PETRA ENERGY BHD (718388-H)

PETRA ENERGY

Synergising PARTNERSHIPS

Annual Report 2013

Synergising Partnerships

The key to growth and success lies in having the foresight, savvy and experience to team up with the right partners. It's a winning formula that has served us well and help establish mutually beneficial relationships with all our stakeholders as we continue to energise and power each other to greater heights. This single-minded approach, which is ingrained in our core values, is consistent with our brand promise of synergising partnerships with all our

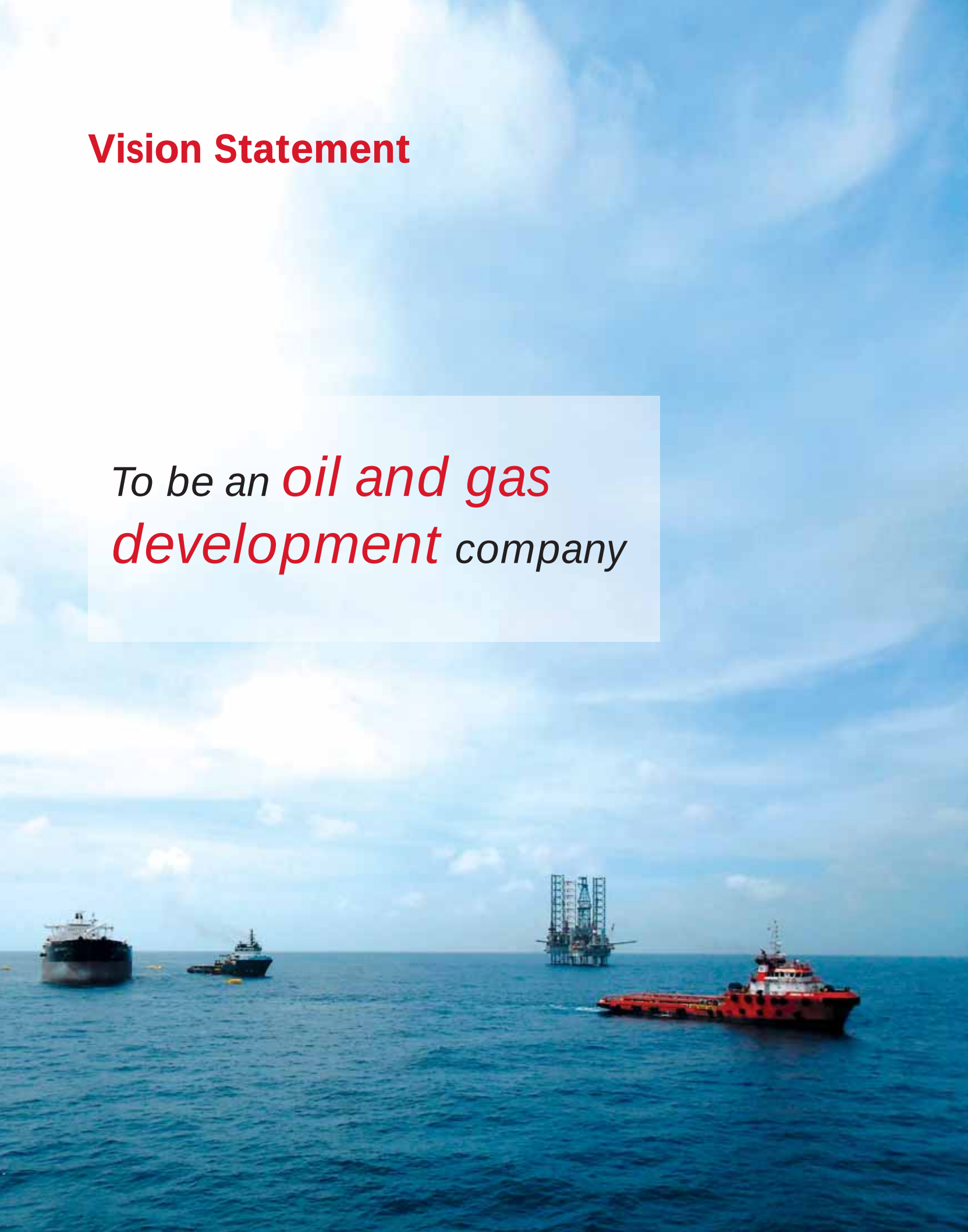
- clients
- business partners and vendors
- shareholders
- employees, and
- the investment community

Moving forward, it will help us achieve our vision.

Contents

Vision Statement

To be an oil and gas development company



Our Core Values

What binds us is our strict adherence to values that shape us as a business entity that is committed to the highest code of ethics and governance.

Integrity

At Petra Energy we believe that Integrity is the quality of having a strong set of morals, ethics and belief system. Trustworthiness, respectability and doing the right thing even when no one is watching are fundamental to our organisation.

Professionalism

The ability to demonstrate competent skills & knowledge, exemplary attitude, high ethical standards and prudence while constantly seeking improvements in performing duties is what professionalism means to us.

Commitment

Commitment to us means being able to act dedicatedly on our duties by channelling time and energy, making firm decisions and a pledge towards the achievement of a common purpose that the Company believes in.

Teamwork

We define teamwork at Petra Energy as united, diverse, flexible and resourceful. We value these traits and the focused approach of working together to achieve a common goal.

Our Clients

In the oil and gas industry, our reputation as a committed, accountable and valued business partner to all our clients precedes us, as evidenced by our ability to consistently deliver quality products and services on time, without loss of man hours and within budget.

The multi-million ringgit projects that we undertake for PETRONAS, the national oil corporation, and other oil majors bear testament to their implicit trust and confidence in our capabilities. Through such shared synergies, we continue to drive our clients' business just as they drive ours.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of Petra Energy Bhd ("the Company") will be held at **Mutiara Ballroom, Ground Floor, The Royale Chulan Damansara, 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan** on **Thursday, 29 May 2014** at **11:00 a.m.** to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and Auditors thereon.
   Please refer to Explanatory Note 2 (a)

2. To approve the payment of Directors' fee for the financial year ended 31 December 2013. **(Resolution 1)**

3. To re-elect Ahmad Azra bin Salleh who retires pursuant to Article 104 of the Company's Articles of Association. **(Resolution 2)**

4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 3)**

5. As Special Business, to consider and if thought fit, to pass the following resolutions with or without modifications:

Ordinary Resolution 1
Authority to Issue and Allot Shares

THAT subject always to the approvals of the relevant authorities and pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue and allot ordinary shares in the Company at any time, upon such terms and conditions, for such purposes and to such person(s) as the Directors may in their discretion deem fit provided that the aggregate number of ordinary shares to be issued does not exceed ten per centum (10%) of the total issued share capital of the Company at the time of issue and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company. **(Resolution 4)**

Notice of Annual General Meeting

Ordinary Resolution 2
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Trading Nature with OBYU Holdings Sdn. Bhd. ("OBYU")

THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies be and are hereby authorised to enter into and give effect to recurrent related party transaction of a revenue or trading nature with OBYU, a company related to Shorefield Resources Sdn. Bhd., a major shareholder of the Company, as set out in Section 2.5 Table 1 of the Circular to Shareholders dated 7 May 2014, which is necessary for the Group's day-to-day operations in the ordinary course of business, on terms not more favourable than those generally available to the public and not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless authority is renewed by a resolution passed at the next AGM;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, before the next AGM;

whichever is the earlier.

AND THAT the Directors of the Company be authorised to act for and on behalf of the Company, to take all such steps and execute all necessary documents as they may consider expedient or deem fit in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution. **(Resolution 5)**

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Articles of Association of the Company.

By Order of the Board

Aishah Binti Hashim (LS 01204)
Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)

Company Secretaries
Kuala Lumpur

7 May 2014

NOTES:

1. Appointment of Proxy

(a) In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 May 2014 shall be eligible to attend, speak and vote at the Meeting.

(b) A member entitled to attend, speak and vote at the Meeting is entitled to appoint more than one proxy to attend, speak and vote in his stead. A proxy may but does not need to be a member of the Company and the provision of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend, speak and vote at the Meeting is entitled to appoint any person as his proxy to attend, speak and vote instead of the member at the Meeting. There should be no restriction as to the qualification of the proxy.

(c) In the case of a corporate member, the instrument appointing a proxy must be executed either under its common seal or under the hand of its officer or attorney duly authorised.

(d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(e) To be valid, the instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. (Company No. 36869-T) of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

Notice of Annual General Meeting

2. Explanatory Notes to Special Businesses

(a) Item 1 of the Agenda

The Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(b) Proposed Ordinary Resolution 1

The proposed Ordinary Resolution 1, if passed, will empower the Directors of the Company to issue and allot not more than 10% of the Company's total issued share capital speedily without having to convene a general meeting. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

Instances for which the Company may issue new shares within this general mandate include but not limited to the purpose(s) of raising fund through private placement for investments, working capital and/or acquisitions.

This general mandate sought by the Company is to renew the general mandate granted to the Directors at the Seventh Annual General Meeting held on 30 May 2013 to issue shares pursuant to Section 132D of the Companies Act, 1965.

(c) Proposed Ordinary Resolution 2

The proposed adoption of the Ordinary Resolution 2, if passed, will enable the Group to enter into the Recurrent Related Party Transaction of a Trading Nature which is necessary for the Group's day-to-day operations, subject to the transaction being in the ordinary course of business and on normal commercial terms which is not more favorable to the Related Party than those generally available to the public and is not to the detriment of the minority shareholders of the Company.

Further information on the proposed Ordinary Resolution 2 is set out in the Circular to Shareholders dated 7 May 2014.

Business Overview

Petra Energy Bhd, which helms a group of subsidiary and associate companies, is an integrated oil and gas brown field service provider aspiring well on the way to becoming a development and production company.

