

**PETRA ENERGY BERHAD ( Company No. 718388-H)**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER**  
**ENDED 30 JUNE 2008**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 30-Jun-08 RM'000</b>	<b>Corresponding Quarter Ended 30-Jun-07 RM'000</b>	<b>Current Year-to-date Ended 30-Jun-08 RM'000</b>	<b>Corresponding Year-to-date Ended 30-Jun-07 RM'000</b>
		*		*
<b>Continuing Operations</b>				
Revenue	118,224	139,414	239,071	243,005
Cost of Sales	(89,694)	(112,152)	(186,043)	(186,402)
Gross Profit	<u>28,530</u>	<u>27,262</u>	<u>53,028</u>	<u>56,603</u>
Other income	692	804	1,466	1,195
Operating expenses	(9,122)	(8,364)	(17,495)	(15,703)
Finance costs	(1,784)	(2,561)	(3,640)	(5,214)
Profit before taxation	<u>18,316</u>	<u>17,141</u>	<u>33,359</u>	<u>36,881</u>
Income tax expense	(4,716)	(4,984)	(8,786)	(10,747)
<b>Profit for the period</b>	<u><u>13,600</u></u>	<u><u>12,157</u></u>	<u><u>24,573</u></u>	<u><u>26,134</u></u>
Attributable to:				
Equity holders of the parent	<u><u>13,600</u></u>	<u><u>12,157</u></u>	<u><u>24,573</u></u>	<u><u>26,134</u></u>
<b>Earnings per share of RM0.50 each (sen)</b>				
a) Basic	6.97	* 6.23	12.60	*13.40
b) Fully diluted	6.97	* 6.23	12.60	*13.40

\* Comparative figures are restated based on enlarged number of ordinary shares.

**(The condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to this report)**

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**CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>30-Jun-08</b>	<b>31-Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	137,146	143,177
Prepaid lease payments	7,339	7,404
Deferred tax assets	1	1
	144,486	150,582
<b>Current assets</b>		
Inventories	42,281	41,289
Trade and other receivables	189,227	224,178
Amount due from customers for contract works	47,404	25,681
Amount owing from related companies	-	48
Tax recoverable	779	991
Fixed deposits with licensed banks	93,109	40,733
Cash and bank balances	9,925	27,762
	382,725	360,682
<b>Total Assets</b>	527,211	511,264
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders</b>		
Share capital	97,500	97,500
Reserves	183,645	159,072
<b>Total equity</b>	281,145	256,572
<b>Non-current liabilities</b>		
Long term borrowings	390	422
Retirement benefit obligations	201	160
Deferred taxation	24,548	22,064
	25,139	22,646
<b>Current liabilities</b>		
Trade and other payables	55,391	68,576
Amount owing to holding company	74,663	80,790
Amount due to customers for contract works	33,639	7,690
Amount owing to related companies	34,516	52,935
Borrowings	18,624	18,134
Provision for taxation	4,094	3,921
	220,927	232,046
<b>Total liabilities</b>	246,066	254,692
<b>TOTAL EQUITY AND LIABILITIES</b>	527,211	511,264
Net assets per share of RM0.50 each (RM)	1.44	1.32

