



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2018**

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	30 June	30 June	30 June
		2018	2017	2018	2017
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue		88,352	101,197	155,857	170,801
Cost of sales		(96,318)	(103,164)	(170,697)	(178,319)
Gross loss		(7,966)	(1,967)	(14,840)	(7,518)
Other income		(1,532)	3,385	14,290	11,341
Administrative expenses		(8,409)	(10,922)	(18,176)	(20,620)
Loss from operations		(17,907)	(9,504)	(18,726)	(16,797)
Finance income		923	208	1,625	1,174
Finance costs		(2,984)	(2,307)	(5,936)	(5,831)
Share of results of an associate		4,037	14,690	8,125	29,833
(Loss)/Profit before taxation	11	(15,931)	3,087	(14,912)	8,379
Income tax expense	12	-	-	-	-
(Loss)/Profit for the financial period		(15,931)	3,087	(14,912)	8,379
<i>Other comprehensive income/(loss):</i>					
Item that may be subsequently reclassified to profit or loss					
- Share of other comprehensive income/(loss) of an associate		6,497	-	(813)	-
Other comprehensive income/(loss) for the financial period, net of tax		6,497	-	(813)	-
Total comprehensive (loss)/income for the financial period		(9,434)	3,087	(15,725)	8,379
(Loss)/Earnings per share (sen)					
Basic/ diluted	13	(4.96)	0.96	(4.65)	2.61

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 2018 Unaudited RM'000	31 December 2017 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		273,126	287,655
Investment in associate		157,370	150,058
		430,496	437,713
Current assets			
Inventories		12,899	8,609
Trade and other receivables		136,147	209,000
Amount due from customers on contracts		3,971	5,102
Tax recoverable		14,447	13,612
Cash and bank balances	14	95,990	145,260
Assets of disposal group classified as held for sale		7,761	15,339
		271,215	396,922
Total Assets		701,711	834,635
EQUITY AND LIABILITIES			
Share capital		299,809	299,809
Treasury shares		(840)	(840)
Merger reserve		(31,000)	(31,000)
Currency translation reserve		8,712	9,525
Retained earnings		60,650	75,562
Total equity		337,331	353,056
Non-current liabilities			
Loans and borrowings	15	800	1,600
Hire purchase liabilities		537	585
Amount due to an associate company		115,170	91,685
		116,507	93,870
Current liabilities			
Loans and borrowings	15	117,353	196,606
Hire purchase liabilities		172	172
Trade and other payables		130,348	190,917
Amount due to customers on contracts		-	14
		247,873	387,709
Total liabilities		364,380	481,579
Total equity and liabilities		701,711	834,635
Net assets per share of RM0.50 each		1.05	1.10

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 →						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	Retained Earnings RM'000	
As at 1 January 2018	299,809	-	(31,000)	(840)	9,525	75,562	353,056
Loss for the financial period	-	-	-	-	-	(14,912)	(14,912)
Other comprehensive loss for the financial period	-	-	-	-	(813)	-	(813)
Total comprehensive loss for the financial period	-	-	-	-	(813)	(14,912)	(15,725)
As at 30 June 2018	299,809	-	(31,000)	(840)	8,712	60,650	337,331
As at 1 January 2017	160,875	138,934	(31,000)	(836)	21,604	128,014	417,591
Transition to no-par value regime on 31 January 2017	138,934	(138,934)	-	-	-	-	-
Loss for the financial year	-	-	-	-	-	(46,033)	(46,033)
Other comprehensive loss for the financial year	-	-	-	-	(12,079)	-	(12,079)
Total comprehensive loss for the year	-	-	-	-	(12,079)	(46,033)	(58,112)
<u>Transactions with owners:</u>							
Purchase of treasury shares	-	-	-	(4)	-	-	(4)
Interim and special dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(6,419)	(6,419)
As at 31 December 2017	299,809	-	(31,000)	(840)	9,525	75,562	353,056

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 2018 Unaudited RM'000	30 June 2017 Unaudited RM'000
Profit before tax	(14,912)	8,379
Adjustments for:		
Finance income	(1,625)	(1,174)
Finance costs	5,936	5,831
Depreciation of property, plant and equipment	15,622	19,321
Gain on disposal of property, plant and equipment	(12,429)	-
Unrealised foreign exchange gain	(354)	(3,450)
Share of results of associate	(8,125)	(29,833)
Total adjustments	(975)	(9,305)
Operating cash flows before changes in working capital	(15,887)	(926)
Changes in working capital:		
Inventories	(4,290)	(4,746)
Trade and other receivables	74,054	21,272
Trade and other payables	(61,771)	(9,745)
Amount due from customers	1,117	3,280
Total changes in working capital	9,110	10,061
Cash flows (used in)/generated from operations	(6,777)	9,135
Income tax paid	(835)	(899)
Net cash flows (used in)/generated from operating activities	(7,612)	8,236
Net cash flows generated from investing activities	44,745	1,174
Net cash flows used in financing activities	(83,990)	63,352
Net changes in cash and cash equivalents	(46,857)	72,762
Effects of exchange rate changes	(367)	-
Cash and cash equivalents at 1 January	135,682	79,625
Cash and cash equivalents at 30 June (Note 14)	88,458	152,387

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 2017.

The audited financial statements of the Group for the year ended 31 December 2017 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 2017.

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 16 Leases	1 January 2019
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 128 Long-term interest in Associates and Joint Ventures	1 January 2019
MFRS 112 Annual improvements to MFRS standards 2015-2017 cycle	1 January 2019

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 2017 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 2018.

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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. Changes in Composition of the Group

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

7. 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.

8. Contingencies

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

9. Commitments

Capital expenditure

Property, plant and equipment:

- Approved but not contracted for

30 June 2018 RM'000
23,903
23,903

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information

(i) Current Quarter Ended 30 June 2018 (3 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenue (RM'000)										
External customers	61,714	68,047	26,638	33,150	-	-	-	-	88,352	101,197
Inter-segment	1,697	2,457	22,620	28,731	-	-	(24,317)	(31,188)	-	-
Total revenue	63,411	70,504	49,258	61,881	-	-	(24,317)	(31,188)	88,352	101,197
Results (RM'000)										
Segment results	(3,370)	(2,874)	(6,364)	(370)	(6,250)	(4,074)	(1,000)	(1,978)	(16,984)	(9,296)
Finance costs	(2,140)	(1,797)	(292)	(595)	(585)	(111)	33	196	(2,984)	(2,307)
Share of results of associate	-	-	-	-	4,037	14,690	-	-	4,037	14,690
Segment (loss)/profit before tax	(5,510)	(4,671)	(6,656)	(965)	(2,798)	10,505	(967)	(1,782)	(15,931)	3,087

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information

(ii) Current Year-to-date Ended 30 June 2018 (6 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenue (RM'000)										
External customers	108,231	119,651	47,626	51,150	-	-	-	-	155,857	170,801
Inter-segment	3,418	4,331	36,410	45,442	-	-	(39,828)	(49,773)	-	-
Total revenue	111,649	123,982	84,036	96,592	-	-	(39,828)	(49,773)	155,857	170,801
Results (RM'000)										
Segment results	5,511	(329)	(19,026)	(7,407)	(932)	(3,856)	(2,654)	(4,031)	(17,101)	(15,623)
Finance costs	(4,365)	(3,334)	(635)	(1,279)	(1,027)	(1,575)	91	357	(5,936)	(5,831)
Share of results of associate	-	-	-	-	8,125	29,833	-	-	8,125	29,833
Segment profit/(loss) before tax	1,146	(3,663)	(19,661)	(8,686)	6,166	24,402	(2,563)	(3,674)	(14,912)	8,379

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. 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 RM88.4 million, as compared to RM101.2 million reported in Q2 2017. The Group recorded loss before taxation of RM15.9 million in Q2 2018 as compared to profit before taxation of RM3.1 million in Q2 2017.

- Services Segment

The segment revenue for the current quarter decreased from RM70.5 million in Q2 2017 to RM63.4 million in Q2 2018. Lower revenue recorded in Q2 2018 resulted from lower activities in Hook up, Commissioning and Top-side Major Maintenance (“HuC/TMM”) contract with Petronas Carigali Sdn Bhd (“PCSB”). The segment recorded loss before taxation of RM5.5 million in Q2 2018 as compared to loss before taxation of RM4.7 million in Q2 2017 in line with lower activities during the quarter.

- Marine Assets Segment

The segment recorded revenue of RM49.3 million in the current quarter as compared to RM61.9 million in Q2 2017. The segment recorded loss before taxation of RM6.7 million in Q1 2018 as compared to loss before taxation of RM1.0 million Q2 2017 due to lower vessel utilization.