The Group provides a comprehensive range of services that include:

Development & Production

- Small Field Risk Service Contract

Integrated Brown Field Maintenance & Engineering

- Top side major maintenance/Hook-up construction & commissioning including marine fleet support
- Project management, procurement & logistics
- Engineering operations & maintenance
- Oil field optimisation
- Equipment packaging & manufacturing

Marine Offshore Support

- 3 workboats, 4 workbarges and 1 AHTS

Design, Fabrication, Supply & Installation

- Design & fabrication of process and heat transfer equipment
- Engineering design & project management

Engineering And Project Management Services

Corporate Structure

PETRA ENERGY BHD (718388-H)

100% **Petra Resources Sdn. Bhd.** (172962–D)

100% **Petra Fabricators Sdn. Bhd.** (425817–H)

100% **PE Marine Capital Sdn. Bhd.** (1066572-A)

100% **PE Marine Sdn. Bhd.** (1066572-A)

100% **Petra Services Sdn. Bhd.** (813597-T)

100% **Jurutera Perunding Akal Sdn. Bhd.** (400046-X)

100% **Petra Energy Development Sdn. Bhd.** (806515-A)

100% **PE Ventures Sdn. Bhd.** (1050358-H)

100% **PE Resources Ltd.** (LL10146)

100% **PE Industrial Resources Sdn. Bhd.** (fka Petra Boilers Sdn. Bhd. (452660-P)

100% **PE Ship Management Sdn. Bhd.** (fka Kas Ship Managament Sdn. Bhd. (841812-U)

100% **PE Marine One Ltd** (fka Kas Marine Ltd.) (LL06749)

100% **PE Marine Ltd.** (LL09503)

100% **PE Challenger Ltd.** (LL10047)

100% **PE Development Ltd.** (LL09925)

30% **Coastal Energy KBM Sdn. Bhd.** (1011855-W)

51% **Bumi Subsea Sdn. Bhd.** (863752-P)

Our Business Partners & Vendors

Through our strategic alliance, we are able to acquire invaluable knowledge and insight to the highly specialised field of developing and producing petroleum through our partner's international experience and exposure while they stand to gain the benefits of having ready access to new markets through an established local player with in-depth knowledge and proven capabilities.

As a company that places priority on quality, health, safety & environment above everything else, we expect the same of our vendors. Thus, we only partner those that are able to live up to such exacting standards. By measuring up to our expectations, many have grown their business as a result of our long-term partnerships.

Corporate Information

BOARD OF DIRECTORS

Ahmadi bin Yusoff
Executive Director

Abdul Rahim bin Abdul Hamid
Senior Independent Non-Executive Director

Ahmad Azra bin Salleh
Independent Non-Executive Director

Dato' Anthony @ Firdauz bin Bujang
Executive Director/Group Chief Executive Officer

Gian Carlo Maccagno
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Abdul Rahim bin Abdul Hamid
Chairman

Ahmad Azra bin Salleh
Member

Gian Carlo Maccagno
Member

BOARD RISK MANAGEMENT COMMITTEE

Abdul Rahim bin Abdul Hamid
Chairman

Ahmad Azra bin Salleh
Member

Gian Carlo Maccagno
Member

NOMINATION COMMITTEE

Ahmad Azra bin Salleh
Chairman

Abdul Rahim bin Abdul Hamid
Member

Gian Carlo Maccagno
Member

REMUNERATION COMMITTEE

Ahmad Azra bin Salleh
Chairman

Abdul Rahim bin Abdul Hamid
Member

Gian Carlo Maccagno
Member

COMPANY SECRETARIES

Aishah binti Hashim (LS 01204)

Chua Siew Chuan (MAICSA 0777689)

Mak Chooi Peng (MAICSA 7017931)

AUDITORS

Messrs. PricewaterhouseCoopers (AF 1146)
Chartered Accountants
Level 10, 1 Sentral,
Jalan Travers,
Kuala Lumpur Sentral,
P O Box 10192,
50706 Kuala Lumpur

HEADQUARTERS

Suite 13.02, Level 13, Menara OBYU
4, Jalan PJU 8/8A
Bandar Damansara Perdana
47820 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7726 5576
Fax: 03-7726 3686
Email: peb.corporate@penergy.com.my

REGISTERED OFFICE

Suite 13.02, Level 13, Menara OBYU
4, Jalan PJU 8/8A
Bandar Damansara Perdana
47820 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7726 5576
Fax: 03-7726 3686
Email: peb.corporate@penergy.com.my

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd. (36869-T)
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur
Tel : 03-2084 9000
Fax : 03-2094 9940

PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)
Affin Bank Berhad (25046-T)
HSBC Bank Malaysia Berhad (127776-V)
United Overseas Bank (Malaysia) Berhad (271809-K)

SOLICITORS

Messrs. ZicoLaw & Co.
Advocates & Solicitors
Lot 102 & 104, First Floor
Wisma Bukit Mata Kuching
Jalan Tuanku Abdul Rahman
93100 Kuching, Sarawak.

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Sector : Trading/Services
Stock Code : 5133
Stock Name : PENERGY
Listed on 26 July 2007

Board of Directors

- **Dato' Anthony @ Firdauz bin Bujang**
  Executive Director/
  Group Chief Executive Officer

- **Ahmadi bin Yusoff**
  Executive Director

Abdul Rahim bin Abdul Hamid
Senior Independent Non-Executive Director

Ahmad Azra bin Salleh
Independent Non-Executive Director

Gian Carlo Maccagno
Non-Independent Non-Executive Director

Board of Directors' Profile

Dato' Anthony @ Firdauz bin Bujang, a Malaysian citizen aged 55, was appointed to the Board of Petra Energy Bhd, ("Petra Energy") on 18 September 2012.

Dato' Anthony holds a Degree in Economics, Business Administration from University Malaya.

He started his career in 1983 as an Accountant in Bank Utama Malaysia Berhad. During the period from 1988 to 1996, he held various positions in Sarawak Shell Berhad such as Secretary and Adviser to Major Tender Board, Head of General Contracts and Head of Strategy, Planning & Procurement for Shell Gabon, Republic of Gabon, West Africa. He joined TV3 and NTV7 as General Manager, Director of Operations and CEO. His last posting prior to joining Petra Energy was as the Group CEO in NSTP Berhad.

He is also a director for a few subsidiaries of Petra Energy namely, Petra Resources Sdn. Bhd. and Petra Services Sdn. Bhd. as well as the director for Petra Energy's associate company, Coastal Energy KBM Sdn. Bhd.

Dato' Anthony does not have any family relationship with any members of the Board or major shareholders of Petra Energy and he does not hold any directorship in any public companies. He does not have any conflict of interest with Petra Energy or its subsidiaries and neither has he been convicted of any offence within the past 10 years.

Dato' Anthony @ Firdauz bin Bujang
Executive Director/
Group Chief Executive Officer

Ahmadi bin Yusoff, a Malaysian citizen aged 55, was appointed to the Board of Petra Energy on 18 February 2010.

He holds a Bachelor of Arts (Hons) degree from Universiti Sains Malaysia.

He sits on the boards of various companies including Shorefield Resources Sdn Bhd (since 2009), an investment holding company and a major shareholder of Petra Energy, OBYU Holdings Sdn Bhd (since 2002), an investment holding company, Shorefield Sdn Bhd (since 1999), a rural electrification scheme contractor, CMS Wires Sdn Bhd (since 2008), a company involved in the manufacture and sale of welded wire mesh and Javel Engineering Sdn Bhd (since 2002), a construction company.

Prior to this, he held various key management positions with experience spanning over 17 years in the electrical, media, agro-chemical, construction, plantation and trading sectors of industry.

He is the brother of Tan Sri Bustari bin Yusuf, a major shareholder of Petra Energy. He has not been convicted of any offence within the past 10 years.

Ahmadi bin Yusoff
Executive Director

Board of Directors' Profile

Ahmad Azra bin Salleh
Independent Non-Executive Director

Ahmad Azra bin Salleh, K.M.W., a Malaysian citizen aged 57, was appointed to the Board of Petra Energy on 13 July 2010.

He is the Chairman of the Nomination and Remuneration Committees, and a member of the Audit and the Board Risk Management Committees of Petra Energy.

He is a graduate of the University of London and was admitted to the Malaysian Bar in September 1987.

He is a member of the Honourable Society of Lincoln's Inn, United Kingdom and a Fellow of the Chartered Institute of Arbitrators, London. He is also an Arbitrator with the Kuala Lumpur Regional Centre for Arbitration (KLRCA).

He started his legal career in 1981 as a corporate legal adviser in Shell U.K.'s subsidiary company, Shell Malaysia (Trading) Sdn Bhd, handling corporate and commercial matters involving public and private companies in the Shell Group.

He entered into private practice as an advocate and solicitor in 1987 as a civil litigation based practitioner. He was a partner in Messrs. Zaid Ibrahim & Co. from 1988 to 1994 handling corporate, commercial and construction contracts principally for the Project Lebuhraya Utara-Selatan ("PLUS") Highway. He is now practising as a partner of the legal firm Messrs. Azra Salleh & Co.

He specialises in the field of Construction Law and has more than 26 years of experience as a practising Advocate and Solicitor in this field. He also advises in areas such as privatisation, corporatisation, corporate and commercial.

He is also involved in arbitration and also advises both public and private companies in construction industry matters.

He does not have any family relationship with any member of the Board or major shareholders of Petra Energy. He does not have any conflict of interest with Petra Energy and neither has he been convicted of any offence within the past 10 years.

Abdul Rahim bin Abdul Hamid, a Malaysian citizen aged 63, was appointed to the Board of Petra Energy on 13 July 2010.

He is the Chairman of the Audit and Board Risk Management Committees, and a member of the Nomination and Remuneration Committees of Petra Energy.

He is a Fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

He started his career in Coopers & Lybrand (previously known as Cooper Brothers & Co.) in 1971. He rose in the firm to eventually become its Chief Executive Officer in 1993. When the firm merged with Price Waterhouse in 1998 to form PricewaterhouseCoopers, he served as its Deputy Executive Chairman until he retired in June 2004.

During the span of 33 years in the firm, he was involved in auditing, business consultancy and organisational development work covering a cross section of business sectors and industry.

Since his retirement, he has been passionately involved in the area of human capital development by undertaking business and leadership coaching of entrepreneurs and enterprises.

He is an Adjunct Professor at Universiti Malaysia Terengganu. He is also a member of the Advisory Panel of the Business & Economic Faculty of Universiti Kebangsaan Malaysia, the Advisory Panel of the Business and Management Faculty of Universiti Putra Malaysia and the Senate at Open University Malaysia.

He presently sits on the boards of MIDF Amanah Asset Management Berhad, Malaysia Debt Ventures Berhad and AEON Co. (M) Berhad and Technology Park Malaysia Corporation Sdn. Bhd.

He does not have any family relationship with any member of the Board or major shareholders of Petra Energy. He does not have any conflict of interest with Petra Energy and neither has he been convicted of any offence within the past 10 years.

