



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2017**

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

Condensed Consolidated Statements of Comprehensive Income

	Note	<i>Current quarter 3 months ended</i>		<i>Cumulative period 6 months ended</i>	
		30 June 2017 Unaudited RM'000	30 June 2016 Unaudited RM'000	30 June 2017 Unaudited RM'000	30 June 2016 Unaudited RM'000
Revenue		101,197	82,665	170,801	195,896
Cost of sales		(103,164)	(78,493)	(178,319)	(190,823)
Gross (loss)/profit		(1,967)	4,172	(7,518)	5,073
Other income		3,385	517	11,341	1,289
Administrative expenses		(10,922)	(21,850)	(20,620)	(36,784)
Loss from operations		(9,504)	(17,161)	(16,797)	(30,422)
Finance income		208	745	1,174	1,522
Finance costs		(2,307)	(4,519)	(5,831)	(9,037)
Share of results of an associate		14,690	12,130	29,833	22,130
Profit/(Loss) before taxation	13	3,087	(8,805)	8,379	(15,807)
Income tax expense	14	-	(107)	-	(181)
Profit/(Loss) for the financial period		3,087	(8,912)	8,379	(15,988)
<u>Other comprehensive income:</u>					
Item that may be subsequently reclassified to profit or loss					
- Currency translation differences		-	156	-	(5,453)
Other comprehensive loss for the financial period, net of tax		-	156	-	(5,453)
Total comprehensive income/(loss) for the financial period		3,087	(8,756)	8,379	(21,441)
Earnings/(Loss) per share (sen)					
Basic/ diluted	15	0.96	(2.78)	2.61	(4.98)

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

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Condensed Consolidated Statements of Financial Position

	Note	30 June 2017 Unaudited RM'000	31 December 2016 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		320,962	340,283
Investment in associate		140,687	110,854
		461,649	451,137
Current assets			
Inventories		12,749	8,003
Trade and other receivables		118,568	109,274
Amount due from customers on contracts		8,379	11,823
Tax recoverable		12,154	11,255
Cash and bank balances	16	173,447	238,749
		325,297	379,104
Total Assets		786,946	830,241
EQUITY AND LIABILITIES			
Share capital		299,809	160,875
Share premium		-	138,934
Treasury shares		(836)	(836)
Merger reserve		(31,000)	(31,000)
Currency translation reserve		21,604	21,604
Retained earnings		129,974	128,014
Total equity		419,551	417,591
Non-current liabilities			
Loans and borrowings	17	12,991	69,042
Hire purchase liabilities		776	333
Deferred taxation		73	73
		13,840	69,448
Current liabilities			
Loans and borrowings	17	161,859	168,663
Hire purchase liabilities		78	78
Trade and other payables		111,758	121,503
Amount due to an associate company		79,860	52,794
Amount due to customers on contracts		-	164
		353,555	343,202
Total liabilities		367,395	412,650
Total equity and liabilities		786,946	830,241
Net assets per share of RM0.50 each		1.31	1.30

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 →						Retained Earnings RM'000	Total Equity RM'000
	← Non-distributable →				Distributable			
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Treasury Shares RM'000	Currency Translation Reserve RM'000	Total		
As at 1 January 2017	160,875	138,934	(31,000)	(836)	21,604	128,014	417,591	
Profit for the financial period	-	-	-	-	-	8,379	8,379	
<u>Transactions with owners:</u>								
Interim dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(6,419)	(6,419)	
Transaction to no-par value regime on 31 January 2017 *	138,934	(138,934)	-	-	-	-	-	
As at 30 June 2017	299,809	-	(31,000)	(836)	21,604	129,974	419,551	
As at 1 January 2016	160,875	138,934	(31,000)	(836)	14,259	264,679	546,911	
Loss for the financial period	-	-	-	-	-	(114,199)	(114,199)	
Other comprehensive income for the financial period	-	-	-	-	7,345	-	7,345	
Total comprehensive income for the period	-	-	-	-	7,345	(114,199)	(106,854)	
<u>Transactions with owners:</u>								
Interim dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(9,628)	(9,628)	
Interim and special dividend in respect of financial year ended 31 December 2015	-	-	-	-	-	(12,838)	(12,838)	
	-	-	-	-	-	(22,466)	(22,466)	
As at 31 December 2016	160,875	138,934	(31,000)	(836)	21,604	128,014	417,591	

* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM138,934,000 for purpose as at out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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 2017	30 June 2016
	Unaudited	Unaudited
	RM'000	RM'000
Profit/(Loss) before tax	8,379	(15,807)
Adjustments for:		
Finance income	(1,174)	(1,522)
Finance costs	5,831	9,037
Unrealised foreign exchange (gain)/loss	(3,450)	2,742
Impairment loss on property, plant and equipment	-	12,500
Depreciation of property, plant and equipment	19,321	19,416
Share of results of associate	(29,833)	(22,130)
Total adjustments	(9,305)	20,043
Operating cash flows before changes in working capital	(926)	4,236
Changes in working capital:		
Inventories	(4,746)	1,201
Trade and other receivables	21,272	156,293
Trade and other payables	(9,745)	(78,680)
Amount due from customers	3,280	2,627
Total changes in working capital	10,061	81,441
Cash flows generated from operations	9,135	85,677
Income tax paid	(899)	(3,917)
Net cash flows generated from operating activities	8,236	81,760
Net cash flows generated from investing activities	1,174	2,365
Net cash flows used in financing activities	(72,761)	(77,907)
Net changes in cash and cash equivalents	(63,351)	6,218
Net changes in cash restricted in use	136,113	(40,117)
Effects of exchange rate changes	-	(13,859)
Cash and cash equivalents at 1 January	79,625	85,805
Cash and cash equivalents at 30 June (Note 16)	152,387	38,047

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 2016.

The audited financial statements of the Group for the year ended 31 December 2016 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 2016.

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	
MFRS 12	Disclosures of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows – Disclosure Initiative	1 January 2017
MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 9	Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	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 2016 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.

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 2017.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Material Changes in Estimates

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

6. Issuance and Repayment of Debts and Equity Securities

There were no issuance, repurchase and repayment of debt and securities during the year ended 30 June 2017.

7. Dividends

An interim tax exempt (single-tier) dividend of 2.0 sen per ordinary shares of RM0.50 each on 320,947,200 ordinary shares for the financial year ended 31 December 2016 amounting to RM6,419,000 was paid on 15 May 2017.

8. Changes in Composition of the Group

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

9. 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.

10. Contingencies

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

11. Commitments

	30 June 2017 RM'000
Capital expenditure	
Property, plant and equipment:	
- Approved but not contracted for	5,693
	5,693

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information

(i) Current Quarter Ended 30 June 2017 (3 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Revenue (RM'000)										
External customers	86,105	70,506	15,092	12,159	-	-	-	-	101,197	82,665
Inter-segment	2,457	1,871	28,731	25,674	-	-	(31,188)	(27,545)	-	-
Total revenue	88,562	72,377	43,823	37,833	-	-	(31,188)	(27,545)	101,197	82,665
Results (RM'000)										
Segment results	(1,874)	6,135	(1,370)	(17,568)	(4,074)	(4,414)	(1,978)	(569)	(9,296)	(16,416)
Finance costs	(1,797)	(2,890)	(595)	(858)	(111)	(1,491)	196	720	(2,307)	(4,519)
Share of results of associate	-	-	-	-	14,690	12,130	-	-	14,690	12,130
Segment (loss)/profit before tax	(3,671)	3,245	(1,965)	(18,426)	10,505	6,225	(1,782)	151	3,087	(8,805)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Segment Information (cont'd.)

(ii) Current Year-to-date Ended 30 June 2017 (6 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Revenue (RM'000)										
External customers	150,116	160,107	20,685	35,789	-	-	-	-	170,801	195,896
Inter-segment	4,331	4,325	45,442	49,487	-	-	(49,773)	(53,812)	-	-
Total revenue	154,447	164,432	66,127	85,276	-	-	(49,773)	(53,812)	170,801	195,896
Results (RM'000)										
Segment results	6,287	11,660	(14,023)	(24,077)	(3,856)	(2,298)	(4,031)	(14,185)	(15,623)	(28,900)
Finance costs	(3,334)	(5,421)	(1,279)	(1,726)	(1,575)	(3,043)	357	1,153	(5,831)	(9,037)
Share of results of associate	-	-	-	-	29,833	22,130	-	-	29,833	22,130
Segment profit/(loss) before tax	2,953	6,239	(15,302)	(25,803)	24,402	16,789	(3,674)	(13,032)	8,379	(15,807)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. 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 RM101.2 million, as compared to RM82.7million reported in corresponding quarter of the preceding year. The Group generated profit before taxation of RM3.1 million as compared to profit before taxation of RM3.7 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) in the preceding year's corresponding quarter. Profit before taxation recorded in the current quarter under review was mainly due to profit from the Production and Development Segment.

- Services Segment

The segment revenue for the current quarter increased by 22.4% from RM72.4 million in Q2 2016 to RM88.5 million in Q2 2017. Higher revenue recorded in Q2 2017 resulted from higher activities in Hook up, Commissioning and Top-side Major Maintenance ("HuC/TMM") contract with Petronas Carigali Sdn Bhd ("PCSB"). Nevertheless, the segment recorded loss before taxation of RM3.7 million in Q2 2017 as compared to profit before taxation of RM3.2 million in Q2 2016 due to difference in product-mix margin in revenue between the two quarters.

- Marine Assets Segment

The segment recorded revenue of RM43.8 million the current quarter as compared to RM37.8 million in Q2 2016. As a result, the segment incurred lower loss before taxation of RM2.0 million in the current quarter as compared to RM5.9 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) in Q2 2016 due to higher vessel utilization.

- Production and Development Segment

The segment recorded profit of RM10.5 million resulting from the share of results of an associate amounting to RM14.7 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. This borrowing has been fully settled.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. 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 RM170.8 million, as compared to RM195.9 million reported in corresponding period of the preceding year. The Group generated profit before taxation of RM8.4 million as compared to loss before taxation of RM3.3 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) in the preceding year's corresponding period. Profit before taxation recorded in the current period under review was mainly due to profit from the Services Segment and Production and Development Segment.

