

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Current Quarter Ended 31-Dec-10 RM'000	Corresponding Quarter Ended 31-Dec-09 RM'000	Current Year-to-date Ended 31-Dec-10 RM'000	Corresponding Year-to-date Ended 31-Dec-09 RM'000
Revenue	150,036	145,013	633,935	503,456
Cost of Sales	(147,086)	(132,852)	(562,158)	(430,367)
Gross Profit	2,950	12,161	71,777	73,089
Other income	1,537	329	4,115	2,646
Operating expenses	(13,840)	(11,749)	(55,588)	(41,595)
Finance costs	(3,506)	(2,398)	(14,259)	(9,052)
Profit/(loss) before taxation	(12,859)	(1,657)	6,045	25,088
Income tax expense	5,046	(2,178)	(3,364)	(10,595)
Profit/(loss) for the period	(7,813)	(3,835)	2,681	14,493
Attributable to:				
Equity holders of the parent	(7,994)	(3,993)	2,585	14,390
Minority interest	181	158	96	103
	(7,813)	(3,835)	2,681	14,493
(Loss)/Earnings per share of RM0.50 each (sen)				
a) Basic	(4.10)	(2.05)	1.33	7.38
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 2009 and the accompanying explanatory notes attached to this report)

PETRA ENERGY BERHAD (Company No. 718388-H)
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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter Ended 31-Dec-10 RM'000	Corresponding Quarter Ended 31-Dec-09 RM'000	Current Year-to-date Ended 31-Dec-10 RM'000	Corresponding Year-to-date Ended 31-Dec-09 RM'000
Profit/(loss) for the period	(7,813)	(3,835)	2,681	14,493
<i>Other comprehensive income/(loss)</i>	-	-	-	-
Total Comprehensive Income/(loss) for the period	(7,813)	(3,835)	2,681	14,493
Total Comprehensive Income/(loss) attributable to:				
Equity holders of the parent	(7,994)	(3,993)	2,585	14,390
Minority interest	181	158	96	103
	(7,813)	(3,835)	2,681	14,493

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to this report)

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31-Dec-10 RM'000	31-Dec-09 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	353,141	367,198
Intangible assets	-	1,428
Deferred tax assets	1,084	33
Total Non-current Assets	<u>354,225</u>	<u>368,659</u>
Current assets		
Inventories	10,600	58,066
Trade and other receivables	196,588	194,630
Amount due from customers for contract works	81,716	22,363
Tax recoverable	7,014	2,358
Fixed deposits with licensed banks	44,047	54,007
Cash and bank balances	19,659	15,479
Total Current Assets	<u>359,624</u>	<u>346,903</u>
Total Assets	<u>713,849</u>	<u>715,562</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	97,500	97,500
Reserves	208,733	206,462
Total Equity Attributable to Equity Holders of the Company	<u>306,233</u>	<u>303,962</u>
Minority interest	<u>780</u>	<u>682</u>
Total equity	<u>307,013</u>	<u>304,644</u>
Non-current liabilities		
Long term borrowings	108,517	70,002
Retirement benefit obligations	-	295
Other payables	-	29,674
Deferred taxation	28,146	27,463
Total Non-current Liabilities	<u>136,663</u>	<u>127,434</u>
Current liabilities		
Trade and other payables	170,558	199,462
Amount due to customers for contract works	3,153	4,633
Borrowings	95,609	78,855
Provision for taxation	853	534
Total Current Liabilities	<u>270,173</u>	<u>283,484</u>
Total liabilities	<u>406,836</u>	<u>410,918</u>
TOTAL EQUITY AND LIABILITIES	<u>713,849</u>	<u>715,562</u>
 Net assets per share of RM0.50 each (RM)	 1.57	 1.56

(The condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to this report)

