;
- Design, fabrication, supply and installation of pressure vessels, heat exchangers, skid packages and other process equipment primarily for the oil and gas and petrochemical industries;
- Provision of marine support services for the oil and gas industry;
- Design, fabrication, supply and installation of industrial boilers and ancillary equipment; and
- Provision of seismic data acquisition services.

The present authorised share capital of Petra Perdana is RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each, of which 297,600,000 ordinary shares of RM0.50 each have been currently issued and fully paid-up.

(ii) Directors and Substantial Shareholders

The Directors and the substantial shareholders and their shareholdings in Petra Perdana are as follows: