



PETRA ENERGY BERHAD
200501036241 (718388-H)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 SEPTEMBER 2020**

PETRA ENERGY BERHAD
200501036241 (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>9 months ended</i>	
		30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
Revenue		147,683	219,006	290,596	468,517
Cost of sales		(118,011)	(200,615)	(262,753)	(418,305)
Gross profit		29,672	18,391	27,843	50,212
Other income		190	2,897	2,649	3,675
Administrative expenses		(5,405)	(21,825)	(17,605)	(35,672)
Other expenses		-	(9,480)	-	(9,480)
Profit/(Loss) from operations		24,457	(10,017)	12,887	8,735
Finance income		532	275	2,807	865
Finance costs		(834)	(770)	(2,072)	(5,116)
Share of results of an associate		(155)	35,553	(2,765)	36,386
Profit before taxation	11	24,000	25,041	10,857	40,870
Income tax expense	12	(277)	-	(5,323)	-
Profit for the financial period		23,723	25,041	5,534	40,870
<u>Other comprehensive (loss)/income:</u>					
Item that may be subsequently reclassified to profit or loss					
- Share of other comprehensive (loss)/income of an associate		(872)	(578)	334	(30)
Other comprehensive (loss)/income for the financial period, net of tax		(872)	(578)	334	(30)
Total comprehensive income for the financial period		22,851	24,463	5,868	40,840
Earnings per share (sen)					
Basic/ diluted	13	7.39	7.80	1.72	12.73

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 September 2020 Unaudited RM'000	31 December 2019 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		234,683	239,188
Right-of-use assets		7,114	17,239
Lease receivable		12,747	14,097
Investment in associate		28,245	30,677
		282,789	301,201
Current assets			
Inventories		5,744	6,425
Trade and other receivables		69,799	33,344
Amount due from an associate company		8,211	7,590
Lease receivable		6,480	7,546
Contract assets		104,941	110,082
Tax recoverable		-	6
Cash and bank balances	14	153,992	158,844
		349,165	323,837
Total Assets		631,954	625,038
EQUITY AND LIABILITIES			
Share capital		299,809	299,809
Treasury shares		(840)	(840)
Merger reserve		(31,000)	(31,000)
Currency translation reserve		10,291	9,957
Retained earnings		101,930	102,815
Total equity		380,190	380,741
Non-current liabilities			
Lease liabilities		2,246	3,345
		2,246	3,345
Current liabilities			
Lease liabilities		2,869	12,487
Loans and borrowings	15	17,500	28,706
Trade and other payables		189,349	177,461
Amount due to an associate company		21,102	8,580
Contract liabilities		13,958	13,718
Income tax payable		4,740	-
		249,518	240,952
Total liabilities		251,764	244,297
Total equity and liabilities		631,954	625,038
Net assets per share of RM0.50 each		1.18	1.18

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	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 2020	299,809	(31,000)	(840)	9,957	102,815	380,741
Loss for the financial period	-	-	-	-	5,534	5,534
Other comprehensive income for the financial period	-	-	-	334	-	334
Total comprehensive income/(loss) for the financial period	-	-	-	334	5,534	5,868
Interim dividend in respect of financial year ended 31 December 2019	-	-	-	-	(6,419)	(6,419)
As at 30 September 2020	299,809	(31,000)	(840)	10,291	101,930	380,190
As at 1 January 2019	299,809	(31,000)	(840)	10,357	55,032	333,358
Impact of adoption of MFRS 16	-	-	-	-	(1,298)	(1,298)
Total As at 1 January 2019	-	-	-	-	53,734	332,060
Profit for the financial year	-	-	-	-	61,919	61,919
Other comprehensive income for the financial year	-	-	-	(400)	-	(400)
Total comprehensive income for the financial year	-	-	-	(400)	61,919	61,519
Interim dividend in respect of financial year ended 31 December 2019	-	-	-	-	(12,838)	(12,838)
As at 31 December 2019	299,809	(31,000)	(840)	9,957	102,815	380,741

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

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Condensed Consolidated Statements of Cash Flows

	<i>9 months ended</i>	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
Profit before tax	10,857	40,870
Adjustments for:		
Finance income	(2,807)	(865)
Finance costs	2,070	5,116
Depreciation charge		
- property, plant and equipment	21,168	19,970
- right-of-use asset	11,731	12,513
Impairment loss on property, plant and equipment	-	7,390
Loss/(Gain) on disposal of property, plant and equipment	40	(33)
Impairment loss on trade and other receivables	-	2,090
Unrealised foreign exchange loss	4	22
Share of results of associate	2,765	(36,386)
Total adjustments	34,971	9,817
Operating cash flows before changes in working capital	45,828	50,687
Changes in working capital:		
Inventories	681	(12,200)
Trade and other receivables	(36,455)	(28,743)
Lease receivable	2,416	-
Contract assets	5,142	(7,624)
Trade and other payables	11,889	130,588
Contract liabilities	239	6,212
Total changes in working capital	(16,088)	88,233
Cash flows generated from operations	29,740	138,920
Net income tax (paid)/refund	(576)	5,043
Net cash flows generated from operating activities	29,164	143,963
Net cash flows (used in)/generated from investing activities	(1,594)	24,195
Net cash flows used in financing activities	(28,299)	(118,773)
Net changes in cash and cash equivalents	(729)	49,385
Effects of exchange rate changes	(404)	87
Cash and cash equivalents at 1 January	152,877	88,640
Cash and cash equivalents at 30 September (Note 14)	151,744	138,112

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

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 2019.