Abdul Rahim bin Abdul Hamid
Senior Independent
Non-Executive Director

Board of Directors' Profile

Gian Carlo Maccagno, an Italian aged 51, was appointed to the Board of Petra Energy on 18 September 2012.

He attained his Bachelor in Business Administration from Technico Commerciale Maddalena Adria (RO) Italy in 1982.

He has vast experience in the global pipe coating and oil and gas businesses. Presently, he is the Managing Director and Chief Executive Officer of PPSC Industrial Holdings Sdn Bhd ("PPSCIH"), overseeing the oil and gas division of Wah Seong Corporation Berhad ("WSC") Group. He started his career with Socotherm S.R.L, Italy from 1984 to 1987 as a Trainee in Production and Project Management. He was later appointed as Project Manager for Socotherm S.R.L in Nigeria from 1987 to 1990 and was briefly seconded to Petro-Pipe Industries (M) Sdn Bhd ("PPI") in 1990 to assist in the setting up of the PPI coating plant in Kuantan, Malaysia.

He presently sits on the board of WSC and also sits on the board of several other private companies within the WSC Group of Companies.

He does not have any family relationship with any member of the Board or major shareholders of Petra Energy. He does not have any conflict of interest with Petra Energy and neither has he been convicted of any offence within the past 10 years.

Gian Carlo Maccagno
Non-Independent
Non-Executive Director

Senior Management Team

Dato' Anthony @ Firdauz bin Bujang
Executive Director/ Group Chief Executive Officer

Ahmadi bin Yusoff
Executive Director & Director of Strategic Planning and Corporate Services

Mohamad Zaidee bin Abang Hipni
Group Chief Financial Officer

Suhaini @ Abdullah bin Hipni @ Webb
Managing Director Petra Resources Sdn Bhd

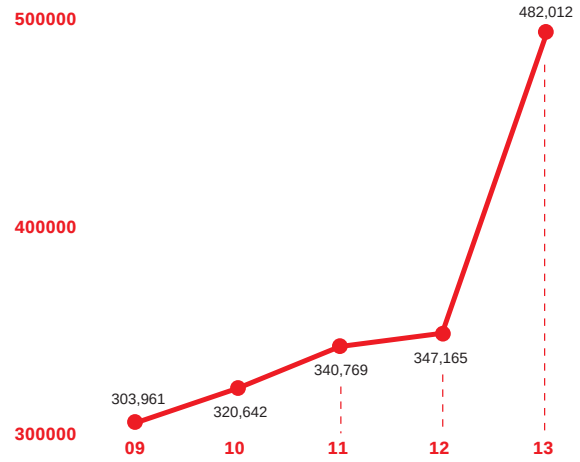
Saperi bin Rambli
Director of Business Development & Corporate Communications

Financial Highlights

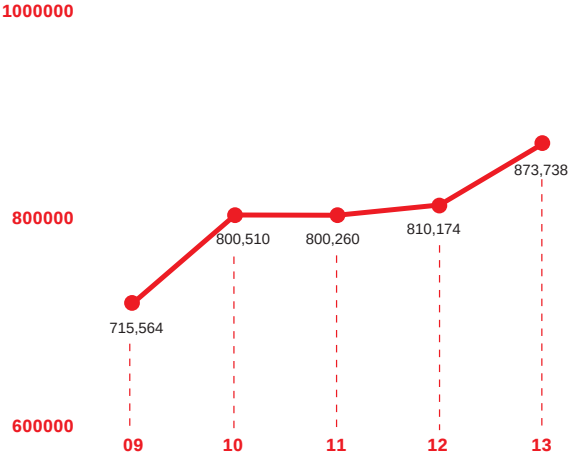
FINANCIAL YEAR	31 December 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
INCOME STATEMENT					
REVENUE	503,456	633,935	650,403	654,080	490,645
EBITDA	51,750	72,534	49,924	55,903	43,017
PBT	25,088	23,426	8,225	15,886	1,284
PAT	14,493	17,090	3,308	7,427	12,537
PATAMI (attributable to enquiry holders)	14,390	16,994	3,485	7,469	12,735

FINANCIAL YEAR	31 December 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
BALANCE SHEET					
Total Liabilities	410, 918	479,088	458, 937	462,497	391,243
Total Borrowings	148,496	279,367	219,326	194,289	199,192
Total Assets	715,564	800,510	800,260	810,174	873,738
Total Shareholders' Equity	303,961	320,642	340,769	347,165	482,012

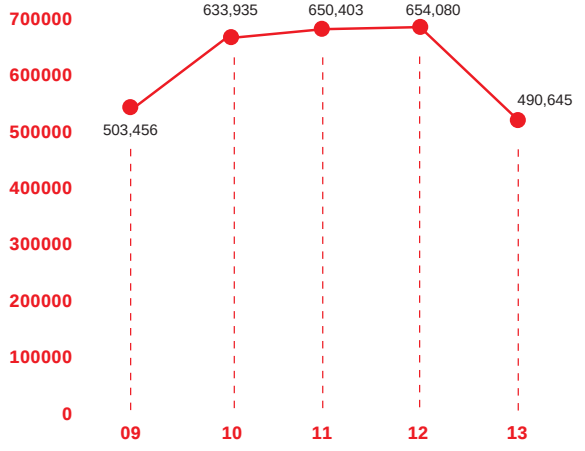
Total Shareholders' Equity
(RM'000)



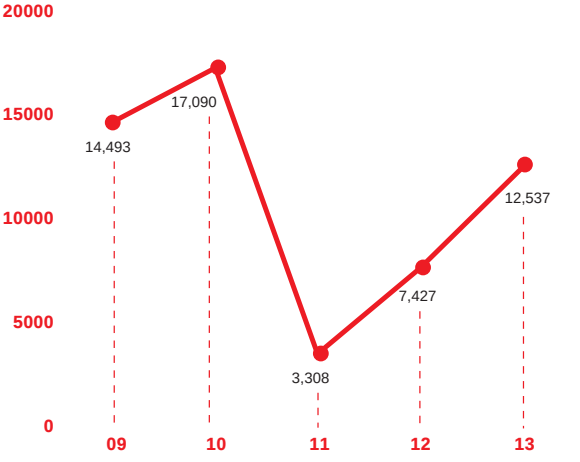
Total Assets
(RM'000)



Revenue
(RM'000)



Profit After Tax
(RM'000)



Our Shareholders

As a strong advocate of ethical practices and good governance, we will always protect the interests of our shareholders while striving to create value by ensuring better returns on investment, over the long term. Equally, we actively engage them through various platforms including at annual general meetings, announcements posted on our website, and through the timely dissemination of circulars to help them assess and make informed decisions.

In turn, our shareholders have stood by us through thick and thin and this is a strong validation of their tacit support and approval of our strategies to grow the business.

Calendar of Events

26 & 27 January 2013

Petra Energy participated in Universiti Teknologi Petronas' Career Placement Week – EXPOSE 2013.

27 February 2013

EGM in relation to the Rights Issue of 107,250 new ordinary shares & proposed acquisition of KAS Ship Management Sdn Bhd (reflected in PEB AR 2012).

13 March 2013

Letter of Award from Sarawak/Sabah Shell Petroleum Co Ltd for the provision of offshore crane operations and maintenance services.

16 May 2013

Proposed acquisition by Petra Energy of 100% equity interest in KAS Ship Management Sdn Bhd ("KAS") for a total purchase consideration of RM3.0 million. KAS owns and operates KAS Marine 1, an AHTS vessel currently on long term lease to an international oil company in Malaysia.

29 May 2013

Award from Petronas Carigali Sdn Bhd for the provision of Pan Malaysia Integrated Hook up, Commissioning and Topside Major Maintenance services from 2013 – 2018.

30 May 2013

Petra Energy's 7th Annual General Meeting.

5 – 7 June 2013

Petra Energy participated in the Oil & Gas Asia Conference & Exhibition (OGA 2013).

25 July 2013

Proposed share subscription by PE Ventures Sdn Bhd, a wholly-owned subsidiary of Petra Energy Bhd, of 312,245 new ordinary shares in Bumi Subsea Sdn Bhd representing 51% of the enlarged issued and paid-up share capital of Bumi Subsea Sdn Bhd which will allow Petra Energy to benefit from future prospects of underwater inspection, maintenance & repair segment of oil & gas industry.

Calendar of Events

3 October 2013

Signing of the MoU between Yayasan Sarawak and Petra Energy to facilitate a Welders Training Programme.

13 December 2013

Petra Energy Bhd Group HSE Day. Themed, "Healthy Body, Healthy Mind, Better Productivity", the PEB Group HSE Day promotes the emphasis the Company places on Health, Safety & Environment.

16 December 2013

First oil production from the Kapal, Banang & Meranti (KBM) cluster fields operated by Coastal Energy KBM Sdn Bhd, a joint venture between Petra Energy Development & Coastal Energy under a risk service contract has produced its first oil from the Kapal small field. The initial production from the cluster was over 10k barrels/day.

25 February 2014

Petra Energy Bhd declared a single tier interim dividend of 1.0sen per ordinary shares for the year ended 31 December 2013.