PETRA ENERGY BERHAD (Company No. 718388-11)
(Incorporated in Malaysia)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31-Dec-10 RM'000	31-Dec-09 RM'000
Cash flow from operating activities		
Profit before taxation	6,045	25,088
Adjustments for:		
Amortisation	129	129
Bad Debts	-	122
Depreciation	25,161	17,481
Doubtful Debts	-	2,532
(Gain)/Loss on disposal of property, plant and equipment	(108)	4
Impairment of intangible assets	1,428	-
Interest expense	11,407	9,052
Interest income	(956)	(1,368)
Inventories written off	568	41
Retirement benefits	-	41
Operating profit before working capital changes	<u>43,674</u>	<u>53,122</u>
Decrease/ (Increase) in inventories	46,898	(13,233)
(Increase)/ decrease in receivables	(62,304)	18,473
(Decrease)/ Increase in payables	(60,058)	34,687
Net cash generated from/ (used in) operation	<u>(31,790)</u>	<u>93,049</u>
Tax paid	(8,615)	(12,877)
Net cash generated from/ (used in) operating activities	<u>(40,405)</u>	<u>80,172</u>
Cash flow from investing activities		
Investment in subsidiaries	-	(2,632)
Purchase of property, plant and equipment	(11,479)	(245,278)
Proceeds from disposal of property, plant and equipment	355	18
Interest income received	956	1,368
Withdrawal of fixed deposit	-	(271)
Net cash used in investing activities	<u>(10,168)</u>	<u>(246,795)</u>
Cash flow from financing activities		
Repayment of hire purchase loan	(218)	(244)
Repayment of borrowings	(57,025)	(6)
Interest paid	(11,407)	(9,052)
Drawdown of borrowings	115,280	137,850
Dividend paid	(1,950)	(3,900)
Net cash generated from/ (used in) financing activities	<u>44,680</u>	<u>124,648</u>
Net change in cash and cash equivalents	<u>(5,893)</u>	<u>(41,975)</u>
Cash & cash equivalents at beginning of period	<u>66,425</u>	<u>108,400</u>
Cash & cash equivalents at end of period	<u>60,532</u>	<u>66,425</u>
Cash and cash equivalents		
Cash in hand and at banks	19,659	15,479
Bank overdraft	(2,896)	(2,783)
Fixed deposits with licensed banks	44,047	54,007
	<u>60,810</u>	<u>66,703</u>
Less: Fixed deposits pledged as security	(278)	(278)
	<u>60,532</u>	<u>66,425</u>

(The condensed Consolidated Statement Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to this report)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2010

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company						Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Retained Profits RM'000	Total RM'000	Minority Interest RM'000	
Financial year ended 31 December 2010							
As at 1 January 2010	97,500	62,062	(31,000)	175,399	303,961	684	304,645
Effect arising from adoption of FRS 139	-	-	-	1,637	1,637	-	1,637
As at 1 January 2010, as restated	97,500	62,062	(31,000)	177,036	305,598	684	306,282
Issue of shares	-	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,585	2,585	96	2,681
Dividend for the year ended 31 December 2009	-	-	-	(1,950)	(1,950)	-	(1,950)
Balance as at 31 December 2010	97,500	62,062	(31,000)	177,671	306,233	780	307,013
Financial year ended 31 December 2009							
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	-	-	-	14,390	14,390	103	14,493
Dividend for the year ended 31 December 2008	-	-	-	(3,900)	(3,900)	-	(3,900)
Balance as at 31 December 2009	97,500	62,062	(31,000)	175,400	303,962	682	304,644

(The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to this report)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
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PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

1. Basis of Preparation

The condensed consolidated 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 condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009. The 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 2009.

2. Changes in Accounting Policies

The new and revised FRSs, Amendments to FRS and IC amended FRS and IC Interpretations which are mandatory for financial periods beginning on or after 1 January 2010 do not give rise to any significant effects on the financial statements of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group’s and the Company’s financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

2. Changes in Accounting Policies (cont'd.)

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated.

Amendments to FRS 117 Leases

Amendments to FRS 117 remove the classification of leases of land and of buildings, and instead, require assessment of classification based on the risks and rewards of the lease itself. The reassessment of land elements of unexpired leases shall be made retrospectively in accordance with FRS 108. Therefore, the Group has reclassified the prepaid lease payments for land as land held in accordance with FRS 116. This amendment shall be presented on the statement of financial position as at the beginning of the earliest comparative period in accordance with FRS 101.

	Previously stated RM'000	Effect of FRS 117 RM'000	As restated RM'000
Statement of Financial Position			
Property, plant and equipment	360,052	7,146	367,198
Prepaid lease payments	7,146	(7,146)	-

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2010

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.