**(The condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to this report)**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>30-Jun-08</b>	<b>30-Jun-07</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before taxation	33,359	36,881
<b>Adjustments for:</b>		
Depreciation	7,518	7,238
Loss on disposal of property, plant and equipment	(103)	(6)
Interest expense	3,640	5,214
Interest income	(933)	(483)
Retirement benefits	41	-
Operating profit before working capital changes	<u>43,522</u>	<u>48,844</u>
Increase in inventories	(992)	(13,713)
Increase in trade and other receivables	13,276	(48,715)
Increase in trade and other payables	(13,571)	20,653
Net cash generated from operation	<u>42,235</u>	<u>7,069</u>
Tax paid	<u>(5,917)</u>	<u>(1,830)</u>
Net cash generated from operating activities	<u>36,318</u>	<u>5,239</u>
<b>Cash flow from investing activities</b>		
Addition of prepaid lease payments	-	(186)
Purchase of property, plant and equipment	(1,299)	(3,466)
Proceeds from disposal of property, plant and equipment	115	6
Interest income received	933	483
Withdrawal of fixed deposit	(79)	-
Net cash used in investing activities	<u>(330)</u>	<u>(3,163)</u>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	-	773
Repayment of borrowings	-	(1,556)
Repayment of hire purchase loan	(157)	(136)
Payment of listing expenses	-	-
Proceeds from share issuance	-	-
Interest paid	(3,640)	(5,214)
Drawdown of revolving credit	14,800	-
Repayment of revolving credit	(12,530)	-
Net cash used in financing activities	<u>(1,527)</u>	<u>(6,133)</u>
Net change in cash and cash equivalents	34,461	(4,057)
Cash & cash equivalents at beginning of period	<u>68,252</u>	<u>28,223</u>
Cash & cash equivalents at end of period	<u>102,713</u>	<u>24,166</u>
<b>Cash and cash equivalents</b>		
Cash in hand and at banks	9,925	4,026
Fixed deposits with licensed banks	<u>93,109</u>	<u>20,461</u>
	103,034	24,487
Less: Fixed deposits pledged as security	<u>(321)</u>	<u>(321)</u>
	<u>102,713</u>	<u>24,166</u>

(The condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to this report)

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Merger Reserve RM'000</b>	<b>Retained Profits RM'000</b>	<b>Total RM'000</b>	<b>Total Equity RM'000</b>
As at 31 December 2007	97,500	62,062	(31,000)	128,010	256,572	256,572
Issue of shares	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-
Listing expenses	-	-	-	-	-	-
Net profit for the period	-	-	-	24,573	24,573	24,573
<b>Balance as at 30 June 2008</b>	<b>97,500</b>	<b>62,062</b>	<b>(31,000)</b>	<b>152,583</b>	<b>281,145</b>	<b>281,145</b>
<b>Financial year ended 31 December 2007</b>						
As at 31 December 2006	42,000	-	(31,000)	77,092	88,092	88,092
Net profit for the period	-	-	-	26,134	26,134	26,134
<b>Balance as at 30 June 2007</b>	<b>42,000</b>	<b>-</b>	<b>(31,000)</b>	<b>103,226</b>	<b>114,226</b>	<b>114,226</b>

**(The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to this report)**

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**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134**

**1. Basis of Preparation**

The interim financial statements have been prepared in accordance with Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

**2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised FRS effective for financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the abovementioned FRSs does not have significant impact on the financial statements of the Group.

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

**3. Qualification of financial statements**

The preceding annual financial statements of the Group were not subject to any qualification.

**4. Seasonal or cyclical factors**

Seasonal and cyclical factors do not have any material impact on the Group’s business operations.

**5. Unusual and extraordinary items**

There are no unusual and extraordinary items affecting assets, liabilities, equity, net income, or cash flows during the current quarter.

**6. Material changes in estimates**

There are no material changes in the estimates of amounts reported in the current quarter.

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**7. Issuance and repayment of debts and equity securities**

There have been no cancellation, repurchase, resale and repayment of debts and equity securities in the current quarter and financial period to date.

**8. Dividends paid**

No dividend was paid during the current quarter and financial period to date.

**9. Segmental information**

The Group is principally involved in the oil and gas industry where its activities were carried out within the boundaries of Malaysia. Therefore, no segmental reporting was prepared.

**10. Valuation of property, plant and equipment**

There is no valuation of property, plant and equipment during the current quarter.

