

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

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER  
ENDED 31 DECEMBER 2009**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 31-Dec-09 RM'000</b>	<b>Corresponding Quarter Ended 31-Dec-08 RM'000</b>	<b>Current Year-to-date Ended 31-Dec-09 RM'000</b>	<b>Corresponding Year-to-date Ended 31-Dec-08 RM'000</b>
<b>Continuing Operations</b>				
Revenue	145,698	178,314	504,141	555,530
Cost of Sales	(131,598)	(156,026)	(429,113)	(456,870)
Gross Profit	14,100	22,288	75,028	98,660
Other income	1,454	1,070	3,771	3,801
Operating expenses	(13,450)	(10,901)	(43,296)	(37,283)
Finance costs	(2,406)	(1,572)	(9,060)	(6,993)
(Loss)/Profit before taxation	(302)	10,885	26,443	58,185
Income tax expense	(2,544)	(3,013)	(10,961)	(15,545)
<b>(Loss)/Profit for the period</b>	<b>(2,846)</b>	<b>7,872</b>	<b>15,482</b>	<b>42,640</b>
Attributable to:				
Equity holders of the parent	(3,008)	7,904	15,374	42,672
Minority interest	162	(32)	108	(32)
	<b>(2,846)</b>	<b>7,872</b>	<b>15,482</b>	<b>42,640</b>
<b>(Loss)/Earnings per share of RM0.50 each (sen)</b>				
a) Basic	(1.54)	4.05	7.88	21.88
b) Fully diluted	N/A	N/A	N/A	N/A

(The condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to this report)

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

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER**  
**ENDED 31 DECEMBER 2009**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	31-Dec-09 RM'000	31-Dec-08 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	360,052	131,732
Prepaid lease payments	7,146	7,275
Intangible assets	1,434	-
Investment in associate	40	-
Deferred tax assets	401	17
	<u>369,073</u>	<u>139,024</u>
<b>Current assets</b>		
Inventories	59,153	44,875
Trade and other receivables	193,385	229,886
Amount due from customers for contract works	23,352	6,471
Tax recoverable	1,753	517
Fixed deposits with licensed banks	53,735	94,493
Cash and bank balances	12,949	14,805
	<u>344,327</u>	<u>391,047</u>
<b>Total Assets</b>	<u>713,400</u>	<u>530,071</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders</b>		
Share capital	97,500	97,500
Reserves	207,446	195,972
	<u>304,946</u>	<u>293,472</u>
<b>Minority interest</b>	687	17
<b>Total equity</b>	<u>305,633</u>	<u>293,489</u>
<b>Non-current liabilities</b>		
Long term borrowings	69,986	280
Retirement benefit obligations	295	254
Amount due to former holding company	38,174	51,649
Deferred taxation	27,968	27,695
	<u>136,423</u>	<u>79,878</u>
<b>Current liabilities</b>		
Trade and other payables	142,493	85,651
Amount owing to former holding company	11,500	10,234
Amount due to customers for contract works	5,057	9,625
Amount owing to related companies	36,062	47,618
Borrowings	76,075	3,023
Provision for taxation	157	553
	<u>271,344</u>	<u>156,704</u>
<b>Total liabilities</b>	<u>407,767</u>	<u>236,582</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>713,400</u>	<u>530,071</u>
 Net assets per share of RM0.50 each (RM)	 1.56	 1.50