The audited financial statements of the Group for the year ended 31 December 2019 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 2019.

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 yet been applied by the Group:

Description	Effective for financial periods beginning on or after
MFRS 3 Amendments to MFRS 3 “Definition of a Business”	1 January 2020

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 2019 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 September 2020.

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 September 2020 RM'000
4,875
4,875

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information

(i) Current Quarter Ended 30 September 2019 (3 months)

	Services		Marine Assets		Development and Production		Adjustments and eliminations		Group	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Revenue (RM'000)										
External customers	91,549	163,171	34,667	55,835	21,467	-	-	-	147,683	219,006
Inter-segment	1,469	1,984	34,874	28,814	-	-	(36,343)	(30,798)	-	-
Total revenue	93,018	165,155	69,541	84,649	21,467	-	(36,343)	(30,798)	147,683	219,006
Results (RM'000)										
Segment results	20,071	9,343	5,152	(874)	4,274	(6,393)	(4,508)	(11,818)	24,989	(9,742)
Finance costs	(346)	(893)	(223)	(4)	(265)	(116)	-	243	(834)	(770)
Share of results of associate	-	-	-	-	(155)	35,553	-	-	(155)	35,553
Segment profit/(loss) before tax	19,725	8,450	4,929	(878)	3,854	29,044	(4,508)	(11,575)	24,000	25,041

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information

(ii) Current Year-to-date Ended 30 September 2020 (9 months)

	Services		Marine Assets		Development and Production		Adjustments and eliminations		Group	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Revenue (RM'000)										
External customers	196,779	346,580	72,350	121,937	21,467	-	-	-	290,596	468,517
Inter-segment	5,037	5,145	76,749	100,551	-	-	(81,786)	(105,696)	-	-
Total revenue	201,817	351,725	149,099	222,488	21,467	-	(81,786)	(105,696)	290,596	468,517
Results (RM'000)										
Segment results	16,819	35,252	2,040	(4,138)	4,200	(6,588)	(7,365)	(14,926)	15,694	9,600
Finance costs	(1,535)	(5,228)	(231)	(12)	(306)	(446)	-	570	(2,072)	(5,116)
Share of results of associate	-	-	-	-	(2,765)	36,386	-	-	(2,765)	36,386
Segment profit/(loss) before tax	15,284	30,024	1,809	(4,150)	1,129	29,352	(7,365)	(14,356)	10,857	40,870

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 lower revenue of RM147.7 million, as compared to RM219.0 million reported in Q3 2019. The Group recorded lower profit before taxation of RM24.0 million in Q3 2020 as compared to RM34.5 million (excluding impairment loss on trade and other receivable of RM2.1 million and impairment loss on property, plant and equipment of RM7.4 million) in the preceding year's corresponding quarter. The overall results were mainly due to lower contribution from development and production segment, offset by improved results from services segment.

- Services Segment

The segment revenue for the current quarter decrease from RM165.2 million in Q3 2019 to RM93.0 million in Q3 2020. Lower revenue recorded in Q3 2020 resulted from lower activities in existing services contracts. The segment recorded profit before taxation of RM19.7 million in Q3 2020 as compared to RM10.5 million (excluding impairment loss on trade and other receivables of RM2.1 million) in Q3 2019. This is mainly due to improved efficiency in project execution during the quarter.

- Marine Assets Segment

The segment recorded lower revenue of RM69.5 million in the current quarter as compared to RM84.6 million in Q3 2019 due to lower vessel utilisation. As a result, the segment recorded lower profit before taxation of RM4.9 million in current quarter as compared to RM6.5 million (excluding impairment loss on property, plant and equipment of RM7.4 million) in Q3 2019.

- Development and Production Segment

The segment recorded lower profit before taxation of RM3.9 million in Q3 2020 due to loss of RM0.16 million from an associate as compared to profit of RM35.6 million in Q3 2019 from the Risk Sharing Contract ("RSC").

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information (cont'd)

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

For the current nine-months period under review, the Group recorded revenue of RM290.6 million, as compared to RM468.5 million reported in the preceding year's corresponding period. The Covid-19 pandemic and decline in global oil price has led to deferment of projects and delays in vessels mobilisation which affected the Group's revenue. The Group recorded lower profit before taxation of RM10.9 million in the current period as compared to RM50.4 million (excluding impairment loss on trade and other receivable of RM2.1 million and impairment loss on property, plant and equipment of RM7.4 million) in the preceding year's corresponding period. The overall results were mainly due to lower contribution from development and production segment and services segment.

