

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

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 31 DECEMBER 2008**

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Current Quarter Ended 31-Dec-08 RM'000	Corresponding Quarter Ended 31-Dec-07 RM'000	Current Year-to-date Ended 31-Dec-08 RM'000	Corresponding Year-to-date Ended 31-Dec-07 RM'000
Continuing Operations				
Revenue	153,691	136,053	530,907	539,730
Cost of Sales	(130,625)	(111,677)	(431,469)	(428,740)
Gross Profit	23,066	24,376	99,438	110,990
Other income	770	2,058	3,501	3,643
Operating expenses	(11,578)	(9,995)	(37,960)	(37,754)
Finance costs	(1,530)	(2,163)	(6,951)	(9,354)
Profit before taxation	10,728	14,276	58,028	67,525
Income tax expense	(3,258)	(3,786)	(15,790)	(16,607)
Profit for the period	7,470	10,490	42,238	50,918
Attributable to:				
Equity holders of the parent	7,501	10,490	42,269	50,918
Minority interest	(31)	-	(31)	-
	7,470	10,490	42,238	50,918
Earnings per share of RM0.50 each (sen)				
a) Basic	3.85	5.38	21.68	26.11
b) Fully diluted	3.85	5.38	21.68	26.11

(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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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
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CONDENSED CONSOLIDATED BALANCE SHEET

	31-Dec-08	31-Dec-07
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	131,731	143,177
Prepaid lease payments	7,275	7,404
Deferred tax assets	1	1
	<u>139,007</u>	<u>150,582</u>
Current assets		
Inventories	46,786	41,289
Trade and other receivables	213,968	224,178
Amount due from customers for contract works	23,764	25,681
Amount owing from related companies	-	48
Tax recoverable	673	991
Fixed deposits with licensed banks	90,752	40,733
Cash and bank balances	17,655	27,762
	<u>393,598</u>	<u>360,682</u>
Total Assets	<u>532,605</u>	<u>511,264</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	97,500	97,500
Reserves	195,569	159,072
	<u>293,069</u>	<u>256,572</u>
Minority interest	18	-
Total equity	<u>293,087</u>	<u>256,572</u>
Non-current liabilities		
Long term borrowings	244	422
Retirement benefit obligations	254	160
Deferred taxation	27,615	22,064
	<u>28,113</u>	<u>22,646</u>
Current liabilities		
Trade and other payables	88,530	68,576
Amount owing to holding company	61,883	80,790
Amount due to customers for contract works	10,251	7,690
Amount owing to related companies	47,618	52,935
Borrowings	2,167	18,134
Provision for taxation	956	3,921
	<u>211,405</u>	<u>232,046</u>
Total liabilities	<u>239,518</u>	<u>254,692</u>
TOTAL EQUITY AND LIABILITIES	<u>532,605</u>	<u>511,264</u>
Net assets per share of RM0.50 each (RM)	1.50	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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**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	31-Dec-08	31-Dec-07
	RM'000	RM'000
Cash flow from operating activities		
Profit before taxation	58,028	67,525
Adjustments for:		
Depreciation	15,140	14,744
Bad Debts	-	339
Doubtful Debts	1,292	1,025
Gain/(Loss) on disposal of property, plant and equipment	(131)	(17)
Interest expense	6,951	9,354
Interest income	(2,018)	(1,170)
Inventories written off	717	73
Retirement benefits	94	160
Operating profit before working capital changes	<u>80,073</u>	<u>92,033</u>
(Increase)/ decrease in inventories	(6,214)	(8,964)
(Increase)/ decrease in trade and other receivables	10,883	(53,801)
Increase/ (decrease) in trade and other payables	(5,128)	(87,811)
Net cash used in operation	<u>79,614</u>	<u>(58,543)</u>
Tax paid	(12,886)	(8,868)
Net cash generated from/ (used in) operating activities	<u>66,728</u>	<u>(67,411)</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	(3,472)	(5,498)
Proceeds from disposal of property, plant and equipment	170	77
Interest income received	2,018	1,170
Withdrawal of fixed deposit	237	79
Net cash generated from/ (used in) investing activities	<u>(998)</u>	<u>(4,358)</u>
Cash flow from financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	-	(652)
Repayment of hire purchase loan	(328)	(288)
Payment of listing expenses	-	(2,958)
Proceeds from share issuance	-	120,520
Interest paid	(6,951)	(9,354)
Drawdown of revolving credit	-	12,530
Dividend paid	(5,772)	-
Repayment of revolving credit	(12,530)	(8,000)
Net cash generated from/ (used in) financing activities	<u>(25,581)</u>	<u>111,798</u>
Net change in cash and cash equivalents	40,149	40,029
Cash & cash equivalents at beginning of period	<u>68,252</u>	<u>28,223</u>
Cash & cash equivalents at end of period	<u>108,401</u>	<u>68,252</u>
Cash and cash equivalents		
Cash in hand and at banks	17,655	27,762
Fixed deposits with licensed banks	<u>90,752</u>	<u>40,733</u>
	108,407	68,495
Less: Fixed deposits pledged as security	<u>(6)</u>	<u>(243)</u>
	<u>108,401</u>	<u>68,252</u>