- Services Segment

The segment revenue for the current period decreased by 6% from RM164.4 million to RM154.4 million. Lower revenue recorded in the period resulted from lower activities in Hook up, Commissioning and Top-side Major Maintenance ("HuC/TMM") contract with Petronas Carigali Sdn Bhd ("PCSB"). As result, the segment recorded lower profit before taxation of RM2.9 million as compared to RM6.2 million in the corresponding period of the preceding year.

- Marine Assets Segment

The segment recorded revenue of RM66.1 million in the current period as compared to RM85.3 million in the corresponding period of the preceding year. Subsequently, the segment incurred higher loss before taxation of RM15.3 million as compared to RM13.3 million (after excluding provision for impairment on property, plant and equipment of RM12.5 million) due to lower vessel utilization.

- Production and Development Segment

The segment recorded profit of RM24.4 million resulting from the share of results of an associate amounting to RM29.8 million. The finance cost incurred within this segment represents interest on borrowing undertaken to part-finance the capital expenditure requirement in the KBMSFRSC of an associate company.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Profit/(Loss) before taxation

Included in the profit/(loss) before taxation are the following items:

	<i>Current quarter</i>		<i>Cumulative period</i>	
	<i>3 months ended</i>		<i>6 months ended</i>	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(208)	(745)	(1,174)	(1,522)
Interest expense	2,307	4,519	5,831	9,037
Loss on foreign exchange - realised	20	35	6	18
(Gain)/Loss on foreign exchange - unrealised	(2,865)	(1,304)	(3,450)	2,742
Insurance claim received	-	-	(7,300)	-
Impairment loss on property, plant and equipment	-	12,500	-	12,500
Depreciation of property, plant and equipment	8,253	8,176	19,321	19,416

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

14. Income tax expense

	<i>Current quarter</i>		<i>Cumulative period</i>	
	<i>3 months ended</i>		<i>6 months ended</i>	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	-	107	-	181

15. Earnings/ (Loss) per share (sen)

The calculation of basic earnings/(loss) per share as at 30 June 2017 and 30 June 2016 was based on the profit/(loss) for the financial period and a weighted average numbers of ordinary shares outstanding, calculated as follows:

	31 March	30 June
	2017	2016
	RM'000	RM'000
Profit/(Loss) for the financial period	8,379	(15,988)
Weighted average numbers of shares ('000)	320,947	320,947
Basic/diluted EPS (sen)	2.61	(4.98)

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

16. Cash and bank balances

	30 June 2017 RM'000	31 December 2016 RM'000
Short term deposits with licensed banks	61,231	78,105
Cash at banks and on hand	112,216	160,644
	173,447	238,749

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

	30 June 2017 RM'000	31 December 2016 RM'000
Cash and bank balances	173,447	238,749
Less: Bank overdrafts	(460)	(713)
Cash and cash equivalents	172,987	238,036
Less: Cash restricted in use		
- Debt Service Reserve Account	(37)	(130,246)
- Fixed deposits pledged for borrowing	(20,563)	(28,165)
Net cash and cash equivalents	152,387	79,625

17. Loans and borrowings

	30 June 2017 RM'000	31 December 2016 RM'000
Short term borrowings		
Secured	121,402	119,164
Unsecured	40,457	49,499
	161,859	168,663
Long term borrowings		
Secured	12,991	69,042
	174,850	237,705

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 2017, the Group's total non-Islamic borrowings over total assets ratio stood at 18%.

As at 30 June 2017, the Group's exposure to foreign currency risk is arising from term loans amounting to RM9,677,000 which are denominated in USD.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

18. 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 2017 and 30 June 2016.:

	30 June 2017 RM'000	31 March 2016 RM'000
Rental of buildings paid to parties related to a Corporate Shareholder	438	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.

19. 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.

20. Performance review

Explanatory comment on the performance of each of the Group's business segments is provided in Note 12.

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

The Group revenue of RM101.2 million was 45.4% higher than the immediate preceding quarter, resulted from higher activities executed for HuC/TMM contract.

The Group recorded lower profit before taxation of RM3.1 million as compared to RM5.3 million in Q1 2017 mainly due to insurance claim received in the preceding quarter.

22. Commentary on prospects

The market sentiments remain cautious over the prospect for oil and gas industry. The Group will continue to manage costs, increase efficiency during this industry climate and to explore opportunities within the energy sector.

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

23. Profit Forecast

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

24. Corporate Proposals

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

25. Derivative Financial Instruments

The Group did not enter into any derivatives during the period ended 31 December 2016 nor for the previous period ended 30 June 2017.

26. 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 2017.

27. Changes in Material Litigations

As at 30 June 2017, there was no material litigation against the Group.

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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 2017 RM'000	As at 31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	(149,824)	(9,635)
- Unrealised	37,648	33,582
	(112,176)	23,947
Total share of retained earnings from associated company:		
- Realised	124,326	94,493
- Unrealised	470	470
Less: Consolidated adjustments	117,354	9,104
Retained earnings as per financial statements	129,974	128,014

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 24 August 2017.