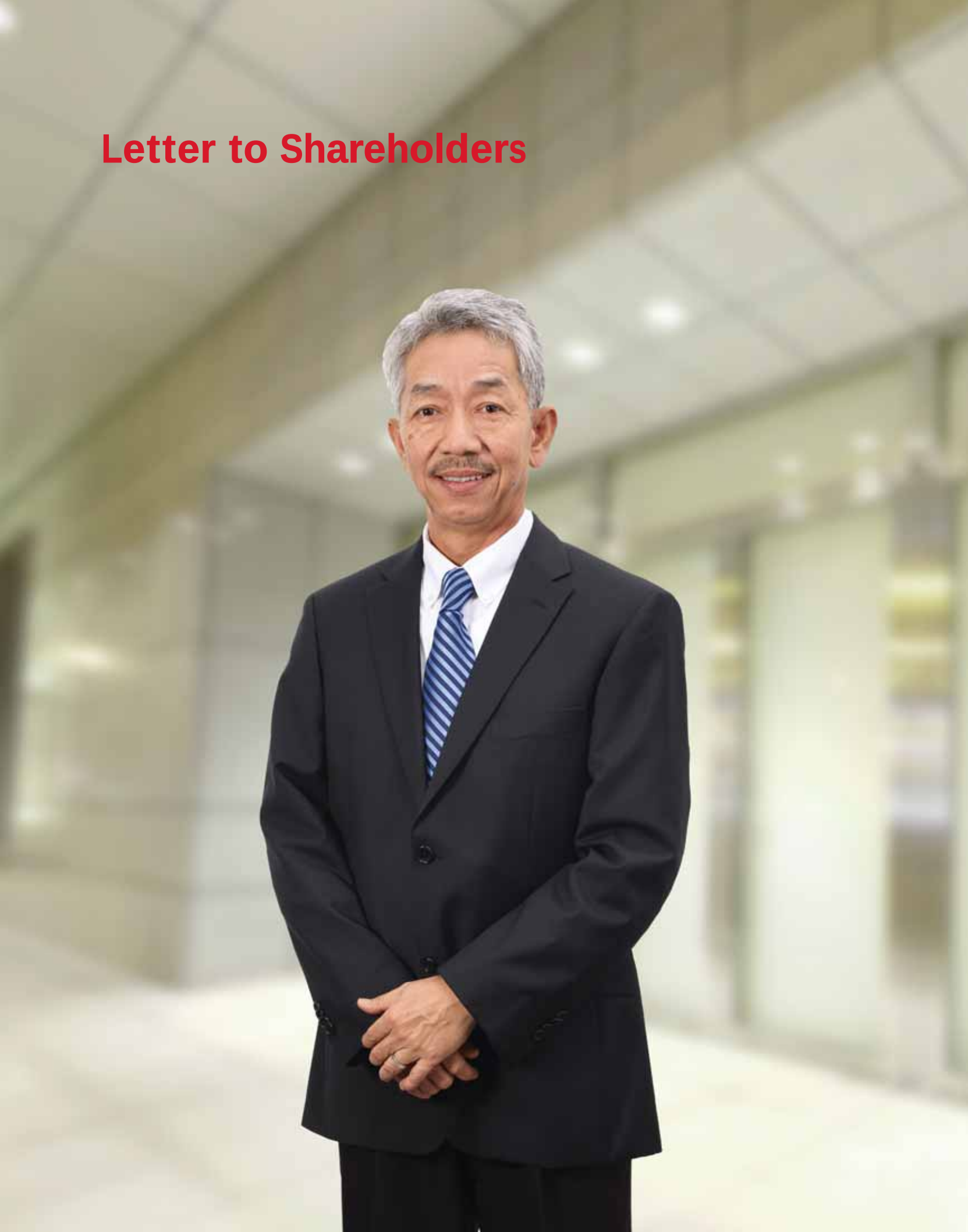
25 – 28 March 2014

Petra Energy participated in the Offshore Technology Conference Asia 2014.

26 March 2014

KBM Cluster first oil production reception in conjunction with OTC Asia 2014.

Letter to Shareholders



Letter to Shareholders

Dear Shareholders,

2013 will best be remembered as a year of several historic firsts for Petra Energy Bhd (Petra Energy or the Group), the most significant of which was the achievement of our first oil from the Kapal field, with Costal Energy, which forms part of the Kapal, Banang and Merenti Cluster (KBM Cluster) offshore Terengganu on 16 December. This proved to be the turning point for the Group as it signalled our successful transition from that of a support services provider to a producer in the upstream oil and gas production and development sector. More importantly, having moved up the value chain, we have taken adequate measures to consolidate our position in the oil & gas industry following the implementation of a comprehensive 5-Year Strategic Roadmap that will see us strengthening our core competencies while growing our footprint in new areas like small/ marginal field development.

The hook-up construction and commissioning (HuCC) and other support services for the Gumusut-Kakap semi-submersible Floating Production System for Shell marks yet another first for Petra Energy, being our very first venture in the deepwater sector. We also continued to build our strengths adding to our track record for HuCC type of work. Our previous projects allowed the Company to accumulate relevant assets, particularly the marine spread to support future similar HuCC & TSM projects. In May, PCSB awarded us a contract to undertake HuCC work for its facilities offshore Sarawak & Sabah.

Our notable achievements in 2013 is reflective of the growing strength and tenacity of the oil and gas industry, both globally as well as locally, over the last few years. The world's developed nations began to take concrete steps to spur economic recovery, leading to an increase in demand for fuel which in turn contributed to higher oil prices. In turn, this lead to increased activity across the oil and gas value chain. To maintain continued growth in Malaysia, the Government took on a catalytic role by unveiling a robust Economic Transformation Programme to meet targets set. One of the key areas identified was the Oil and Gas National Key Economic Area (NKEA) spearheaded by PETRONAS. The National Oil Corporation has committed a capital expenditure of RM300 billion between 2011 and 2015 to maintain sufficient production in the country to meet our current and future needs.

The national oil and gas agenda has been beneficial to all segments of the local oil and gas industry, and service providers such as Petra Energy have stood to gain from increased activity across the entire value chain. Capitalising on the high-growth sector, we took a strategic 2-prong approach of equal weightage. The first was to move up the value chain by making the transition to an oil and gas development company. The second was to increase the scope of work that we offer to our strong base of clients by venturing into value-add service areas such as enhanced oil recovery and subsea work. Although these are more capital intensive, the returns are higher in the long term, and would allow us to increase shareholder value, which has always been a primary consideration of ours.

During the year under review, we put in place the foundations that will allow us to surge ahead with our transformation plan. Thus, 2013 was, in many ways, a year of consolidation as we focused on strengthening our fundamentals as we prepare for change.

FINANCIAL PERFORMANCE

I am pleased to report that we recorded a higher profit for the year ended 31 December 2013.

During the year under review, the reduced baseline work from the tail-end Sarawak/Sabah Shell Topside major maintenance hook-up construction and commissioning (TMMHuCC) services contract, and a delay in the award of contract impacted the Group's bottom-line for the FYE2013, resulting in lower revenue of RM490.6 million in 2013, compared to RM654.1 million in 2012.

Despite this, the Group was still able to show positive profits from operations of RM8.5 million further aided by recognition of negative goodwill and tax credits during the year, thus increasing the Group's profit after tax by 68.8% from RM7.43 million in 2012 to RM12.54 million in 2013.

As a result of our performance, the Board has declared a single tier interim dividend of 1.0 sen per ordinary share of 50.0 sen each on 321,750,000 ordinary shares for the year ended 31 December 2013, amounting to a dividend payable of RM3,217,500. The dividend will be paid on 15 May 2014 to shareholders whose name appears in the Record of Depositors at the close of business on 24 April 2014.

A COMPANY IN TRANSITION

Petra Energy has been on a transformation course since 2012, when the Company put in place a business plan to increase efficiencies across all our operations in preparation for further growth. No less than 31 initiatives were identified to create a more cost-effective and productive business, of which more than 50% had been implemented or were near completion by end 2013.

After analysing our strengths and opportunities in 2013, we formulated and implemented a 5-year Strategic Roadmap with a clear goal, namely to be a sustainable oil and gas company by 2017. In realising our vision, the five areas of Commercial, Process, People, Partnerships & Branding were identified to encompass all aspects of our business.

Under the Commercial pillar, we have defined the markets that we intend to grow in and gain a competitive advantage over other players. Under Process, we will intensify all efforts to increase our operational efficiencies to achieve better quality, speed, dependability, flexibility and cost. Our People initiatives involve efforts to attract and retain talent and develop our human resources to enable them to drive the Company towards our corporate goals. In terms of Branding, we intend to position Petra Energy more strategically in the marketplace so that our customers, suppliers, investors and employees are aware of our corporate values, our capabilities and business aspirations. In order to achieve all of the above, we realise we need to develop key Partnerships with other players who have the knowledge or skills that complement our internal resources in order to create synergies that are mutually beneficial.

Although we have set ourselves ambitious 5-year Strategic Roadmap targets, we remain committed working towards achieving them having put in place structures and processes conducive to strategic change as well as realign specific

Letter to Shareholders

resources to implementation requirements. More importantly, we are establishing a Business Transformation Team that will oversee the entire process and ensure its successful progress. The changes we envisage are comprehensive and will require a mindset change among employees. However, we are mindful that their buy-in is important if we are to succeed. Hence, we will continue to engage them as we traverse this exciting transformation journey by keeping them updated on the various milestones along our journey.

CORPORATE RESPONSIBILITY

Petra Energy believes that all corporate organisations have a duty to give back to the communities that support them. These encompass our internal community, namely our employees; as well as our external stakeholders, such as our customers, business partners, shareholders and the community at large. Various initiatives are undertaken every year to establish our corporate citizenry and establish Petra Energy as a Company driven by integrity and stakeholder value. For details on our Corporate Responsibility (CR) efforts for the year 2013, please refer to our CR report on pages 37 to 40 of this annual report.

PROSPECTS

While the oil and gas industry is becoming more competitive and crowded with the entrance of more players across the entire value chain, both upstream and downstream, we are confident that we will be able to find a niche for ourselves, given our track record in brownfield integrated services and the very focused and structured efforts that are being made to diversify into new value streams such as subsea operations and brownfield development.

Given the intense planning and strategising that took place at Petra Energy in 2013, we are now looking forward to implementing our action plans so as to achieve our vision to be a sustainable oil and gas company. I believe, therefore, that the year 2014 will be a year of change for Petra Energy, as we broaden our horizons while continuing to build our internal capabilities, and streamline our processes so as to bring maximum value to our stakeholders. 2013 was a challenging year, and I expect 2014 to be an exciting one.

ACKNOWLEDGEMENTS

Petra Energy is going through a significant phase in the Group's transformation journey. Our successes to-date are, to a large extent, due to the synergistic partnerships that we have nurtured and maintained with varied group of stakeholders who have been very supportive of the Company.

On behalf of the Board, I would like to thank our shareholders for their belief in our ability to bring them added value; our clients for their trust in our capabilities; our principal bankers who have provided us the means to expand our business; and our business partners who have been very supportive of our endeavours and brought invaluable knowledge and skills to our operations. I would also like to express my gratitude to our vendors for their level of professionalism; as well as the government authorities for ensuring a viable and vibrant oil and gas ecosystem.

Finally, I would like to offer my heartfelt appreciation to my fellow Board members as their continuous wise counsel have helped served to steer the Company forward, even through challenging times; and our Management for displaying astute leadership which has been critical in seeing us through our ongoing journey. To our employees, our single most important asset, I speak for the Board when I say 'thank you' for your unwavering commitment and untiring efforts. Looking ahead, I see the promise of a better future – a future that includes you, me, the entire Petra family and all our stakeholders.