(The condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to this report)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	31-Dec-09 RM'000	31-Dec-08 RM'000
<b>Cash flow from operating activities</b>		
Profit before taxation	26,443	58,185
<b>Adjustments for:</b>		
Amortisation	128	129
Bad Debts	-	26
Depreciation	17,482	15,011
Doubtful Debts	2,742	1,453
(Gain)/Loss on disposal of property, plant and equipment	6	(131)
Interest expense	9,060	6,993
Interest income	(1,391)	(2,070)
Inventories written off	342	73
Retirement benefits	41	94
<b>Operating profit before working capital changes</b>	<b>54,853</b>	<b>79,763</b>
Increase in inventories	(14,620)	(3,658)
(Increase)/ decrease in receivables	18,641	12,023
Decrease in payables	40,664	(8,586)
<b>Net cash generated from/ (used in) operation</b>	<b>99,538</b>	<b>79,542</b>
Tax paid	(12,877)	(12,823)
<b>Net cash generated from/ (used in) operating activities</b>	<b>86,661</b>	<b>66,719</b>
<b>Cash flow from investing activities</b>		
Proceeds from issuance of shares to minority shareholder	-	49
Acquisition of subsidiary, net of cash acquired	(2,636)	-
Acquisition of associates, net of cash acquired	(40)	-
Purchase of property, plant and equipment	(245,279)	(3,473)
Proceeds from disposal of property, plant and equipment	16	170
Interest income received	1,391	2,070
Withdrawal of fixed deposit	-	237
<b>Net cash used in investing activities</b>	<b>(246,548)</b>	<b>(947)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	91,200	-
Repayment of borrowings	(1,910)	-
Repayment of hire purchase loan	(249)	(328)
Interest paid	(9,060)	(6,993)
Drawdown of revolving credit	42,083	-
Dividend paid	(3,900)	(5,772)
Repayment of revolving credit	-	(12,530)
<b>Net cash generated from/ (used in) financing activities</b>	<b>118,164</b>	<b>(25,623)</b>
<b>Net change in cash and cash equivalents</b>	<b>(41,723)</b>	<b>40,149</b>
Cash & cash equivalents at beginning of period	108,401	68,252
<b>Cash &amp; cash equivalents at end of period</b>	<b>66,678</b>	<b>108,401</b>
<b>Cash and cash equivalents</b>		
Cash in hand and at banks	12,949	14,805
Bank overdraft	-	(891)
Fixed deposits with licensed banks	53,735	94,493
	66,684	108,407
Less: Fixed deposits pledged as security	(6)	(6)
	66,678	108,401

(The condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to this report)

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**CONDENSED CONSOLIDATED STATEMENTS 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
<b>Financial year ended 31 December 2009</b>							
As at 31 December 2008	97,500	62,062	(31,000)	164,910	293,472	17	293,489
Acquisition of subsidiary	-	-	-	-	-	562	562
Net profit for the period	-	-	-	15,374	15,374	108	15,482
Dividend for the year ended 31 December 2008	-	-	-	(3,900)	(3,900)	-	(3,900)
<b>Balance as at 31 December 2009</b>	<b>97,500</b>	<b>62,062</b>	<b>(31,000)</b>	<b>176,384</b>	<b>304,946</b>	<b>687</b>	<b>305,633</b>
<b>Financial year ended 31 December 2008</b>							
As at 31 December 2007	97,500	62,062	(31,000)	128,010	256,572	-	256,572
Acquisition of subsidiary	-	-	-	-	-	17	17
Net profit for the period	-	-	-	42,672	42,672	-	42,672
Dividend for the year ended 31 December 2007	-	-	-	(5,772)	(5,772)	-	(5,772)
<b>Balance as at 31 December 2008</b>	<b>97,500</b>	<b>62,062</b>	<b>(31,000)</b>	<b>164,910</b>	<b>293,472</b>	<b>17</b>	<b>293,489</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 2008 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 2008. 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 2008.

**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 2008. The following new/revised FRSs and IC Interpretations are yet to be effective:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 10	Interim Financial Reporting and Impairment

All the new FRSs and IC Interpretations above are effective from 1 January 2010, with the exception of FRS 8, which is effective from 1 July 2009.

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

**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 and financial year to-date.

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**6. Material Changes in Estimates**

There are no material changes in the estimates of amounts reported in the current quarter and financial year to-date.

**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**

A first and final single-tier exempt dividend of 2.0 sen per ordinary share of RM0.50 each amounting to RM3,900,000 for the financial year ended 31 December 2008 was paid on 27 July 2009.

**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 and financial year to-date.

**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**

There were no changes in the composition of the Group for the current quarter ended 31 December 2009 including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operation, except for the Company's acquisition on 30 April 2009 of the 70% of the issued and paid-up capital of Jurutera Perunding Akal Sdn Bhd represented by 70,000 ordinary shares of RM1.00 each at a total consideration of RM2.74 million.

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**13. Changes in Contingent Liabilities and Contingent Assets**

As at 31 December 2009, the Company has given corporate guarantees amounting to approximately RM259.5 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 RM14.8 million. As at the said date, the amount of performance guarantees extended to third parties is approximately RM5.8 million.

**14. Significant Related Party Transactions**

**a. Inter-company transactions**

	<b>Current Quarter ended 31-Dec-09 RM'000</b>	<b>Corresponding Quarter ended 31-Dec-08 RM'000</b>
Rental paid to former holding company	45	45
Loan interest paid to former holding company	984	1,203
Management fee to former holding company	405	405
Charter hire fee paid to related parties	22,005	19,252

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:

	<b>Current Quarter ended 31-Dec-09 RM'000</b>	<b>Corresponding Quarter ended 31-Dec-08 RM'000</b>
	468	470

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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 RM145.7 million, a decrease of 18.3% compared with RM178.3 million reported in the preceding year corresponding period. The profit before tax decreased from RM10.9 million in the preceding year corresponding period to a loss of RM0.3 million for the current quarter.