(The condensed Consolidated Cash Flow 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)

PETRA ENERGY BERHAD (Company No. 718388-H)
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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	-	-	-	-	-	18	18
Bonus issue	-	-	-	-	-	-	-
Listing expenses	-	-	-	-	-	-	-
Net profit for the year	-	-	-	42,269	42,269	-	42,269
Dividend for the year ended 31 December 2007	-	-	-	(5,772)	(5,772)	-	(5,772)
Balance as at 31 December 2008	97,500	62,062	(31,000)	164,507	293,069	18	293,087
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 year	-	-	-	50,918	50,918	-	50,918
Balance as at 31 December 2007	97,500	62,062	(31,000)	128,010	256,572	-	256,572

(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 FOURTH QUARTER
ENDED 31 DECEMBER 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 year to date.

8. Dividends paid

There were no dividends paid during the current quarter.

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 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.

It is a wholly owned subsidiary of the Company.

- b. On 14 April 2008, Petra Services Sdn Bhd was incorporated 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.

It is a wholly owned subsidiary of the Company.

- 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% and the balance 49% is held by 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 31 December 2008, the Company has given corporate guarantees amounting to approximately RM76.5 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 RM9.6 million as at the said date.

14. Significant related party transactions

a. Intercompany transactions

	Current Quarter ended 31-Dec-08 RM'000	Corresponding Quarter ended 31-Dec-07 RM'000
Rental paid to holding company	45	109
Loan interest paid to holding company	1,203	1,497
Management fee to holding company	405	810
Charter hire fee paid to related companies	19,252	16,462

The Directors of the Company 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 31-Dec-08 RM'000	Corresponding Quarter ended 31-Dec-07 RM'000
	470	462

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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 RM153.7 million, an increase of 12.9% compared with RM136.1 million reported in the preceding year corresponding period. The profit before taxation decreased by 25.2% from RM14.3 million in the preceding year corresponding period to RM10.7 million for the current quarter.

The decrease in profit before tax in the current quarter in spite of the increase in turnover is mainly due to the lower margin contribution of sales mix and increase in operation costs. In addition, the preceding year corresponding period included a gain in foreign exchange amounting to RM1.5 million.

16. Comparison with immediate preceding quarter

The Group's turnover in the current quarter increased by 11.3% to RM153.7 million from RM138.1 million reported in the preceding quarter. However, profit before taxation decreased from RM13.9 million reported in the preceding quarter to RM10.7 million in the current quarter, mainly due to increase in operation costs and provision for doubtful debts and bonus for the current year.

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. While the Directors are optimistic on the future prospects, they are also aware of the adverse impact of the current global economic crisis. The Directors in preserving shareholders' value, will exercise extra prudence and caution in facing the challenging economic environment.

18. Profit Forecast

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

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19. Taxation

	Current Quarter Ended 31-Dec-08 RM'000	Corresponding Quarter Ended 31-Dec-07 RM'000	Current Year-to-date Ended 31-Dec-08 RM'000	Corresponding Year-to-date Ended 31-Dec-07 RM'000
Current tax charge	1,610	1,910	10,239	13,955
Deferred taxation	1,648	1,766	5,551	4,599
Under provision for previous year		110		(1,947)
Total	3,258	3,786	15,790	16,607

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.

20. Unquoted investment and properties

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

22. Corporate proposals

There were no corporate proposals announced but not completed as of 18 February 2009.

23. Borrowings and Amount Owing To Holding Company

a. Total Group's borrowings as at 31 December 2008 were as follows:

	As at 31-Dec-08 RM'000
Secured borrowings	
Short term	2,167
Long term	244
Total	2,411

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.

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24. Off balance sheet financial instruments

The Group does not have any financial instruments with off-balance sheet risk as at 18 February 2009.

25. Changes in material litigation

The Group is not engaged in any material litigation as at 18 February 2009 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 Bestwide 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

The Board of Directors has proposed a final single-tier exempt dividend of 2.0 sen per ordinary share amounting to RM3,900,000 in respect of the financial year ended 31 December 2008. The proposed dividend is subject to shareholders’ approval at the forthcoming Annual General Meeting (AGM). Notice of the AGM and the entitlement date will be notified in due course.

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27. Earnings per share

Weighted Average / Fully Diluted	Current Quarter Ended 31-Dec-08 RM'000	Corresponding Quarter Ended 31-Dec-07 RM'000	Current Year-to-date Ended 31-Dec-08 RM'000	Corresponding Year-to-date Ended 31-Dec-07 RM'000
Net profit attributable to shareholders	7,501	10,490	42,269	50,918
Number of ordinary shares in issue at the beginning of the period	195,000,000	195,000,000	195,000,000	84,000,000
Effect of the issuance pursuant to				
Public issue	-	-	-	46,000,000
Bonus issue	-	-	-	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)	3.85	5.38	21.68	26.11

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 25 February 2009.