- Services Segment

The segment revenue for the current nine-months period decrease to RM201.8 million from RM351.7 million in the preceding year's corresponding period. Lower revenue recorded in current period resulted from lower activities in existing services contracts. The segment recorded profit before taxation of RM15.3 million in current period as compared to RM32.1 million (excluding impairment loss on trade and other receivables of RM2.1 million) in the preceding year's corresponding period. This is mainly due to lower revenue recorded on projects executed during the period.

- Marine Assets Segment

The segment recorded revenue of RM149.1 million in the current nine-months period due to lower vessel utilisation as compared to RM222.5 million in the preceding year's corresponding period. As a result, the segment incurred lower profit before taxation of RM1.8 million as compared to RM3.2 million (excluding impairment loss on property, plant and equipment of RM7.4 million) in the preceding year's corresponding period.

- Development and Production Segment

The segment revenue relates to service rendered to operate and maintain a client's field. This contract was awarded to the Group during the quarter upon expiring of previous contract, RSC, in June 2020. The segment recorded lower profit before taxation of RM1.1 million in the current nine-months period as compared to profit before tax of RM29.4 million in the corresponding period of the preceding year mainly resulting from share of losses from the RSC. The RSC has since been replaced by a Technical Service Agreement.

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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>9 months ended</i>	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Interest income	(532)	(275)	(2,807)	(865)
Interest expense	834	770	2,072	5,116
(Gain)/Loss on foreign exchange - realised	(68)	180	4	361
Loss on foreign exchange - unrealised	111	48	80	22
Impairment loss on trade and other receivables	-	2,090	-	2,090
Impairment loss on property, plant and equipment	-	7,390	-	7,390
(Gain) on disposal of property, plant and equipment	-	50	(40)	(33)
Depreciation charges				
- Property, plant and equipment	7,913	7,877	21,168	19,970
- Right-of-use asset	3,556	4,338	11,731	12,513

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>9 months ended</i>	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Current tax:				
Malaysian income tax	(277)	-	(5,323)	-

13. Earnings per share (sen)

The calculation of basic earnings per share as at 30 September 2020 and 30 September 2019 was based on the earnings for the financial year and a weighted average numbers of ordinary shares outstanding, calculated as follows:

	30 September 2020 RM'000	30 September 2019 RM'000
Profit for the financial year	5,534	40,870
Weighted average numbers of shares ('000)	320,942	320,942
Basic/diluted EPS (sen)	1.72	12.73

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

14. Cash and bank balances

	30 September 2020 RM'000	31 December 2019 RM'000
Short term deposits with licensed banks	95,184	97,660
Cash at banks and on hand	58,808	61,184
	153,992	158,844

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

	30 September 2020 RM'000	31 December 2019 RM'000
Cash and bank balances	153,992	158,844
Less: Cash restricted in use		
- Debt Service Reserve Account	-	(4,496)
- Fixed deposits pledged for borrowing	(2,248)	(1,232)
Net cash and cash equivalents	151,744	152,877

15. Loans and borrowings

	30 September 2020 RM'000	31 December 2019 RM'000
Short term borrowings		
Secured	17,500	28,706

The Group is no exposed to any transactional currency risk as the borrowings are denominated in RM.

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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 September 2020 and 30 September 2019:

	30 September 2020 RM'000	30 September 2019 RM'000
Rental of buildings paid to parties related to a Corporate Shareholder	411	411

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 is 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 RM146.5 million was 107.8% higher than the immediate preceding quarter. This is mainly due to higher activities performed in the Group's existing services contract and the improved project execution efficiency and cost management. In addition, there was a contribution from a new Technical Service Agreement under its development and production segment in Q3 2020.

20. Commentary on prospects

The Covid-19 pandemic in late 2019 and decline in global oil prices since March 2020 is a fluid and challenging situation facing all economies globally especially in the oil and gas industry. The restricted movement and lockdown measures implemented in multiple jurisdictions brought about by the Covid-19 pandemic will remain in short to medium term.

The Group will explore for new opportunities within the energy sector while continuing its cost management and improving its execution efficiency in anticipation of prolonged and slow recovery of the industry.

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 September 2020 nor for the previous year ended 31 December 2019.

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 September 2020.

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

25. Changes in Material Litigations

As at 30 September 2020, there was no material litigation against the Group.

26. Dividend Payable

The Board has declared a single tier interim dividend of 2 sen per ordinary shares of RM0.50 each on 320,942,200 ordinary shares for the period ending 31 December 2020, amounting to a dividend payable of RM6,418,844. The dividend will be paid on 22 January 2021 to shareholders whose name appear in the Record of Depositors at the close business on 24 December 2020.

27. 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 23 November 2020.