**11. Material events subsequent to the balance sheet date**

There were no material events subsequent to the end of the interim period reported which have not been reflected in the financial statements except as follows:

- a. On 2 July 2008, Petra Resources Sdn Bhd (“PRSB”), a wholly owned subsidiary of Petra Energy Berhad (“PEB”) received letters of award from Petronas Carigali Sdn Bhd (“PCSB”) for the provision of two Anchor Handling Tug Supply Vessels to PCSB for its domestic drilling operations. Each contract is for a primary duration of three years with an extension option of one year effective from 23 June 2008 and 15 August 2008 respectively. PRSB estimated the total value of the contracts to be approximately RM280.32 million over the period of the four years.
- b. Arising from the Joint Venture Agreement dated 28 May 2008, Petra AWT Sdn Bhd (formerly known as Energy Link Systems Sdn Bhd) was formed on 17 July 2008 with paid up capital of 100,000 ordinary shares of RM1 each of which the Company holds 51%, the balance 49% was allotted to Advanced Well Technologies (Malaysia) Pty Ltd, an Australian company. The primary purpose is to provide complete field review, development and refurbishment solutions, productivity enhancement, integrity management and decommissioning, by integrating all necessary project management, engineering and equipment services to deliver such solutions to oil and gas operators in Malaysia and mutually agreed regions in South East Asia and Asia.

**12. Changes in composition of the group**

- a. On 3 April 2008, Petra Innotech Sdn Bhd was incorporated as a wholly owned subsidiary of the Company, with the issued share capital of 100 ordinary shares of RM1 each for the purpose of the provision of design and packaging of mechanical equipment for the oil and gas industry in the domestic and regional markets.
- b. On 14 April 2008, Petra Services Sdn Bhd was incorporated as a wholly owned subsidiary of the Company, with the issued share capital of 100 ordinary shares of RM1 each for the

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purpose of the provision of technical consultancy and manpower supply services for the oil and gas industry in the domestic and regional markets.

**13. Changes in contingent liabilities and contingent assets**

As at 30 June 2008, the Company has given corporate guarantees amounting to approximately RM34 million to licensed financial institutions for facilities granted to subsidiary companies. Arising from this, the Company is contingently liable for the amount utilized by its subsidiary companies of approximately RM14.44 million as at the said date.

**14. Significant related party transactions**

**a. Intercompany transactions**

	<b>Current Quarter ended 30-Jun-08 RM'000</b>	<b>Corresponding Quarter ended 30-Jun-07 RM'000</b>
Rental paid to holding company	45	149
Loan interest paid to holding company	1,425	2,194
Management fee to holding company	405	810
Charter hire fee paid to related companies	9,327	14,735

The Directors of PEB are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**b. Compensation of key management personnel**

The remuneration of directors and other members of key management are as follows:

	<b>Current Quarter ended 30-Jun-08 RM'000</b>	<b>Corresponding Quarter ended 30-Jun-07 RM'000</b>
	501	499

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**15. Review of performance**

For the current quarter, the Group recorded turnover of RM118.2 million, a decrease of 15.2% compared with RM139.4 million reported in the preceding year corresponding period. However, the profit before taxation increased by 6.9% from RM17.1 million in the preceding year corresponding period to RM18.3 million for the current quarter.

The increase in profit before taxation in the current quarter in spite of the decrease in turnover is due to the higher margin contribution of sales mix.

**16. Comparison with immediate preceding quarter**

The Group's turnover in the current quarter decreased by 2.2% to RM118.2 million from RM120.8 million reported in the preceding quarter. However, profit before taxation has shown an improvement from RM15.0 million in the preceding quarter to RM18.3 million in the current quarter, mainly due to higher margin contribution of sales mix.

**17. Prospects**

The prospects for the integrated brownfield services look promising in the years ahead. Considering the increasing number of mature oil fields and aged platforms that require rejuvenation to extend their productive lives, coupled with increased oil prices, are providing ample growth opportunities for brown field services.

Barring any unforeseen circumstances, the Board of Directors is confident that the prospects of the Group remain positive and bright.

**18. Profit Forecast**

No profit forecast or profit guarantee has been issued by the Group.