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 1.0 sen per ordinary share of RM 0.50 each amounting to RM1,950,000 for the financial year ended 31 December 2009 was paid on 27 July 2010.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
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9. Segmental Information

Business Segment - Quarter

Current Quarter Ended 31 Dec-10	Integrated Brown Field Maintenance and Engineering Services RM'000	Onshore Civil Engineering Services RM'000	Marine Offshore Support Services RM'000	Design, Fabrication, Supply and Installation Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue							
External revenue	111,025	5,278	27,553	6,180	-	-	150,036
Inter-segment revenue	23,257	-	-	3,568	15,840	(42,665)	-
	<u>134,282</u>	<u>5,278</u>	<u>27,553</u>	<u>9,748</u>	<u>15,840</u>	<u>(42,665)</u>	<u>150,036</u>
Results							
Segment results	13,210	(22,698)	1,657	5	12,021	(13,548)	(9,353)
Finance cost	(3,293)	(194)	-	(18)	(1)		(3,506)
Profit /(loss) before taxation	<u>9,917</u>	<u>(22,892)</u>	<u>1,657</u>	<u>(13)</u>	<u>12,020</u>	<u>(13,548)</u>	<u>(12,859)</u>

Corresponding Quarter Ended 31 Dec-09	Integrated Brown Field Maintenance and Engineering Services RM'000	Onshore Civil Engineering Services RM'000	Marine Offshore Support Services RM'000	Design, Fabrication, Supply and Installation Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue							
External revenue	100,952	-	26,217	17,844	-	-	145,013
Inter-segment revenue	21,829	-	-	-	840	(22,669)	-
	<u>122,781</u>	<u>-</u>	<u>26,217</u>	<u>17,844</u>	<u>840</u>	<u>(22,669)</u>	<u>145,013</u>
Results							
Segment results	5,643	-	1,995	(3,613)	(378)	(2,906)	741
Finance cost	(2,444)	-	-	8	(946)	984	(2,398)
Profit before taxation	<u>3,199</u>	<u>-</u>	<u>1,995</u>	<u>(3,605)</u>	<u>(1,324)</u>	<u>(1,922)</u>	<u>(1,657)</u>

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
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9. Segmental Information (cont'd.)

Business Segment – Year-to-date

Current Year-to-date Ended 31 Dec-10	Integrated Brown Field Maintenance and Engineering Services RM'000	Onshore Civil Engineering Services RM'000	Marine Offshore Support Services RM'000	Design, Fabrication, Supply and Installation Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue							
External revenue	454,473	34,314	107,450	37,698	-	-	633,935
Inter-segment revenue	94,737	-	-	10,559	18,360	(123,656)	-
	<u>549,210</u>	<u>33,910</u>	<u>107,450</u>	<u>48,257</u>	<u>18,360</u>	<u>(123,656)</u>	<u>633,935</u>
Results							
Segment results	49,096	(26,105)	7,253	(5,428)	12,382	(16,894)	20,304
Finance cost	(13,365)	(194)	-	(702)	(2,299)	2,301	(14,259)
Profit/(loss) before taxation	<u>35,731</u>	<u>(26,299)</u>	<u>7,253</u>	<u>(6,130)</u>	<u>10,083</u>	<u>(14,593)</u>	<u>6,045</u>

Corresponding Year-to-date Ended 31 Dec-09	Integrated Brown Field Maintenance and Engineering Services RM'000	Onshore Civil Engineering Services RM'000	Marine Offshore Support Services RM'000	Design, Fabrication, Supply and Installation Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue							
External revenue	354,345	-	75,432	73,679	-	-	503,456
Inter-segment revenue	67,860	-	-	-	63,360	(131,220)	-
	<u>422,205</u>	<u>-</u>	<u>75,432</u>	<u>73,679</u>	<u>63,360</u>	<u>(131,220)</u>	<u>503,456</u>
Results							
Segment results	32,105	-	5,848	(160)	62,583	(66,236)	34,140
Finance cost	(8,965)	-	-	(87)	(4,314)	4,314	(9,052)
Profit before taxation	<u>23,140</u>	<u>-</u>	<u>5,848</u>	<u>(247)</u>	<u>58,269</u>	<u>(61,922)</u>	<u>25,088</u>

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
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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 2010 including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operation.

13. Changes in Contingent Liabilities and Contingent Assets

As at 31 December 2010, the Company has given corporate guarantees amounting to approximately RM404.9 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 RM32.4 million. As at the said date, the amount of performance guarantees extended to third parties is approximately RM63.37 million.

14. Significant Related Party Transactions

a. Related Party Transactions

	Current Quarter ended 31-Dec-10 RM'000	Corresponding Quarter ended 31-Dec-09 RM'000
Rental paid to a corporate shareholder	-	45
Loan interest paid to a corporate shareholder	-	984
Management fee to a corporate shareholder	-	405
Charter hire fee paid to related companies of a corporate shareholder	25,392	22,005

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.