AHMADI BIN YUSOFF
Executive Director

22 April 2013

Our Employees

Admittedly, attracting and retaining the best people is likely to become even more challenging as the competition for top performers and high potential management intensifies. As a company that fosters a conducive environment to enable its people to be the best that they can be, we have put in place a talent management programme that identifies and nurtures star performers with varied skill sets, both within and from the industry. This is to ensure that we have a steady pipeline of future leaders with the capabilities to help us achieve sustainable growth.

We also ensure that all our people are treated fairly, guided and not micromanaged, their views heard, and that they enjoy a proper work-life balance. That explains why many of our people are, to this day, still a member of the Petra Energy family.

Management Discussion & Analysis

Petra Energy moved up the value chain following the Group's entry into the upstream oil and gas production and development sector in 2012. During the year under review, we made a concerted effort to enhance our competitiveness and create greater internal efficiencies through a clear roadmap that will enable us to strengthen our leadership in our key areas of expertise, namely topside major maintenance/hook-up construction & commissioning (TMM/HuCC), while developing new revenue streams that include small/marginal field development.

In early 2013, the Management formulated a comprehensive 5-Year Strategic Roadmap that essentially focuses on five key areas that encompass Commercial, Process, People, Branding and Partnerships. Each key area is supported by clearly defined initiatives that include growing our business by, amongst others, exploring more risk service contract (RSC) opportunities; strengthening the tactical and operational planning for all business units; executing a solid succession plan and talent development programme for employees; internalising our core values while strengthening our corporate identity; and enhancing our vendor management process.

Upon the implementation of the 5-Year Strategic Roadmap, we soon secured several awards following the rollout of relevant initiatives. These are partially reflected in the Company's operational and financial performance, which we shall outline in the following pages.

FINANCIAL PERFORMANCE

During the year, the Group continued to further improve its processes and increase cost efficiencies. However, a delay in the Pan Malaysia hook-up construction and commissioning (HuCC) award and reduced baseline work from the tail-end Sarawak/Sabah Shell Topside major maintenance hook-up construction and commissioning (TMM/HuCC) services contract impacted our financial performance for the financial year under review. Nevertheless, the severity of the impact was mitigated by recognition of negative goodwill and tax credit, apart from recording positive profits from operations of RM8.5 million.

The Group achieved a profit after tax of RM12.54 million as compared to RM7.43 million in the previous financial year. However, revenue was lower at RM490.6 million as compared to RM654.1 million in the previous financial year. The drop in revenue is due to lower contribution from the integrated brown field maintenance and engineering services segment as a result of a slow-down in activities following a delay in the award of the new Pan Malaysia HuCC, that was expected at 2012 year end, but only came to fruition in May 2013. As a result, work could only commence towards the end of 2013. However, activities are notably on the increase given the offshore weather window between March and October.

The Integrated Brown Field, Maintenance and Engineering Services unit recorded a 22% decrease in revenue from RM550.4 million in FY2012 to RM426.9 million in FY2013.

The Group's segmental revenue – other than that for Design, Fabrication, Supply and Installation Services – was similarly affected by a decrease in activity. On the bright side, although our Marine Offshore Support services saw a 56% decrease in revenue, from RM66.7 million to RM29.1 million, it still achieved a significant profit before taxation of RM13.9 million principally due to the recognition of a provisional negative goodwill arising from acquisition of a vessel. Our Onshore Civil Engineering Services did not make any contribution to revenue during the year due to the completion of the Kumang Cluster onshore tie-in project. However, the segment recorded a higher profit before taxation of RM12.7 million, principally due to the recognition of a final settlement and contract closure.

Our Design, Fabrication, Supply and Installation Services, which were kept busy supporting the needs of the Group and those of third parties, contributed RM34.7 million to group revenue. The 6% drop in revenue, from RM37.0 million in the previous financial year, was due to a conscious decision by the Group to cease operations of the boiler sector as it does not form an integral part of our core business moving forward.

While it was a quiet year for the TMM/HuCC service segment, we were kept busy with a hive of activities following our decision to move up the value chain as a small/marginal field producer given the growing need to diversify in order to ensure a more balanced and steady source of recurring income. In fact, we remain optimistic that FY2014 will see us registering a healthy set of results.

DEVELOPMENT & PRODUCTION OF SMALL FIELDS – RISK SERVICE CONTRACT

Our first oil in the Kapal field on 16 December 2013 marks a major milestone in our corporate history as this ground breaking achievement has brought us a step closer towards realising our vision, following our successful transition from that of a service provider to an operator.

Management Discussion & Analysis

In September 2012, together with our strategic joint-venture partner, Coastal Energy, we were awarded the RSC for the Kapal, Banang & Meranti (KBM) cluster of small fields offshore Peninsular Malaysia by PETRONAS. Since then, we have been making great progess as we have produced first oil within the shortest possible time, and within budget. This landmark achievement bears testament that careful planning and pragmatic execution makes small field development a viable option.

Since achieving first oil with Coastal Energy, there has been an average production of 10,000 barrels of oil per day (bopd), with peak production reaching 13,000 bopd. The entire KBM cluster represents an eight-year development project.

Petronas has identified 25 marginal fields for development and has to-date, only awarded four of these. Thus, we remain hopeful of securing more RSCs as PETRONAS has indicated the need to produce between 30,000 and 50,000 barrels of oil per day from small/marginal fields in the next three years.

INTEGRATED BROWN FIELD MAINTENANCE & ENGINEERING

As the previous cycle for the Group's TMM/HuCC contracts with Sarawak & Sabah Shell was coming to an end towards end 2012 after two cycles of contract for Shell, we bidded for a new cycle of contracts comprising a total of nine packages awarded by Petronas, Shell, Murphy Oil, ExxonMobil and Nippon Oil, under the Pan Malaysia cluster of jobs. In May 2013, Petra Resources Sdn Bhd (PRSB), a wholly owned subsidiary, and licensed PETRONAS vendor, was awarded a contract under the Pan Malaysia Cluster of jobs from Petronas Carigali Sdn Bhd (PCSB) for the provision of Hook-up Commissioning and Topside Major Maintenance services for PCSB's facilities offshore Sabah & Sarawak. The contract is for a period of five (5) years, commencing 21 May 2013 and expiring in May 2018. Under the scope of work, PRSB will provide onshore preparation, pre-fabrication, offshore hook-up preservation, inspection, testing, pre-commissioning and commissioning works. The award of the contract marks a major milestone for the Group as it is biggest project awarded under a single contract, thus far, to Petra Energy. The Pan Malaysia project is currently in full-swing, and work is being undertaken offshore Sarawak/Sabah waters.

We are also well on track to completing the Gumusut-Kakap project, our first deepwater venture with Shell. The project involves the provision of hook-up and commissioning (HUC) and other support services for the semisubmersible Floating Production System over a 30-month period. We have since

been preparing the workpack for the HUC while also ensuring all our personnel satisfy mandatory Sarawak Shell Petroleum Company training. From June 2013, we started to mobilise personnel offshore at the Gumusut-Kakap Floating Production System. We also focused on extensive procurement activities to support the needs for the Construction and Commissioning works. By year-end 2013, our portion of HUC works was 90% completed and most of our resources were in providing support to the Commissioning and start-up team. The Shell Gumusut Kakap project team was also recently commended for its HSSE achievements of 500,000 man-hours without LTI for the period June 2013 - April 2014.

OFFSHORE MARINE SUPPORT

In 2013, the Group's Offshore Marine Support recorded revenue from the charter and re-charter of offshore support vessel contract with PCSB which ended in May 2013. This reduction in contribution is compensated by the acquisition of PE Ship Management Sdn Bhd (formerly known as KAS Ship Management Sdn Bhd) and its subsidiary on 16 May 2013. The principle asset, KAS Marine 1, a 60-tonne anchor handling tug supply (AHTS) vessel is currently servicing a time charter for Murphy Sarawak Oil under a one-year extension from a five-year contract which ended on 24 April 2014. We may deploy KAS Marine 1 to boost our offshore vessel capacity in the event we need to meet the demands of the Petronas Carigali Pan Malaysia HuCC project.

During the year, we also provided offshore marine support services to facilitate the Group's RSC project with Coastal Energy at the KBM small field cluster.

DESIGN, FABRICATION, SUPPLY & INSTALLATION

As part of the Group's strategic initiatives to streamline its business, the design & fabrication of Boilers unit was discontinued in 2013, as it does not provide synergy to our core business. However, our fabrication yard in Selangor will continue to design, fabricate, supply and install process and heat transfer equipment. Our Engineering Design and Project Management Team continued to provide support for the Petronas Carigali HuCC project in addition to submitting proposals for third-party construction projects.

OUTLOOK

We believe that the outlook for the oil and gas industry in general for 2014 and beyond looks very positive, given Petronas' stated intention to increase production volumes to meet the country's energy needs. The national oil company is expected to award another 22 RSCs for marginal fields in the coming years. Having proven our capabilities with the KBM cluster, we believe Petra Energy stands in good stead of being given a share of these new contracts.

The Group's transformation journey over the last three years is beginning to bear fruit and we are more ready than at any point in our history to expand vertically as well as horizontally into other areas of the oil and gas value chain. As stated previously, we are looking to venture into subsea services and brown field development while continuing to enhance our capabilities and track record in development and production of small/marginal field RSCs, and TMM/HuCC.

The Group continues to implement measures as part of its efforts to manage costs efficiently, and improve processes. Activities are notably on the increase given the offshore weather window between March and October. The Management will continue to remain focused on its transformation programme while working on initiatives to move up the oil and gas value chain and grow the business. The Company is also geared to strengthen its competencies and enhance delivery standards in TMM/HuCC. A group wide focus on project execution excellence and enhanced productivity is expected to see improved operational performance and enhanced shareholder value.

Looking ahead, it is envisaged that proceeds from the Petronas Carigali TMM/HuC contract will considerably boost our revenue commencing financial year 2014, while contributions from the KBM cluster will be realised from 2015 onwards.

Health Safety Security & Environment (HSSE)

Compliance to regulatory and clients' HSE standards and requirements are being set as the minimum baseline in our HSSE objectives. Initiatives are also being put in place to strengthen the inculcation of a safety culture amongst all employees.

The HSSE Plan, is a guide that provides tentative schedules on the execution of HSSE activities, is undertaken by our employees across various levels who are also custodians for the scheduled activities. This is to ensure a high level of commitment to HSSE.