**19. Taxation**

	<b>Current Quarter Ended 30-Jun-08 RM'000</b>	<b>Corresponding Quarter Ended 30-Jun-07 RM'000</b>	<b>Current Year-to-date Ended 30-Jun-08 RM'000</b>	<b>Corresponding Year-to-date Ended 30-Jun-07 RM'000</b>
Current tax charge	3,422	7,002	6,302	7,654
Deferred taxation	1,294	(2,018)	2,484	3,093
Total	4,716	4,984	8,786	10,747

The effective tax rate of the Group for current period ended under review is higher than the statutory tax rate due principally to certain expenses that were not deductible for tax purposes.



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**20. Unquoted investment and properties**

There were no purchase or disposal of unquoted investment and properties for the current quarter and financial period to date.

**21. Quoted securities**

There were no purchases or disposals of quoted securities for the current quarter and financial year to date and the Group did not hold any quoted securities as at the end of financial period to date.

**22. Corporate proposals**

There were no corporate proposals announced but not completed as of 15 August 2008.

**23. Borrowings and Amount Owing To Holding Company**

a. Total Group's borrowings as at 30 June 2008 were as follows:

	<b>As at 30-Jun-08 RM'000</b>
Secured borrowings	
Short term	18,624
Long term	390
Total	<u>19,014</u>

The above borrowings are denominated in Ringgit Malaysia.

b. The amount owing to holding company is unsecured and bears an interest rate of 7.5% p.a.

**24. Off balance sheet financial instruments**

The Group does not have any financial instruments with off-balance sheet risk as at 15 August 2008.

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**25. Changes in material litigation**

The Group is not engaged in any material litigation as at 15 August 2008 except for the following:

- a. PFSB, a wholly-owned subsidiary of PEB, received a Writ of Summons and a Statement of Claims dated 24 September 2003 for a total sum of RM1,071,899 from Kencana Best Wide Sdn Bhd (formerly known as Best Wide Matrix Sdn Bhd) (“KBW”) for goods and services rendered.

PFSB filed a Defence and Counter-Claim dated 1 December 2003 for a sum of approximately RM2 million being the rectification cost incurred against KBW. KBW’s claim and PFSB’s counter-claim have been set for hearing on 8 to 11 September 2008.

Based on legal advice, the Directors are of the opinion that the prospect of success in the defence and counter-claim is high.

- b. PRSB, a wholly-owned subsidiary of PEB has on 4 July 2006, served a Notice of Arbitration on ExxonMobil Exploration and Production Malaysia Inc. for payment of a balance sum of RM8,973,366.00, together with damages, interest and costs, on disputed unit of measurement of work completed. The matter is currently being heard and the next hearing dates are scheduled on 10 to 12 November 2008.

Based on legal advice, the Directors are of the opinion that PRSB has good grounds in demanding the payment for the outstanding amount.

**26. Dividends**

There is no dividend proposed in respect of the current quarter ended 30 June 2008.

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**27. Earnings per share**

<b>Weighted Average / Fully Diluted</b>	<b>Current Quarter Ended 30-Jun-08 RM'000</b>	<b>Corresponding Quarter Ended 30-Jun-07 RM'000</b>	<b>Current Year-to-date Ended 30-Jun-08 RM'000</b>	<b>Corresponding Year-to-date Ended 30-Jun-07 RM'000</b>
Net profit attributable to shareholders	13,600	12,157	24,573	26,134
Number of ordinary shares in issue at the beginning of the period	195,000,000	84,000,000	195,000,000	84,000,000
Effect of the issuance pursuant to				
Public issue	-	-	-	-
Bonus issue	-	-	-	-
Weighted average number of ordinary shares in issue	195,000,000	84,000,000	195,000,000	84,000,000
Basic earnings per ordinary share of RM0.50 each (sen)	6.97	*6.23	12.60	*13.4

*\*Comparative figures are restated based on enlarged number of ordinary shares.*

**28. Authorisation for issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 21 August 2008.