The decrease in profit before tax for the current quarter is mainly due to the late delivery charges incurred arising from the boilers business of RM4.9 million and provision for doubtful debts amounting to RM2.2 million from design and fabrication sector. In addition, for the current quarter, the Group also incurred expenses related to the mobilization of the 3 new vessels amounting to RM4.8 million and dry docking expenses amounting to RM1.0 million.

**16. Comparison with Immediate Preceding Quarter**

The Group's turnover in the current quarter increased by 11.3% to RM145.7 million from RM130.9 million reported in the preceding quarter. However, profit before taxation decreased from RM6.6 million in the preceding quarter to a loss of RM0.3 million for the current quarter.

In spite of the increase in turnover, the profit before tax decreased mainly due to late delivery charges incurred arising from the boilers business of RM4.9 million and provision for doubtful debts amounting to RM2.2 million from design and fabrication sector. In addition, for the current quarter, the Group also incurred expenses related to mobilization of the 3 new vessels amounting to RM4.8 million.

**17. Prospects**

The prospects for the integrated brown field 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, there are 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**

	<b>Current Quarter Ended 31-Dec-09 RM'000</b>	<b>Corresponding Quarter Ended 31-Dec-08 RM'000</b>	<b>Current Year-to-date Ended 31-Dec-09 RM'000</b>	<b>Corresponding Year-to-date Ended 31-Dec-08 RM'000</b>
Current tax charge	2,231	1,300	11,112	9,929
Deferred taxation	313	1,713	(151)	5,616
<b>Total</b>	<b>2,544</b>	<b>3,013</b>	<b>10,961</b>	<b>15,545</b>

The effective tax rate of the Group for the current quarter and financial year to-date is higher than the statutory tax rate principally due to tax losses and 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, except on the following announcements:

On 29 June 2009, an announcement was made on the following:

- a. A proposed acquisition by Petra Innotech Sdn Bhd ("PISB"), a wholly-owned subsidiary of the Company, of one new offshore support vessel ("Petra Orbit") and one new accommodation/work barge ("Petra Endeavour") from Perdana Venus Limited ("PVL"), a wholly-owned subsidiary of Petra Perdana Berhad ("PPB"), for an aggregate purchase consideration of RM155 million to be satisfied by cash; and
- b. A proposed novation of shipbuilding contract dated 3 September 2007 between Shin Yang Shipyard Sdn Bhd and PVL for the building and delivery of one new offshore support vessel ("Petra Galaxy") by PVL to PISB for a consideration of RM58.4 million to be satisfied by cash.

Further to the announcement above, an announcement was made on 25 September 2009 on the following agreements which had been entered into by PISB to facilitate the registration of the 3 vessels in Malaysia pursuant to the requirements of the contract awarded by Sarawak Shell Berhad/ Sabah Shell Petroleum Company Limited ("SHELL") to PRSB, for the provision of hook-up,

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commissioning and major maintenance to SHELL for its offshore oil and gas facilities located in Sabah and Sarawak waters:

- a. Memorandum of Agreement between PISB and Petra Teknik Sdn Bhd ("PTSB"), a wholly-owned subsidiary of PPB, in relation to the proposed acquisition of Petra Orbit ("Orbit MOA"). The Orbit MOA was entered into subsequent to the termination of the earlier MOA and deed of assignment entered into on 26 June 2009 between PVL and PISB for the proposed acquisition of Petra Orbit by PISB from PVL which was mutually agreed upon by PVL and PISB subject to the repayment to PISB of all payments made pursuant thereto with no costs and liability to each other;
- b. Memorandum of Agreement between PISB and PTSB in relation to the proposed acquisition of Petra Galaxy ("Galaxy MOA"). The Galaxy MOA was entered into subsequent to the termination of the novation agreement entered into on 26 June 2009 between PVL, PISB and Shin Yang Shipyard Sdn Bhd for the novation by PVL to PISB of such part of the Shin Yang shipbuilding contract for the building and delivery of Petra Galaxy which was mutually agreed upon by PVL, PISB and Shin Yang Shipyard Sdn Bhd with no costs and liability to each other; and
- c. Memorandum of Agreement between PISB and PTSB in relation to the proposed acquisition of Petra Endeavour ("Endeavour MOA"). The Endeavour MOA was entered into subsequent to the termination of the earlier MOA and deed of assignment entered into on 26 June 2009 between PVL and PISB for the proposed acquisition of Petra Endeavour by PISB from PVL which was mutually agreed upon by PVL and PISB subject to repayment to PISB of all payments made pursuant thereto with no costs and liability to each other.