Activities are also planned based on previous worksite incident trending, employees' feedbacks, together with clients' and statutory bodies' requirements. They conform with Petra's HSE policy in complying with the applicable laws, regulations and industry codes and practices.

In 2013, the Company clocked 5,837,489 exposed manhours in its operations with a total recordable case frequency (TRCF) of 0.34, as compared to 2012 where the TRCF was 1.28. This translates to an improvement of 73% reduction in terms of its recordable incident rate.

The Company also recorded a one-year Loss Time Incident (LTI) free achievement for its operations involving PCSB's HuCC contracts that include the Gumusut Kakap OSC Contract, Shell Crane Maintenance contract and Petra Fabricators Labuan yard operations.

This marked improvement is a result of effective HSE performance review exercises that are conducted on a periodic basis across the Group.

The Group's HSE Day was held in December 2013. Themed, "Healthy Body, Healthy Mind, Better Productivity," activities such as a blood donation drive, health awareness talks and X-Box dance competitions were organised to promote the emphasis Petra Energy places on HSSE.

Corporate Responsibility

At Petra Energy, we want to be respected not just for our ability to deliver on our promise but as to how we achieve it. The Petra Energy brand is about the promise of synergy – the noble concept of creating win-wins with all our partners, and this has become the cornerstone of our approach. Whether it's undertaking philanthropy initiatives, volunteerism or mainatining governance/ transparency standards, we remain firmly committed to creating better futures.

Corporate Responsibility

WORKPLACE

We are driven to create a work environment that is mutually beneficial to our employees. We believe that healthy employees translate to a healthier workforce and better productivity and we strive to keep that balance going for us.

Activities held for our employees during the year include, amongst others, sports day, team building sessions, treasure hunt, motivation talks, family day, bowling tournaments, durian/local fruits party and the NTV7 fun run which was for a good cause to raise funds for charity.

Our employees also stand to benefit from the Group's religious pilgrimage programme that allows staff to travel for religious pilgrimages at a subsidised rate. This holistic balanced approach which takes into consideration the physical well-being of our employees is in line with our underlying theme of 'Healthy Body, Healthy Mind, Better Productivity". 40 employees from various locations of the Group participated in this religious pilgrimage programme that saw some performing the Umrah, while other non-muslims went on a pilgrimage to visit the Hindu temples in India.

Other festive celebrations and activities were also organised throughout the year at the Group's various locations in East & West Malaysia.

MARKETPLACE

As part of our initiative to contribute to the local communities and address the talent shortage in the oil & gas industry, Petra Energy signed a Memorandum of Understanding (MoU) with Yayasan Sarawak in October 2013 to facilitate a Welders Training Progamme.

This underscores a firm commitment by both Yayasan Sarawak and Petra Energy to provide a short welding course for qualified students with a view to obtaining gainful employment. Yayasan Sarawak and Petra Energy Bhd will facilitate cooperative initiatives in the area of fulfilling medium and long term capacity building needs for SCORE.

The collaboration will encompasses the capability and capacity of student development programme which includes internship and training to equip new trainees to be more employable and marketable across various industries.

Petra Energy was also a gold sponsor at Universiti Teknologi Petronas' for the 32nd Science & Engineering design exhibition (SEDEX). The exhibition provides a platform for the students and staff of the campus to showcase their innovative and creative ideas.

Developing future leaders through the Fast Track Engineering programme

The Company views talent management & development as an integral part of its growth and vision to move up the value chain. Accordingly, a fast track engineering programme, now in its 3rd year of inception, was initiated. In 2013, 31 candidates applied the programme which was then shortlisted to a final intake of 13 candidates. The programme is specifically designed to unleash the potential of fresh Engineering graduates to prepare them for a future in the oil & gas industry, not just to be technically competent but also to develop them as talents with high leadership traits. The graduates are also required to undergo an intense evaluation exercise to gauge their leadership qualities. Those who demonstrate such traits that fit with Petra Energy's culture and values of integrity, commitment, teamwork and professionalism will progress to the next stage.

Upon completion of the programme, the Fast Track Engineers shall be evaluated on their performance and commitment towards the tasks given. Each individual Fast Track Engineer will be given placement at an identified department that befits their competency & behaviour. The programme provides employees with first-hand on the job training and offshore exposure, thus providing a clear career path.

At Petra Energy, we will pave the way for them and provide them the tools and platform to unleash their potential in order to realise their career aspirations and be the best they can be.

COMMUNITY

During the period under review, the Group undertook a series of activities centred on giving back to the society.

A series of Iftar dinners were organised for orphans from Rumah Kasih Harmoni and staff during the holy month of Ramadhan, at all of the Group's locations.

Corporate Responsibility

The Group also contributed to charity via its sponsorship towards the NSTP Charity Tennis.

As part of its emphasis on HSSE, a blood donation drive was organised which saw 45 employees of the Group donating towards the national blood bank. A donation drive was also held for flood victims in Terengganu. The Company contributed RM20,500 to employees of the Group affected by the floods.

Supporting culture conservation and the promotion of tourism

In September 2013, Petra Energy participated in the Sarawak Regatta, the oldest paddle boat race of its kind in Malaysia. This iconic event which is part of the Sarawak state's annual tourism calendar was held in conjunction with the celebration of Sarawak's 50th year of independence.

The Company, which has been operating in Miri, Sarawak since it commenced operations in 1988, supports the preservation of this age-old tradition, and the state's tourism activities.

The Investment Community

As a long-term player, we are focused on strengthening ties with the investment community that include amongst others, our bankers, insurance companies, fund managers, analysts and investors. We do it through numerous ways including holding regular meetings and dialogues, and by providing full disclosures and updates about the Group's business activities, strategy and prospects.

Through the implementation of such ongoing and transparent practices, the investment community is able to evaluate our performance and make fair judgement. Indeed, their support and faith in us has and will always be key to our sustainability.

Audit Commitee Report

The members of the Audit Committee are as follows:

Abdul Rahim bin Abdul Hamid	**Chairman**	**Senior Independent Non-Executive Director**
Ahmad Azra bin Salleh	**Member**	**Independent Non-Executive Director**
Gian Carlo Maccagno	**Member**	**Non-Independent Non-Executive Director**

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

In accordance with the Listing Requirement of Bursa Malaysia Securities Berhad ("Listing Requirement") ("Bursa Securities"), the Board had resolved to establish a Committee of the Board known as the Audit Committee ("the Committee") on 18 May 2007.

The Committee is one of the committees of the Board of Directors. The Committee does not have the authority to make decisions on behalf of the Board but has the authority to examine areas or issues within their respective terms of reference and to report back to the Board with relevant recommendations.

OBJECTIVE

The principal objectives of the Committees are to assist the Board, by providing:

(a) a focused review and detailed discussion of the Company's processes for producing financial data, its internal controls and independence of its external auditors, and

(b) a forum for discussing the Company's financial data, which concerns the performance of the management, and the manner of its preparation. The management shall participate in the forum only upon request.

MEMBERSHIP

(a) The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members, all of whom must be Non-Executive Directors, with a majority being independent. The Chairman shall be an Independent Non-Executive Director appointed by the Board.

(b) No Alternate Director shall be appointed as a member of the Committee.

(c) All members of the Committee should be financially literate and at least one member of the Committee:

i. Must be a member of the Malaysian Institute of Accountants ("MIA"); or

ii. If he is not a member of the MIA, he must have the following credentials:

- at least 3 years' working experience and passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- at least 3 years' working experience and be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

- a degree/ masters/ doctorate in accounting or finance, including but not limited to members of professional accountancy organisation which have been admitted as Rill members of the International Federation of Accountants, and at least 3 years' post qualification experience in accounting or finance; or

- at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

iii. If he is none of the above, he must fulfil such other requirements as approved by Bursa Securities.

(d) In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements, the Board shall, within three (3) months of the event, fill the vacancy.

(e) The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee and members have carried out their duties in accordance with their terms of reference.

AUTHORITY

1. Whenever necessary and reasonable for the performance of the Committee's duties, the Committee, in accordance with any procedure to be determined by the Board and at the cost of the Company, shall be authorised to:

   (a) investigate any matter within the Committee's terms of reference;

   (b) have resources which are required to perform its duties;

   (c) have full and unrestricted access to any information pertaining to the Company;

   (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

   (e) obtain independent professional advice or other advice, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;

   (f) convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

2. In pursuance of the Listing Requirements, the Committee may promptly report any breaches of the said Listing Requirements, which have not been satisfactorily resolved by the Board of Directors, to Bursa Securities.

DUTIES

1. The duties of the Committee shall include the following, which shall be reported to the Board of Directors of the Company except as expressed hereunder:

   (a) to review with the external auditors, the following:

      i. before the audit commences, the audit plan i.e. the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

      ii. their evaluation of the system of internal controls;

      iii. their audit report, any management letter and the management's response;

      iv. their recommendation, if any;

Audit Commitee Report

v. any matters that they may wish to discuss, including any concerns, problems or reservations arising from their audit, and the co-operation and assistance given by the employees of the Company to them (in the absence of management where necessary). Any reporting to the Board in this area shall be at the sole discretion of the Committee;

(b) in respect of the internal audit function of the Company and the Group:

i. to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

ii. to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function;

iii. to review any appraisal or assessment of the performance of members of the internal audit function;

iv. to approve any appointment or termination of senior staff members of the internal audit function;

v. to take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(c) to consider any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(d) to review the quarterly and year end financial statements of the Board, prior to the approval by the Board of Directors, focusing particularly on:

i. any changes in accounting policies and practices or implementation of

ii. prudence and reasonableness in judgement and estimates;

iii. significant and unusual events;

iv. significant adjustments arising from the audit;

v. the going concern assumption;

vi. compliance with accounting standards and other legal requirements.

(e) to prepare/review the following for publication in the Company's annual report:

i. Audit Committee Report at the end of each financial year that complies with the Listing Requirements containing, inter alia, a summary of the activities of the Committee in the discharge of its functions and duties for that financial year, and the existence of an internal audit function together with the summary report of the activities of the internal audit function; and

ii. if applicable, statement verifying allocations of options pursuant to any employees' shares option scheme, that such allocations are in accordance with the allocation criteria set out for the scheme.

