

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2008

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Current Quarter Ended 30-Sep-08 RM'000	Corresponding Quarter Ended 30-Sep-07 RM'000	Current Year-to-date Ended 30-Sep-08 RM'000	Corresponding Year-to-date Ended 30-Sep-07 RM'000
Continuing Operations				
Revenue	138,145	157,020	377,216	400,025
Cost of Sales	(114,801)	(126,791)	(300,844)	(313,193)
Gross Profit	23,344	30,229	76,372	86,832
Other income	1,265	357	2,731	1,552
Operating expenses	(8,887)	(9,164)	(26,382)	(24,867)
Finance costs	(1,781)	(2,293)	(5,421)	(7,507)
Profit before taxation	13,941	19,129	47,300	56,010
Income tax expense	(3,746)	(5,171)	(12,532)	(15,918)
Profit for the period	10,195	13,958	34,768	40,092
Attributable to:				
Equity holders of the parent	10,195	13,958	34,768	40,092
Earnings per share of RM0.50 each (sen)				
a) Basic	5.23	7.16	17.83	20.56
b) Fully diluted	5.23	7.16	17.83	20.56

(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

	30-Sep-08	31-Dec-07
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	134,727	143,177
Prepaid lease payments	7,307	7,404
Deferred tax assets	1	1
	<u>142,035</u>	<u>150,582</u>
Current assets		
Inventories	47,629	41,289
Trade and other receivables	223,389	224,178
Amount due from customers for contract works	21,527	25,681
Amount owing from related companies	137	48
Tax recoverable	1,223	991
Fixed deposits with licensed banks	60,900	40,733
Cash and bank balances	3,783	27,762
	<u>358,588</u>	<u>360,682</u>
Total Assets	<u>500,623</u>	<u>511,264</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	97,500	97,500
Reserves	188,068	159,072
	<u>285,568</u>	<u>256,572</u>
Minority interest	49	-
Total equity	<u>285,617</u>	<u>256,572</u>
Non-current liabilities		
Long term borrowings	321	422
Retirement benefit obligations	236	160
Deferred taxation	25,967	22,064
	<u>26,524</u>	<u>22,646</u>
Current liabilities		
Trade and other payables	70,040	68,576
Amount owing to holding company	64,741	80,790
Amount due to customers for contract works	13,929	7,690
Amount owing to related companies	34,843	52,935
Borrowings	2,718	18,134
Provision for taxation	2,211	3,921
	<u>188,482</u>	<u>232,046</u>
Total liabilities	<u>215,006</u>	<u>254,692</u>
TOTAL EQUITY AND LIABILITIES	<u>500,623</u>	<u>511,264</u>
Net assets per share of RM0.50 each (RM)	1.46	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

	30-Sep-08	30-Sep-07
	RM'000	RM'000
Cash flow from operating activities		
Profit before taxation	47,300	56,010
Adjustments for:		
Depreciation	11,303	10,935
Gain/(Loss) on disposal of property, plant and equipment	(108)	14
Interest expense	5,421	7,507
Interest income	(1,460)	(767)
Retirement benefits	76	-
Operating profit before working capital changes	<u>62,532</u>	<u>73,699</u>
(Increase)/ decrease in inventories	(6,340)	(9,623)
(Increase)/ decrease in trade and other receivables	4,854	(48,716)
Increase/ (decrease) in trade and other payables	(29,314)	(72,528)
Net cash used in operation	<u>31,732</u>	<u>(57,168)</u>
Tax paid	<u>(10,571)</u>	<u>(2,736)</u>
Net cash generated from/ (used in) operating activities	<u>21,161</u>	<u>(59,904)</u>
Cash flow from investing activities		
Proceeds from issuance of shares to minority shareholder	49	-
Addition of prepaid lease payments	-	(186)
Purchase of property, plant and equipment	(2,635)	(4,461)
Proceeds from disposal of property, plant and equipment	120	174
Interest income received	1,460	767
Withdrawal of fixed deposit	55	-
Net cash generated from/ (used in) investing activities	<u>(951)</u>	<u>(3,706)</u>
Cash flow from financing activities		
Proceeds from borrowings	-	2,608
Repayment of borrowings	-	(625)
Repayment of hire purchase loan	(243)	(216)
Payment of listing expenses	-	(2,958)
Proceeds from share issuance	-	120,520
Interest paid	(5,421)	(7,507)
Drawdown of revolving credit	-	-
Dividend paid	(5,772)	-
Repayment of revolving credit	<u>(12,530)</u>	<u>-</u>
Net cash generated from/ (used in) financing activities	<u>(23,966)</u>	<u>111,822</u>
Net change in cash and cash equivalents	(3,756)	48,212
Cash & cash equivalents at beginning of period	<u>68,252</u>	<u>28,223</u>
Cash & cash equivalents at end of period	<u>64,496</u>	<u>76,435</u>
Cash and cash equivalents		
Cash in hand and at banks	3,783	12,248
Fixed deposits with licensed banks	<u>60,900</u>	<u>64,508</u>
	64,683	76,756
Less: Fixed deposits pledged as security	<u>(187)</u>	<u>(321)</u>
	<u>64,496</u>	<u>76,435</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 THIRD QUARTER ENDED 30 SEPTEMBER 2008