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14. Significant Related Party Transactions (cont'd.)

b. Compensation of key management personnel

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

Current Quarter ended 31-Dec-10 RM'000	Corresponding Quarter ended 31-Dec-09 RM'000
389	468

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE
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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 a turnover of RM150.0 million, an increase of 3.4% compared with RM145.0 million reported in the preceding year corresponding period. The increase in turnover for the current quarter is mainly due to an increase in the business activities of the integrated brown field maintenance and onshore civil engineering services sector.

The loss before taxation increased from RM1.7 million in the preceding year corresponding period to RM12.9 million for the current quarter. The increase is mainly due to the losses and foreseeable losses recognized for the Kumang project in the onshore civil engineering services sector amounting to RM22.9 million. The loss suffered in this sector is softened by the total profit before tax contribution totaling RM11.6 million of the other sectors, mainly the integrated brown field maintenance and engineering services, and design fabrication, supply and installation services sectors and marine offshore support services.

As the total estimated losses until the conclusion of the Kumang project have already been recognized in the current quarter, it is expected that there will not be any further adverse impact to the Group results in the next quarters.

16. Comparison with Immediate Preceding Quarter

The Group's turnover in the current quarter decreased by 5.6% to RM150.0 million from RM158.9 million reported in the preceding quarter mainly due to the significant decrease in the business activities of the onshore civil engineering services sector. However, there is a slight increase in the business activities of the integrated brown field maintenance and engineering services.

The Group also registered a loss before taxation of RM12.9 million in the current quarter from a profit before tax of RM7.4 million in the preceding quarter. The swing in the net result of RM20.3 million is mainly due to additional recognition of losses in the onshore civil engineering services sector totaling RM22.9 million, against an improvement in the results of the other sectors by RM2.6 million, in the current quarter.

17. Prospects

The prospects for the integrated brown field services look promising in the years ahead with the securing of the Hook-up, commissioning and maintenance contract amounting to RM400 million.

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-10 RM'000	Corresponding Quarter Ended 31-Dec-09 RM'000	Current Year-to-date Ended 31-Dec-10 RM'000	Corresponding Year-to-date Ended 31-Dec-09 RM'000
Current tax charge	(3,640)	2,002	1,990	10,883
Deferred taxation	(1,406)	176	1,374	(288)
Total	(5,046)	2,178	3,364	10,595

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 21 February 2011.

23. Borrowings

a. Total Group's borrowings as at 31 December 2010 were as follows:

	As at 31-Dec-10 RM'000
Secured borrowings	
Short term	95,609
Long term	108,517
Total	204,126

The above borrowings are denominated in Ringgit Malaysia.

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24. Derivative Financial Instruments

There were no derivative financial instruments for the current financial quarter ended 31 December 2010.

25. Gains and Losses Arising from Fair Value Changes of Financial Liabilities

There were no financial liabilities measured at fair value through profit or loss for the current financial quarter ended 31 December 2010. All financial liabilities are measured at the amortised cost effective interest method. Hence, no gains or losses were recognised for changes in the fair values of these liabilities.

26. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off-balance sheet risk as at 21 February 2011.

27. Changes in Material Litigation

The Group is not engaged in any material litigation as at 21 February 2011 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. On 19 January 2010, the Judge decided to allow the Plaintiff’s claim and dismissed PFSB’s counter claim with costs. However, an appeal has been filed to the Court of Appeal against the whole of the decision of the High Court Judge on 19 February 2010. The hearing for a stay of execution of the High Court Judge’s decision on 29 January 2010 filed by PFSB with the High Court of Malaya at Kuala Lumpur was fixed on 2 September 2010 where the High Court has disallowed PFSB’s application for stay of execution. The PFSB’s record of appeal to the Court of Appeal has been filed on 8 September 2010 and the Company has been advised by its solicitors that a hearing date of the appeal is expected soon.

Based on legal advice, the Board of Directors is of the opinion that the Group has a reasonably good prospect to avail in the proceedings.

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27. Changes in Material Litigation (cont'd.)

