



PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2016**

PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income

	Note	<i>Current quarter</i>		<i>Cumulative period</i>	
		<i>3 months ended</i>		<i>6 months ended</i>	
		30 June 2016 Unaudited RM'000	30 June 2015 Unaudited RM'000	30 June 2016 Unaudited RM'000	30 June 2015 Unaudited RM'000
Revenue		82,665	164,655	195,896	283,728
Cost of sales		(78,493)	(132,969)	(190,823)	(235,604)
Gross profit		4,172	31,686	5,073	48,124
Other income		517	5,419	1,289	7,495
Administrative expenses		(21,850)	(12,892)	(36,784)	(24,197)
(Loss)/profit from operations		(17,161)	24,213	(30,422)	31,422
Finance income		745	430	1,522	1,480
Finance costs		(4,519)	(4,109)	(9,037)	(9,454)
Share of results of an associate		12,130	(1,389)	22,130	(1,469)
(Loss)/profit before taxation	12	(8,805)	19,145	(15,807)	21,979
Income tax expense	13	(107)	(4,250)	(181)	(5,000)
(Loss)/profit for the financial period		(8,912)	14,895	(15,988)	16,979
<u>Other comprehensive income:</u>					
Item that may be subsequently reclassified to profit or loss					
- Currency translation differences		156	561	(5,453)	2,151
Other comprehensive income/(loss) for the financial period, net of tax		156	561	(5,453)	2,151
Total comprehensive (loss)/income for the financial period		(8,756)	15,456	(21,441)	19,130
Earnings per share (sen)					
Basic/ diluted	14	(2.78)	4.63	(4.98)	5.28

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

PETRA ENERGY BERHAD (718388-H)
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Condensed Consolidated Statements of Financial Position

	Note	30 June 2016 Unaudited RM'000	31 December 2015 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		404,120	436,878
Investment in associate		80,280	58,150
		484,400	495,028
Current assets			
Inventories		29,485	30,686
Trade and other receivables		145,598	226,261
Amount due from customers on contracts		22,383	25,517
Amount due from an associate company		30,567	108,649
Tax recoverable		10,081	6,345
Cash and bank balances	15	206,112	213,539
		444,226	610,997
Total Assets		928,626	1,106,025
EQUITY AND LIABILITIES			
Share capital		160,875	160,875
Share premium		138,934	138,934
Treasury shares		(836)	(836)
Merger reserve		(31,000)	(31,000)
Currency translation reserve		8,806	14,259
Retained earnings		235,853	264,679
Total equity		512,632	546,911
Non-current liabilities			
Loans and borrowings	16	120,338	120,917
Hire purchase liabilities		294	333
Deferred taxation		11,043	11,043
		131,675	132,293
Current liabilities			
Loans and borrowings	16	157,680	220,996
Hire purchase liabilities		62	62
Trade and other payables		126,577	205,256
Amount due to customers on contracts		-	507
		284,319	426,821
Total liabilities		415,994	559,114
Total equity and liabilities		928,626	1,106,025
Net assets per share of RM0.50 each		1.60	1.70

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statements of Changes in Equity

	← Attributable to Equity Holders of the Company →						
	← Non-distributable →				Distributable		
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Treasury Shares RM'000	Currency Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
As at 1 January 2016	160,875	138,934	(31,000)	(836)	14,259	264,679	546,911
Loss for the financial period	-	-	-	-	-	(15,988)	(15,988)
Other comprehensive loss for the financial period	-	-	-	-	(5,453)	-	(5,453)
Total comprehensive loss for the financial period	-	-	-	-	(5,453)	(15,988)	(21,441)
<u>Transactions with owners:</u>							
Interim dividend in respect of financial year ended 31 December 2015	-	-	-	-	-	(6,419)	(6,419)
Special dividend in respect of financial year ended 31 December 2015	-	-	-	-	-	(6,419)	(6,419)
	-	-	-	-	-	(12,838)	(12,838)
As at 30 June 2016	160,875	138,934	(31,000)	(836)	8,806	235,853	512,632
As at 1 January 2015	160,875	138,934	(31,000)	-	3,458	243,157	515,424
Profit for the financial period	-	-	-	-	-	47,214	47,214
Other comprehensive income for the financial period	-	-	-	-	10,801	-	10,801
Total comprehensive income for the period	-	-	-	-	10,801	47,214	58,015
<u>Transactions with owners:</u>							
Purchase of treasury shares	-	-	-	(836)	-	-	(836)
Interim dividend in respect of financial year ended 31 December 2014	-	-	-	-	-	(6,435)	(6,435)
Special dividend in respect of financial year ended 31 December 2015	-	-	-	-	-	(19,257)	(19,257)
	-	-	-	(836)	-	(25,692)	(26,528)
As at 31 December 2015	160,875	138,934	(31,000)	(836)	14,259	264,679	546,911