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
As at 31 December 2007	97,500	62,062	(31,000)	128,010	256,572	-	256,572
Issue of shares	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	49	49
Bonus issue	-	-	-	-	-	-	-
Listing expenses	-	-	-	-	-	-	-
Net profit for the period	-	-	-	34,768	34,768	-	34,768
Dividend for the year ended 31 December 2007	-	-	-	(5,772)	(5,772)	-	(5,772)
Balance as at 30 September 2008	97,500	62,062	(31,000)	157,006	285,568	49	285,617
Financial year ended 31 December 2007							
As at 31 December 2006	42,000	-	(31,000)	77,092	88,092	-	88,092
Issue of shares	23,000	97,520	-	-	120,520	-	120,520
Bonus issue	32,500	(32,500)	-	-	-	-	-
Listing expenses	-	(2,958)	-	-	(2,958)	-	(2,958)
Net profit for the period	-	-	-	40,092	40,092	-	40,092
Balance as at 30 September 2007	97,500	62,062	(31,000)	117,184	245,746	-	245,746

(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)

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2008**

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

A first and final dividend of 4.0 sen per ordinary share of RM0.50 each, less tax at 26% amounting to RM5,772,000 for the financial year ended 31 December 2007 was paid on 25 July 2008.

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.

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 purpose of the provision of technical consultancy and manpower supply services for the oil and gas industry in the domestic and regional markets.
- c. Arising from the Joint Venture Agreement dated 28 May 2008, Petra AWT Sdn Bhd (formerly known as Energy Link Systems Sdn Bhd) was formed 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.

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13. Changes in contingent liabilities and contingent assets

As at 30 September 2008, the Company has given corporate guarantees amounting to approximately RM97.1 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 RM1.17 million as at the said date.

14. Significant related party transactions

a. Intercompany transactions

	Current Quarter ended 30-Sep-08 RM'000	Corresponding Quarter ended 30-Sep-07 RM'000
Rental paid to holding company	45	110
Loan interest paid to holding company	1,343	1,955
Management fee to holding company	405	810
Charter hire fee paid to related companies	24,016	17,170

The Directors of Petra Energy 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:

	Current Quarter ended 30-Sep-08 RM'000	Corresponding Quarter ended 30-Sep-07 RM'000
	600	520

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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 RM138.1 million, a decrease of 12.0% compared with RM157.0 million reported in the preceding year corresponding period. The profit before taxation decreased by 27.2% from RM19.1 million in the preceding year corresponding period to RM13.9 million for the current quarter.

The decrease in turnover and profit in the current period is mainly due to lower activities level in engineering and maintenance services.

16. Comparison with immediate preceding quarter

The Group's turnover in the current quarter increased by 16.8% to RM138.1 million from RM118.2 million reported in the preceding quarter. However, profit before taxation decreased from RM18.3 million reported in the preceding quarter to RM13.9 million in the current quarter, mainly due to lower 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, 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

	Current Quarter Ended 30-Sep-08 RM'000	Corresponding Quarter Ended 30-Sep-07 RM'000	Current Year-to-date Ended 30-Sep-08 RM'000	Corresponding Year-to-date Ended 30-Sep-07 RM'000
Current tax charge	2,327	5,059	8,629	12,713
Deferred taxation	1,419	112	3,903	3,205
Total	<u>3,746</u>	<u>5,171</u>	<u>12,532</u>	<u>15,918</u>

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 19 November 2008.

23. Borrowings and Amount Owing To Holding Company

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

	As at 30-Sept-08 RM'000
Secured borrowings	
Short term	2,718
Long term	321
Total	<u>3,039</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 19 November 2008.

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25. Changes in material litigation

The Group is not engaged in any material litigation as at 19 November 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 11 and 12 May 2009 and 13 and 14 July 2009.

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 25 to 29 May 2009.

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 September 2008.

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27. Earnings per share

Weighted Average / Fully Diluted	Current Quarter Ended 30-Sep-08 RM'000	Corresponding Quarter Ended 30-Sep-07 RM'000	Current Year-to-date Ended 30-Sep-08 RM'000	Corresponding Year-to-date Ended 30-Sep-07 RM'000
Net profit attributable to shareholders	10,195	13,958	34,768	40,092
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	-	46,000,000	-	46,000,000
Bonus issue	-	65,000,000	-	65,000,000
Weighted average number of ordinary shares in issue	195,000,000	195,000,000	195,000,000	195,000,000
Basic earnings per ordinary share of RM0.50 each (sen)	5.23	7.16	17.83	20.56

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 26 November 2008.