- 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. ("ExxonMobil") 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. Oral submissions were made by both PRSB and ExxonMobil on 20 August 2010 and the arbitrators reserved their decisions until further notice. On 16 December 2010, PRSB received an award dated 14 December 2010 from the Learned Arbitrators in the above arbitration. The Learned Arbitrators have dismissed the claims made by PRSB. As for the cost of the arbitration, the Learned Arbitrators have ordered that unless otherwise agreed by PRSB and ExxonMobil, they are to be assessed and paid by PRSB to ExxonMobil.
- c. Petra Boilers Sdn Bhd ("PBSB"), a wholly-owned subsidiary of PFSB, which in turn is a wholly-owned subsidiary of PEB has received a Request of Arbitration made on 1 December 2009 by United Palm Oil Industry Public Co. Ltd. ("UPOIC"), a company incorporated under the laws of Thailand. UPOIC claimed that PBSB supplied a boiler which failed and is of out-of-service, and that PBSB has failed to perform contractually obliged works pertaining the boiler causing UPOIC significant loss. UPOIC is claiming damages and penalty totaling USD11,258,335 together with interest, costs and such further or other relief as may be amended or added.

On 12 February 2010, PBSB filed its Answer denying UPOIC's claim and counter-claimed that UPOIC failed to honour its obligations to pay the balance of the contract sum for the supply of the boiler and penalty on the contract sum totaling USD628,191 together with interests, costs and such further or other relief as may be deemed fit to be awarded.

On 5 March, the International Chamber of Commerce ("ICC") International Court of Arbitration at its session on 4 May 2010, fixed the advance to cover the costs of arbitration at USD400,000, subject to later readjustments. PBSB has been invited to pay USD200,000 whilst UPOIC has been invited to bear the balance USD200,000 of the said USD400,000 costs advancement to ICC.

On 25 August 2010, UPOIC has sought to amend their Points of Claim and to increase their claim for damages and penalty from the total amount approximating USD11,258,334.55 to an amount totaling approximately USD21,582,481.10 (converted from Thai Baht 712,780,664.33) together with additional continuing loss of profits, interest, costs and such further or other relief as may be amended or added. PBSB had registered its objection to UPOIC's application to the Tribunal. On 3 September 2010, the arbitration tribunal informed that it is allowing UPOIC's application to amend their Request for Arbitration subject to the following terms:-

- (a) UPOIC to give discovery, by 10 September 2010, of the categories on certain documents
- (b) PBSB be at liberty to serve further witness statements in chief by 8 October 2010
- (c) UPOIC bears all PBSB's costs arising from the amendment (including costs thrown away) such costs to be agreed or, failing which, to be fixed by the Tribunal
- (d) The date of service of the parties' reply witness statements will now be 5 November 2010

The date for the arbitration hearing is fixed from 6 December to 9 December 2010.

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27. Changes in Material Litigation (cont'd.)

On 26 October 2010, the Tribunal has vacated the hearing dates in December 2010 and set fresh hearing dates in two tranches:

(a) 1st tranche - 21 May 2011 to 28 May 2011; and

(b) 2nd tranche - 2 July 2011 to 8 July 2011.

The above fresh hearing dates are consequent to the Tribunal allowing PBSB's applications for UPOIC to produce documents, for PBSB to file further documents, for PBSB to call additional rebuttal witnesses and for the timeline to exchange rebuttal witness statements be extended.

The Board of Directors has been advised by the advocate and solicitor that the UPOIC's claim is without merit and grossly inflated, and outside the scope of the contract, which itself specifies compensation for any breach of contract.

28. Dividends

There is no dividend proposed in respect of the current quarter ended 31 December 2010.

29. Earnings Per Share

Weighted Average	Current Quarter Ended 31-Dec -10 RM'000	Corresponding Quarter Ended 31-Dec -09 RM'000	Current Year-to-date Ended 31-Dec -10 RM'000	Corresponding Year-to-date Ended 31-Dec -09 RM'000
Net (loss)/profit attributable to shareholders	(7,994)	(3,993)	2,585	14,390
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)	(4.10)	(2.05)	1.33	7.38

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30. Disclosure of Realised and Unrealised Profits

On 25th March 2010, Bursa Securities issued a directive to all listed issuers pursuant to paragraphs 2.06 and 2.23 of the Listing Requirements of the Bursa Malaysia Securities Berhad. The directive requires all listed issuers to disclose the breakdown of the inappropriate profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20th December 2010, Malaysian Institute of Accountants (“MIA”) further issued guidance on the disclosure and the format required.

The breakdown of the retained profits of the Group as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 31.12.2010 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	205,962
- Unrealised	<u>(25,053)</u>
	180,909
Less: Consolidated adjustments	<u>(3,238)</u>
Total retained earnings as per condensed consolidated statement of changes in equity	<u>177,671</u>

31. Authorisation For Issue

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 24 February 2011.