On 9 November 2009, it was announced that all the resolutions as set out in the Notice Convening an Extraordinary General Meeting ("EGM") dated 24 October 2009 and put to the shareholders at the EGM held on 9 November 2009, were unanimously passed by the shareholders present and voting at the EGM.

Further to the above, it was announced on 25 November 2009 that the conditions precedent of the Orbit MOA, the Galaxy MOA and the Endeavour MOA ("MOAs") had been fulfilled on 23 November 2009 and that upon fulfillment of the said conditions precedent of the MOAs, the following deeds of assignment ("DOA") had been entered into on 23 November 2009:-

- a. a DOA entered into by PVL and PISB in relation to the assignment of all rights, title and interests of PVL in and to Petra Orbit under the Shin Yang Shipbuilding Contract, including Shin Yang's warranties under the Shin Yang Shipbuilding Contract to PISB;
- b. a DOA entered into by PVL and PISB in relation to the assignment of all rights, title and interests of PVL in and to Petra Galaxy under the Shin Yang Shipbuilding Contract, including Shin Yang's warranties under the Shin Yang Shipbuilding Contract to PISB; and
- c. (i) a DOA entered into by PTSB and PISB in relation to the assignment of all of PTSB's rights, title and interests in and to the PVL-PTSB MOA to PISB; and (ii) a DOA entered into by PVL and PISB in relation to the assignment of all of PVL's rights, title and interests in and to Petra Endeavour and under the Nam Cheong MOA, including Nam Cheong's warranties under the Nam Cheong MOA to PISB.

On 2 December 2009, an announcement was made on the delivery of Petra Orbit and Petra Galaxy to PISB and that PISB is the registered owner of the said vessels effective 30 November 2009.

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Further to the announcements above, it was announced on 9 February 2010 that payment has been made on 9 February 2010 by PISB for the balance of the purchase consideration pursuant to the memorandum of agreement entered into between PISB and PTSB dated 25 September 2009 for the acquisition of Petra Endeavour, Petra Endeavour has been delivered to PISB and PISB is the registered owner of the said vessel. The Proposed Acquisition is thus deemed completed.

**23. Borrowings and Amount Owing to Former Holding Company**

a. Total Group's borrowings as at 31 December 2009 were as follows:

	<b>As at 31-Dec-09 RM'000</b>
Secured borrowings	
Short term	76,075
Long term	69,986
Total	<u>146,061</u>

The above borrowings are denominated in Ringgit Malaysia.

b. The amount owing to former 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 18 February 2010.

**25. Changes in Material Litigation**

The Group is not engaged in any material litigation as at 18 February 2010 except for the following:

a. Petra Fabricators Sdn Bhd ("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. The case has been closed on 5 October 2009 by our counsel and the Judge has given directions for written submissions.

On 19 January 2010, the Judge decided to allow the Plaintiff's claim and dismissed PFSB's counter claim with costs. An appeal on the decision was made to the Court of Appeal on 19 February 2010.

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- b. Petra Resources Sdn Bhd ("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 13 May 2010.

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 1.0 sen per ordinary share amounting to RM1,950,000 in respect of the financial year ended 31 December 2009. 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.

**27. Earnings Per Share**

Weighted Average	Current Quarter Ended 31-Dec-09 RM'000	Corresponding Quarter Ended 31-Dec-08 RM'000	Current Year-to-date Ended 31-Dec-09 RM'000	Corresponding Year-to-date Ended 31-Dec-08 RM'000
Net (loss)/profit attributable to shareholders	(3,008)	7,904	15,374	42,672
Number of ordinary shares in issue at the beginning of the period	195,000,000	195,000,000	195,000,000	195,000,000
Effect of the issuance pursuant to				
Public issue	-	-	-	-
Bonus issue	-	-	-	-
Weighted average number of ordinary shares in issue	195,000,000	195,000,000	195,000,000	195,000,000
Basic (loss)/earnings per ordinary share of RM0.50 each (sen)	(1.54)	4.05	7.88	21.88

**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 2010.