(f) to assist the Board in reviewing the following for publication in the Company's annual report:

i. Statement of Corporate Governance that the Company has applied the principles set out in Part 1 of the Malaysian Code on Corporate Governance ("the Code"), and on the extent of compliance with the Best Practices in Corporate Governance as set out in Part 2 of the Code, specifying and giving reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas;

ii. Statement of Directors' responsibilities for preparing the annual audited financial statements; and

iii. Statement of Internal Control of the Company as a Group;

(g) to recommend the nomination of a person or persons as external auditor(s) (inter alia, taking into account the adequacy of the experience and resources of the audit firm and the persons assigned to the audit), to consider the audit fee and any questions of resignation or dismissal, including the consideration of whether there is reason (supported by grounds) to believe that the Company's external auditor(s) is/are not suitable for re-appointment; and

(h) To consider any other matters as directed by the Board of Directors from time to time.

2. The Chairman of the Committee is encouraged to engage on a continuous basis with senior management, such as the Chairman of the Board, the Executive Director(s), the Head of Finance, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.

OVERSEEING THE INTERNAL AUDIT FUNCTION

1. The Committee shall oversee all internal audit functions and is authorised to omission investigations to be conducted by internal audit as it deems fit.

2. The Head of Internal Audit shall report directly to the Committee and shall have direct access to any member of the Committee.

3. The Head of Internal Audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.

4. All proposals by management regarding the appointment, transfer or dismissal of the internal auditor shall require the prior approval of the Committee.

MEETINGS PROCEDURES

1. Frequency and calling

The Committee shall meet as frequently as the Chairman shall decide in order to discharge its duties, but not less than four (4) times in a year. In addition, the Chairman is required to call for a meeting of the Committee, if requested to do so by any Committee members, any Executive Directors or the external auditors.

2. Notice

The notice period convening the meeting of the Audit Committee shall be at least seven (7) days, which may be waived with the consent of all members of the Committee.

Audit Commitee Report

3. Quorum

A majority of Independent Directors shall form a quorum.

4. Secretary

The Secretary of the Company shall serve as the Secretary of the Committee. The Secretary shall be responsible for keeping the minutes of meetings of the Committee, circulating them to the Committee members and other members of the Board of Directors.

5. Attendance

(a) The members of the Committee, the Head of Internal Audit, the Head of Finance and the Secretary shall normally attend meetings of the Committee.

(b) The other Directors and employees may attend any meetings or parts of any meetings of the Committee, upon invitation.

(c) A representative of the external auditors shall attend the meeting of the Committee to consider the final audited financial statements of the Company, and such other meetings as determined by the Committee. The Committee shall meet with the external auditors without the presence of Executive Directors and management staff at least twice a year.

6. Participation in meetings by conferencing

All or any members of the Committee may participate in a meeting of the Committee by means of a telephone conference, video conference or any communication technology, which allows all members of the Committee participating in the meeting to communicate simultaneously with each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, the meeting shall be deemed held at the registered office of the Company.

CIRCULAR RESOLUTIONS

A resolution in writing signed or approved by letter, telegram, telex or telefax by all the Committee members and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. All such resolutions shall be described as "Audit Committee Members' Resolutions in Writing" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several documents in like form, each signed by one (1) or more Committee Members.

AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2013

Names of Directors	Attendance*
Abdul Rahim Bin Abdul Hamid	5/5
Ahmad Azra Bin Salleh	5/5
Gian Carlo Maccagno	5/5

* Number of meetings attended/Number of meetings held

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the following activities were undertaken by the Audit Committee:

1. Reviewed the internal audit plan and internal audit report of the outsourced Internal Auditors and the in-house Group Internal Audit Department to ensure adequacy in scope and coverage on the activities of the Group;

2. Reviewed the proposed risk management processes to effectively identify, assess, control, monitor and report significant risks that may affect the achievement of the Group's business objectives;

3. Reviewed the unaudited quarterly financial reports, including the announcements pertaining thereto, before recommending the same to the Board for approval and release;

4. Reviewed the performance of the Company and the Group, and made recommendations for appropriate corrective measures to the Board of Directors;

5. Reviewed the recurrent related party transactions of the Company and the Group;

6. Reviewed the audit findings of the external auditors for the financial year ended 31 December 2013; and

7. Reviewed the audit planning memorandum of the external auditors on the statutory audit of the Company for the financial year ended 31 December 2013.

INTERNAL AUDIT FUNCTION

The Audit Committee obtained reasonable assurance on the effectiveness of the system of internal controls via the internal audit function, which shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes with the Company and the Group. The internal audit function is undertaken by the in-house Group Internal Audit Department.

Statement on Risk Management and Internal Control

RESPONSIBILITY

The Board of Directors ("Board") of Petra Energy Bhd ("PEB" or "the Company") acknowledges its responsibility for maintaining sound internal control and risk management systems that would provide reasonable assurance in ensuring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations, to safeguard shareholders' interests and the Group's assets. The system of internal control is designed to manage the Company's risk within acceptable risk profile, and provides reasonable assurance against material errors, misstatement or irregularities.

In view of the limitations inherent in any system of internal control, such a system is designed to mitigate rather than eliminate risks of failure to achieve corporate objectives. Accordingly, the system provides reasonable and not absolute assurance against material error, misstatement or loss. The system of internal control covers, inter alia, risks management, financial, operational and compliance controls. The Board confirms that the system of internal control and risk management of the Company was in place during the financial year. The system is subject to regular review by the Board.

RISK MANAGEMENT

By virtue of PEB is the hook up commissioning and topside major maintenance provider in the Oil & Gas Industry, our businesses have unique risks that are specific to our industry. We recognize the fact that these risks must be effectively managed to ensure the long-term growth and enhancement of shareholder value. As such, PEB adopts a comprehensive risk management framework that includes risk management policy, visible objectives, clear lines of responsibility and accountability as well as an efficient framework on procedures and reporting guidelines. Our risk management system is also linked to the Group's internal control system, thus providing us an efficient and reliable decision making tool. PEB Risk Management Framework has been approved by the Board of Directors for adoption in May 2012 and PEB Group Risk Register and status on Improvement Plans were deliberated diligently during the quarterly Board Risk Management Committee meetings.

Risk Management Policy

The Group's Risk Management Policy advocates that adequate and effective risk management processes and practices be set in place to enable us to achieve our business objectives. It also provides a reasonable assurance to the Board and other stakeholders on the adequacy of the state of internal control of the Group and our ability to increase shareholder value and confidence.

Key Objectives Of The Risk Management Process

Our Risk Management process aims to enhance the decision making process within the Group in order for our strategic objectives to be fulfilled. It also aims to optimisze returns to shareholders while taking into account the interests of other stakeholders. The process ensures we undertake appropriate and timely responses to changes in the operating environment that may impact the Group's ability to achieve its objectives. It seeks to improve the Group's operating performance and to reduce the risk of material misstatement in official announcements and financial statements. It helps create a risk attuned environment to safeguard the Group's assets and helps us to maintain our reputation. Finally, it ensures we are continuously in compliance with corporate governance best practices and the relevant laws including Bursa Malaysia's Listing Requirements. The following diagram outlines the risk management reporting structure that is in place at PEB Group.

Role of the Board of Directors

The Board is tasked with sanctioning the Group's Risk Management objectives and policy. It also provides stewardship by identifying and acknowledging the principal risks identified by the Risk Management Steering Committee and ensuring the implementation of an appropriate action plans to manage these risks. The Board also reviews the adequacy and integrity of our internal controls and management information system to ensure compliance with the applicable laws, regulations, rules, directives and guidelines. The Board also considers the nature and extent of risk acceptable to the Group as well as evaluates the risk implications.

Role of the Board Risk Management Committee

The Board Risk Management Committee's role is to implement and support the overseeing functions of the Board's role in risk management. It reviews the Risk Management Steering Committee's periodic reports as well as highlighting any changes to the Group's Risk Profile.

Role of the Risk Management Steering Committee

The Risk Management Steering Committee ("RMSC") is chaired by the Chief Executive Officer of PEB. Its members are appointed from the senior management team and its covers all divisions and relevant departments. The RMSC is to review the validity of the identified risks and ensure that actions to mitigate these risks are being implemented. The RMSC is also responsible for the following activities:

- Agreeing on the procedures and reporting formats of the risk management processes;
- Reviewing the adequacy and effectiveness of the risk management framework;
- Undertaking regular "gap analysis" in order to identify gaps in internal controls;
- Ensuring the Board and Management receive adequate and appropriate information for purposes of decision making and review respectively;
- Communicating and providing a reference point for dissemination and feedback of the Group risk management policy and procedures;
- Commissioning, where required, special projects to investigate, develop or report on special aspects of the risk management processes of the Group; and
- Presenting risk progress reports on risk management to the Board Risk Management Committee and the Board.

Role of the Risk Management Working Committee ("RMWC")

The Risk Management Working Committee ("RMWC") is chaired by the General Manager of Group Internal Audit & Risk Management. The members consist of relevant Heads of Divisions and Heads of Departments covering all areas. The RMWC is tasked with reviewing the Group Risk Register, highlighting any new risk that may arise to the RMSC, and updating the Group Risk Register accordingly. It is responsible for the following activities:

- Recommending procedures and reporting formats on the risk management process;
- Preparing risk progress report;
- Preparing and recommending the risk management framework;
- Communicating the extent and categories of risk for the Group to the RMSC;
- Considering new entries for the risk register from the time of the last review and updating entries of the last reported register; and
- Discussing and recommending improvement plans on risk management issues and procedures that can be implemented or incorporated by any function of the Group to the RMSC.

Statement on Risk Management and Internal Control

Risk Management Process

There are six steps within the risk management process. Within each stage, there are distinct decisive factors to be considered before the next stage is reached. A structured framework approach to risk management that incorporates all the necessary steps was developed. These steps are depicted in Figure 1 below.