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

PETRA ENERGY BERHAD (718388-H)
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Condensed Consolidated Statements of Cash Flows

	<i>6 months ended</i>	
	30 June 2016	30 June 2015
	Unaudited	Unaudited
	RM'000	RM'000
(Loss)/profit before tax	(15,807)	21,979
Adjustments for:		
Finance income	(1,522)	(1,480)
Finance costs	9,037	9,454
Unrealised foreign exchange loss/(gain)	2,742	(7,075)
Impairment loss on property, plant and equipment	12,500	-
Depreciation of property, plant and equipment	19,416	19,811
Share of results of associate	(22,130)	1,469
Total adjustments	20,043	22,179
Operating cash flows before changes in working capital	4,236	44,158
Changes in working capital:		
Inventories	1,201	5,908
Trade and other receivables	156,293	86,455
Trade and other payables	(78,680)	(76,281)
Amount due from customers	2,627	10,487
Total changes in working capital	81,441	26,569
Cash flows generated from operations	85,677	70,727
Income tax paid	(3,917)	(4,467)
Net cash flows generated from operating activities	81,760	66,260
Net cash flows generated from/(used in) investing activities	2,365	(11,471)
Net cash flows (used in)/generated from financing activities	(77,907)	39,532
Net changes in cash and cash equivalents	6,218	94,321
Net changes in cash restricted in use	(40,117)	54,039
Effects of exchange rate changes	(13,859)	4,078
Cash and cash equivalents at 1 January	85,805	31,589
Cash and cash equivalents at 30 June (Note 15)	38,047	184,027

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2015.

The audited financial statements of the Group for the year ended 31 December 2015 were prepared in accordance with MFRS.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2015.

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

Description		Effective for financial periods beginning on or after
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities	1 January 2018

The Group will adopt the above pronouncements when they become effective in the respective financial periods. The impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group is currently being assessed by the management.

2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the audited annual financial statements for the financial year ended 31 December 2015 was not qualified.

3. Seasonal or Cyclical Factors

Seasonal and cyclical factors do not have any material impact on the Group’s business operations except for severe weather conditions.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

4. Unusual and Extraordinary Items

There were no unusual and extraordinary items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 June 2016.

5. Material Changes in Estimates

There were no changes in estimates that have had a material effect in the current financial period.

6. Dividends

An interim tax exempt (single tier) dividend of 2.0 sen and special dividend of 2.0 sen per ordinary share of RM0.50 each on 320,947,200 ordinary shares for the financial year ended 31 December 2015 amounting to RM12,838,000 was paid on 18 May 2016.

7. Changes in Composition of the Group

There were no changes in the composition of the Group for the financial period under review.

8. Valuation of Property, Plant and Equipment

The Group states its property, plant and equipment at cost less any accumulated depreciation and any accumulated impairment losses, and does not adopt a policy to revalue its property, plant and equipment.

The Group recognized provision for impairment on property, plant and equipment amounting to RM12.5 million.

9. Contingencies

There were no contingencies as at the end of the reporting period.

10. Commitments

Capital expenditure

Property, plant and equipment:

- Approved and contracted for
- Approved but not contracted for

30 June 2016 RM'000
-
3,105
3,105

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

11. Segment Information

(i) Current Quarter Ended 30 June 2016 (3 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Revenue (RM'000)										
External customers	70,506	131,534	12,159	33,121	-	-	-	-	82,665	164,655
Inter-segment	1,871	1,764	25,674	49,757	-	-	(27,545)	(51,521)	-	-
Total revenue	72,377	133,298	37,833	82,878	-	-	(27,545)	(51,521)	82,665	164,655
Results (RM'000)										
Segment results	6,135	7,416	(17,568)	12,962	(4,414)	464	(569)	3,801	(16,416)	24,643
Finance costs	(2,890)	(2,498)	(858)	(1,042)	(1,491)	(900)	720	331	(4,519)	(4,109)
Share of results of associate	-	-	-	-	12,130	(1,389)	-	-	12,130	(1,389)
Segment profit/(loss) before tax	3,245	4,918	(18,426)	11,920	6,225	(1,825)	151	4,132	(8,805)	19,145