- Production and Development Segment

The segment recorded loss before taxation of RM2.8 million in Q2 2018 as compared to profit before taxation of RM10.5 million in Q2 2017 mainly resulting from lower share of results of an associate amounting to RM10.7 million.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. 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 RM155.9 million, as compared to RM170.8 million reported in corresponding period of the preceding year. The Group recorded loss before taxation of RM14.9 million as compared to profit before taxation of RM8.4 million in the preceding year's corresponding period.

- Services Segment

The segment revenue for the current period decreased from RM124.0 million to RM111.6 million. Lower revenue recorded in the period resulted from lower activities in HuC/TMM contract with PCSB. The segment recorded loss before taxation of RM11.3 million (after excluding gain on disposal of property, plant and equipment of RM12.4 million) as compared to loss before taxation of RM3.7 million in the corresponding period of the preceding year mainly due to lower activities performed during the period.

- Marine Assets Segment

The segment recorded revenue of RM84.0 million in the current period as compared to RM96.6 million in the corresponding period of the preceding year. Subsequently, the segment incurred higher loss before taxation of RM19.7 million as compared to RM16.0 million (after excluding insurance claim received of RM7.3million) in the corresponding period of the preceding year due to lower vessel utilization.

- Production and Development Segment

The segment recorded lower profit before taxation of RM6.2 million in the current period as compared to RM24.4 million in the corresponding period of the preceding year mainly resulting from lower share of results of an associate amounting to RM21.7 million.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

11. Loss before taxation

Included in the 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
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(923)	(208)	(1,625)	(1,174)
Interest expense	2,984	2,307	5,936	5,831
Loss/(Gain) on foreign exchange - realised	(306)	20	(283)	6
Loss/(Gain) on foreign exchange - unrealised	1,772	(2,865)	(354)	(3,450)
Insurance claim received	-	-	-	(7,300)
Gain on disposal of property, plant and equipment	(29)	-	(12,429)	-
Depreciation of property, plant and equipment	7,811	8,253	15,622	19,321

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

12. 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
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	-	-	-	-

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

The calculation of basic (loss)/earnings per share as at 30 June 2018 and 30 June 2017 was based on the (loss)/earnings for the financial year and a weighted average numbers of ordinary shares outstanding, calculated as follows:

	30 June	30 June
	2018	2017
	RM'000	RM'000
(Loss)/Profit for the financial year	(14,912)	8,379
Weighted average numbers of shares ('000)	320,942	320,942
Basic/diluted EPS (sen)	(4.65)	2.61

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

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

14. Cash and bank balances

	30 June 2018 RM'000	31 December 2017 RM'000
Short term deposits with licensed banks	12,030	58,217
Cash at banks and on hand	83,960	87,043
	95,990	145,260

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

	30 June 2018 RM'000	31 December 2017 RM'000
Cash and bank balances	95,990	145,260
Less: Cash restricted in use		
- Debt Service Reserve Account	(304)	(963)
- Fixed deposits pledged for borrowing	(7,228)	(8,615)
Net cash and cash equivalents	88,458	135,682

15. Loans and borrowings

	30 June 2018 RM'000	31 December 2017 RM'000
Short term borrowings		
Secured	84,053	160,361
Unsecured	33,300	36,245
	117,353	196,606
Long term borrowings		
Secured	800	1,600
	118,153	198,206

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 United States Dollar ("USD"). As at 30 June 2018, the Group's exposure to foreign currency risk is arising from term loans amounting to RM2,782,000 which are denominated in USD.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

16. 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 2018 and 30 June 2017:

	30 June 2018 RM'000	30 June 2017 RM'000
Rental of buildings paid to parties related to a Corporate Shareholder	465	465

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.

17. 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.

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

18. Performance review

Explanatory comment on the performance of each of the Group's business segments is provided in Note 10.

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

The Group revenue of RM88.4 million was 31.0% higher than the immediate preceding quarter, as a result of higher activities executed for HuC/TMM contract.

The Group recorded loss before taxation of RM14.1 million (after excluding unrealised loss on forex of RM1.8 million) as compared to loss before taxation of RM13.5 million (after excluding gain on disposal of property, plant and equipment of RM12.4 million and unrealised gain on forex of RM2.1 million) in Q1 2018. The losses incurred in both quarters mainly resulted from Marine Segment poor performance in view of low vessel utilizations.

20. 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.

21. Profit Forecast

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

22. Corporate Proposals

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

23. Derivative Financial Instruments

The Group did not enter into any derivatives during the year ended 30 June 2018 nor for the previous year ended 31 December 2017.

24. 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 2018.

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

25. Changes in Material Litigations

As at 30 June 2018, there was no material litigation against the Group.

26. 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 29 August 2018.