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

11. Segment Information (cont'd)

(ii) Current Year-to-date Ended 30 June 2016 (6 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Revenue (RM'000)										
External customers	160,106	226,203	35,789	57,525	-	-	-	-	195,896	283,728
Inter-segment	4,325	3,721	49,487	75,436	-	-	(53,812)	(79,157)	-	-
Total revenue	164,431	229,924	85,276	132,961	-	-	(53,812)	(79,157)	195,896	283,728
Results (RM'000)										
Segment results	11,660	15,896	(24,077)	16,855	(2,298)	464	(14,185)	(313)	(28,900)	32,902
Finance costs	(5,421)	(6,055)	(1,726)	(2,163)	(3,043)	(1,800)	1,153	564	(9,037)	(9,454)
Share of results of associate	-	-	-	-	22,130	(1,469)	-	-	22,130	(1,469)
Segment profit/(loss) before tax	6,239	9,841	(25,803)	14,692	16,789	(2,805)	(13,032)	251	(15,807)	21,979

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

11. Segment Information (cont'd)

Current quarter compared with the corresponding quarter of the preceding year (three-months)

For the current quarter under review, the Group recorded revenue of RM82.7 million, as compared to RM164.7 million reported in corresponding quarter of the preceding year. As a result, the Group incurred profit before taxation of RM3.7 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) as compared to profit before taxation of RM19.1 million in the preceding year's corresponding quarter. Lower profit before taxation recorded in the current quarter under review was mainly due to loss from the Marine Assets Segment.

- Services Segment

The segment revenue for the current quarter decreased by 46% from RM133.3 million in Q2 2015 to RM72.4 million in Q2 2016.

The segment recorded a decrease in profit before tax by RM1.7 million to RM3.2 million in Q2 2016 as compared to RM4.9 million in Q2 2015 resulted from lower activities in Hook up, Commissioning and Top-side Major Maintenance ("HuC/TMM") contract from Petronas Carigali Sdn Bhd ("PCSB").

- Marine Assets Segment

The segment recorded revenue of RM37.8 million the current quarter as compared to RM82.9 million in Q2 2015. The segment incurred a loss before taxation of RM5.9 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) in the current quarter as compared to profit before taxation of RM12.0 million in Q2 2015 due to lower vessel utilization.

- Production and Development Segment

The segment recorded profit of RM6.2 million resulting from the share of results of an associate amounting to RM12.1 million. The finance cost incurred within this segment represents interest on borrowing undertaken to part-finance the capital expenditure requirement in the Kapal Banang Meranti Small Field Risk Service Contract ("KBMSFRSC") of an associate company.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

11. Segment Information (cont'd)

Current period compared with the corresponding period of the preceding year (six-months)

For the current period under review, the Group recorded revenue of RM195.9 million, as compared to RM283.7 million reported in corresponding period of the preceding year. However, the Group incurred loss before taxation of RM3.3 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) as compared to profit before taxation of RM22.0 million in the preceding year's corresponding period. Loss before taxation recorded in the current quarter under review was mainly due to loss from the Marine Assets Segment.

- Services Segment

The segment revenue for the current period decrease by 29% from RM230.0 million in Q2 2015 to RM164.4 million in Q2 2016. Significant decrease in revenue resulted from lower activities in HuC/TMM contract from PCSB.

As a result, the segment recorded lower profit before taxation of RM6.2 million in Q2 2016 compared to RM9.8 million in Q2 2015.

- Marine Assets Segment

The segment recorded revenue of RM85.3 million the current quarter as compared to RM133.0 million in Q2 2015. The segment incurred a loss before taxation of RM13.3 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) in the current quarter as compared to profit before tax of RM14.7 million in Q2 2015 predominantly due to lower vessel utilization.

- Production and Development Segment

The segment recorded profit of RM16.8 million resulting from the share of results of an associate amounting to RM22.1 million. The finance cost incurred within this segment represents interest on borrowing undertaken to part-finance the capital expenditure requirement in the KBMSFRS of an associate company.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. (Loss)/profit before taxation

Included in the profit before taxation are the following items:

	<i>Current quarter 3 months ended</i>		<i>Cumulative period 6 months ended</i>	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Interest income	(745)	(430)	(1,522)	(1,480)
Interest expense	4,519	4,109	9,037	9,454
Loss/(gain) on foreign exchange - realised	35	(30)	18	(351)
(Gain)/loss on foreign exchange - unrealised	(1,304)	(7,017)	2,742	(7,075)
Depreciation of property, plant and equipment	8,176	8,694	19,416	19,811

Save as disclosed above, the other items required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

13. Income tax expense

	<i>Current quarter 3 months ended</i>		<i>Cumulative period 6 months ended</i>	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Current tax:				
Malaysian income tax	107	4,250	181	5,000

14. Earnings per share (sen)

The calculation of basic earnings per share as at 30 June 2016 and 30 June 2015 was based on the (loss)/profit for the financial period and a weighted average numbers of ordinary shares outstanding, calculated as follows:

	30 June 2016 RM'000	30 June 2015 RM'000
(Loss)/profit for the financial period	(15,988)	16,979
Weighted average numbers of shares ('000)	320,947	321,750
Basic/diluted EPS (sen)	(4.98)	5.28

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share are the same as basic earnings per share.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

15. Cash and bank balances

	30 June 2016 RM'000	31 December 2015 RM'000
Short term deposits with licensed banks	93,792	89,276
Cash at banks and on hand	112,320	124,263
	206,112	213,539

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	30 June 2016 RM'000	31 December 2015 RM'000
Cash and bank balances	206,112	213,539
Less: Bank overdrafts	(2,770)	(2,556)
Cash and cash equivalents	203,342	210,983
Less: Cash restricted in use		
- Debt Service Reserve Account	(96,373)	(71,758)
- Fixed deposits pledged for borrowing	(68,922)	(53,420)
Net cash and cash equivalents	38,047	85,805

16. Loans and borrowings

	30 June 2016 RM'000	31 December 2015 RM'000
Short term borrowings		
Secured	98,801	162,121
Unsecured	58,879	58,875
	157,680	220,996
Long term borrowings		
Secured	120,338	120,917
	278,018	341,913

The Group is exposed to transactional currency risk that is denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily USD Dollars ("USD"). As at 30 June 2016, the Group's total non-Islamic borrowings over total assets ratio stood at 25%.

As at 30 June 2016, the Group's exposure to foreign currency risk is arising from term loans amounting to RM93,548,000 which are denominated in USD.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

17. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the three-month period ended 30 June 2016 and 30 June 2015:

	30 June 2016 RM'000	30 June 2015 RM'000
Rental of buildings paid to parties related to a Corporate Shareholder	420	420

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.

18. Material Events After the Reporting Period

There was no material event subsequent to the end of the interim period reported which has not been reflected in the financial statements.

19. Performance review

Explanatory comment on the performance of each of the Group's business segments is provided in Note 11.

20. Comment on material change in profit before taxation for the quarter reported as compared with immediate preceding quarter

The Group incurred a profit before taxation of RM3.7 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) in Q2 2016 as compared with loss before taxation of RM7.0 million in Q1 2016. The improvement in results mainly relates to increase in share of profit of associate during the quarter and increase in other income resulting from unrealised forex gain on amounts from an associate.

The activities executed for the HuC/TMM contract from PCSB remain low from previously anticipated for both quarters.

21. Commentary on prospects

The business outlook for oil and gas industry in 2016 remains challenging driven by the sustained low crude oil price, and projects deferral by the Oil Majors'. The Group's immediate strategy is to continue focusing on managing costs and operational expenditures in its efforts to increase shareholders' value. In addition, exploring opportunities within the energy sector shall remain a priority for the Group.

**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A**

22. Profit Forecast

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

23. Corporate Proposals

There were no corporate proposals announced but not completed as at the reporting date.

24. Derivative Financial Instruments

The Group did not enter into any derivatives during the period ended 30 June 2016 nor for the previous period ended 31 December 2015.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2016.

26. Changes in Material Litigations

As at 30 June 2016, there was no material litigation against the Group.

27. Dividend

The interim tax exempt (single tier) dividend of 2.0 sen and special dividend of 2.0 sen per ordinary share of RM0.50 each on 320,947,200 ordinary shares for the financial year ended 31 December 2015, which was declared on 22 February 2016 amounting to RM12,838,000 was paid on 18 May 2016.

The Board of Directors does not recommend any payment of dividend for the current quarter under review.

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**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A**

28. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group, into realised and unrealised earnings, is as follows:

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	109,735	155,555
- Unrealised	72,406	75,148
	182,141	230,703
Total share of retained earnings from associated company:		
- Realised	69,633	47,503
Less: Consolidated adjustments	(15,921)	(13,527)
Retained earnings as per financial statements	235,853	264,679

29. Authorisation For Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 August 2016.