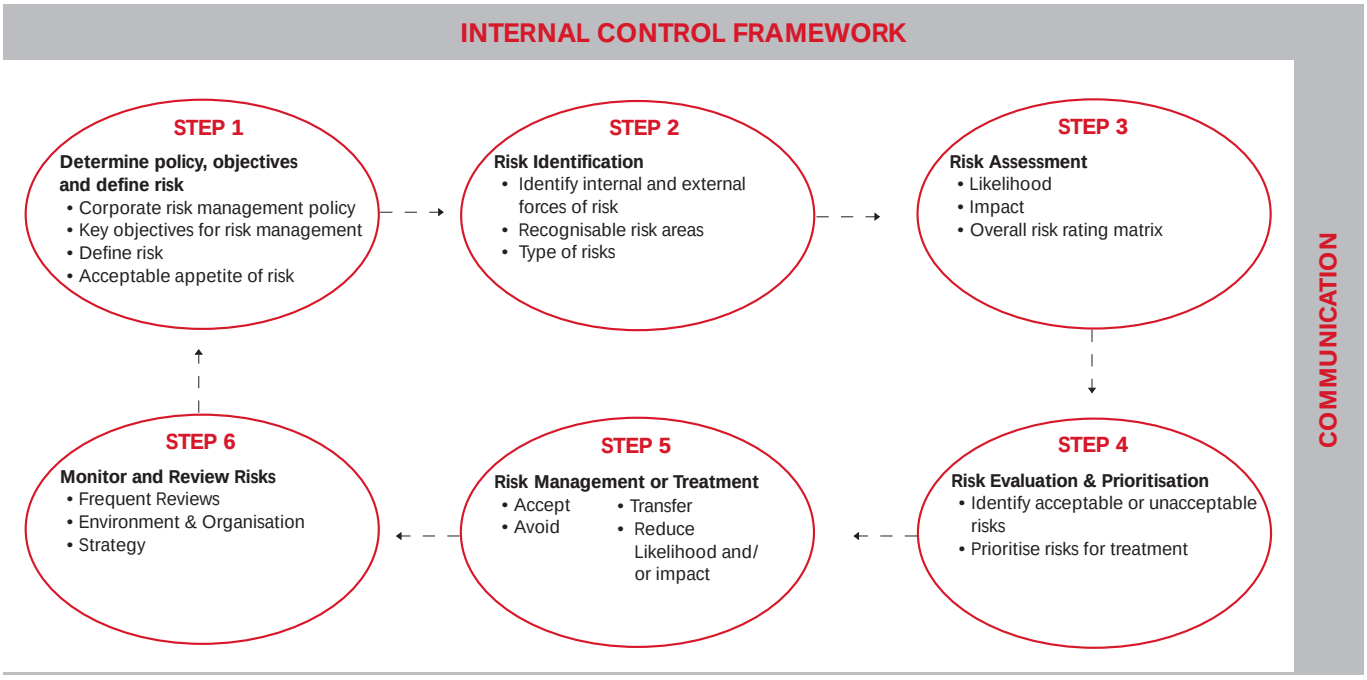


Figure 1: PEB Risk Management Framework Diagram

Conclusion

The Board is of the opinion that the Group's Risk Management System is effective and functioning adequately, and that everyone in the Group has been made aware of and alert to the requirements of the system and its procedures. The Board has acknowledged that all identified risks are being managed to an acceptable level, and that the system is proficient in helping to keep the Group in line with its long term goals and objective. The Board also monitors the progress of implementation plan and the level of risk rating on Quarterly basis. As of November 2013, there is a total of 50 identified risks for PEB Group which categorised as follows:

No	Type of Risks	Net Risk Rating		
		High	Medium	Low
1	Strategic Risk	4	2	0
2	Business Risk	2	4	1
3	Financial Risk	4	3	0
4	Operational Risk	8	7	3
5	Security (IT & HSE) Risk	5	2	0
6	Sales & Marketing Risk	0	2	0
7	Regulatory & HR Risk	0	2	1

INTERNAL CONTROL

Key elements of the Company's internal control system, including the processes in place to review its adequacy, are as follows:

Control Environment

The internal control mechanism is embedded in the various work processes and procedures at appropriate levels in the Company. The work processes and procedures are documented in the Company's Standard Operating Manuals. These manuals assist in ensuring continuity of work practice and effective control of various tasks. As a result, a structure for an organisation wide control has been established throughout the Company. Continuous efforts are also being undertaken by the heads of departments to review and update the manuals regularly or when it is deemed necessary, add in a new procedure.

Organisational Structure

The Group has a well-defined organisational structure that is aligned to its business and operational requirements and each strategic operating function is headed by a responsible Divisional or Departmental Head. Clear lines of accountability and responsibility, approval, authorization, and control procedures have been laid down and communicated throughout the Group.

Human Capital Management

The Group believes that the key strategy to maintain business growth in an environment of intense competition is to enhance the operational efficiency and productivity of human capital. Thus, formal appraisals guided by Key Performance Indicator ("KPI") parameters provide a framework to translate and align the strategy of human capital development to the Group's Strategic Plan and is being used as a performance measurement tool. The Group continued to emphasise on the talent and competencies of employees by establishing Talent Management Framework. The Succession Plan for key critical position has also been established and approved by the Board.

Business Plan and Budget

The Group undertakes a comprehensive business planning and budgeting process each year, to establish goals and targets against which performance is monitored on an on-going basis. The Board participates in the review and approval of the Business Plan and Budget. A quarterly reporting and review of financial results and forecast has been established and is consistently observed. The quarterly financial performance is constantly presented to the Board. In year 2013, PEB has established its 5 year Strategic Roadmap which has been adopted by the BOD.

Group Limits of Authority (LOA)

The Company documented its Group Limit of Authority ("LOA") which clearly defines the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of management and includes the Board. The LOA is reviewed regularly and any amendments made to the LOA must be tabled to and approved by the Board. The latest version of LOA was approved by the BOD in August 2012.

The Company has also establish the Supply Chain Manual ("SCM") which act as a tool for management control over the Company's procurement process. It indicates the standard exercise for task execution across all levels. The manual explained the network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers. It also include the management and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption. Continuous reviews and updates are conducted accordingly to reflect any changes in Petra Energy Group of Company Policies to avoid conflict or inconsistencies.

Insurance and Physical Safeguards

The Group undertakes adequate insurance and ensure physical safeguard on assets are in place to ensure that the assets are sufficiently covered against any mishap that will result in material losses.

Information and Communication

While the management is responsible to ensure proper implementation of internal control procedures, the Board can request to review the state of internal controls as and when it deems necessary. The Board can request for information and clarification from management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts, and any costs shall be borne by the Company.

Statement on Risk Management and Internal Control

Audit Committee

The Audit Committee has been established by the Board since year 2002. The Audit Committee comprises three (3) members of the Board, majority of whom are independent directors. Its terms of reference together with the Audit Committee Report are disclosed in pages 42 to 47 of this Annual Report.

Internal Audit Function

The Audit Committee has established the Internal Audit Function since July 2011. The Group Internal Audit ("GIA" or "the Department") of Petra Energy Bhd acts as an independent appraisal function to assist the Audit Committee in discharging their duties and to provide assurance to Management and the Board that all internal controls are in place, adequate and functioning effectively within the acceptable limits and expectations. GIA strives to provide the means for the Company to accomplish its control objectives by introducing a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes. The purpose, authority and responsibility of GIA as well as the nature of assurance and consultancy activities provided to the Company are clearly stated in the Internal Audit Charter as approved by the Audit Committee in year 2011. In order to preserve its independence, GIA directly reports to the Audit Committee and administratively to the Chief Executive Officer of PEB.

Activities of GIA are guided by the Annual Internal Audit Plan which is reviewed and approved by the Audit Committee on a yearly basis. The risk-based audit plan is developed to cover strategic, operational, information technology and financial activities that are significant to the overall performance of the Company. GIA primarily acts as an assurance unit which reviews the effectiveness of the system of internal control, highlighting any areas for improvement and recommend enhancement to the internal controls where necessary and to minimize or eliminate the risk of internal fraud and irregularities.

As an integral part of the management process, GIA furnishes the Management with independent analysis, appraisals, counsel and information on the activities under review. The key internal audit activities that add value to the Group can be summarized as follows:

1. Serve the Audit Committee and the Management with high-quality professional internal audit products;

2. Solidify the foundation for the provision of effective delivery of audit services;

3. Perform the internal audit work in an efficient and effective manner and to evaluate the results of audit tests within a business context;

4. Identifying continuous process and business improvement activities, including opportunities to improve the efficiency and effectiveness of controls to achieve an optimal balance between risk and control;

5. Communicate audit results in the most efficient and effective manner that adds value to the management with an alignment to risk and business objectives;

6. Continuously develop internal auditing new skill sets to address emerging business challenges.

In year 2013, thirteen (13) audit works have been carried out i.e. seven (7) as per approved Audit Plan 2013 and six (6) as per requested by the Management. The audit coverage encompasses evaluation of effectiveness and efficiency of the system of internal control in the Company. Key audit engagements in year 2013 were based on the following objective categories:

1. High level review of management control within PEB Group of Companies.

2. Review of procurement activities within PEB group of companies.

3. Consultancy engagement i.e. SCM review, IT Policy review and other policies review.

4. Review of Petra Marine activities.

5. Compliance review on Corporate Governance and financial regulations.

The Head of GIA, holds a Bachelor in Accountancy from University Malaya and MBA Degree from London South Bank University. With 18 years of experience of overseeing the operational aspects, revenue assurance and internal audit activities in previous organization such as PLUS Expressways Berhad, Telekom Malaysia Berhad and Syarikat Prasarana Negara Berhad, the Head of GIA offers a wealth of experience in focusing on achieving operational efficiencies, by taking into consideration the risks involved and without compromising the elements of controls.

The Head of GIA currently sits as an observer in the Executive Committee Meeting and Management Committee Meeting where the senior management of the Company discusses and deliberates on issues pertaining to the operations of the Company. He would provide his input and opinion on matters discussed with regards to internal control, where necessary.

Code of Conduct

Our Code of Conduct ("the Code") governs the professional conduct of our employees and outlines their responsibilities to the Group in performing their duties. The various policies and guidelines within the Code spell out the standards and ethics that all employees are expected to adhere to in the course of their work. It highlights the Group's expectations on their professional conduct which includes good attendance, punctuality and appearance, and prohibits instances on alcohol and drug abuse as well as sexual harassment. The Code also covers issues pertaining to employee commitment, confidentiality, in subordination, public statements, and conflicts of interest. The Code is designed to maintain discipline and order in the work place among employees at all levels. It also sets out the circumstances in which such employees would be deemed to have breached the Code and the disciplinary actions that can be taken against them.

Whistle Blower Policy

A Whistle Blower Policy was approved by the BOD in December 2011 and being introduced to all staff in year 2012. The Policy provides a platform for employees to report instances on unethical behaviour, actual or suspected fraud or dishonesty, or a violation of the Company's Code of Conduct or Ethics Policy. The Whistle Blower Policy includes protection for the whistle-blowers from any reprisals as a direct consequence on making such disclosures. It also covers the procedures for disclosure, investigation and the respective outcomes of such investigations. The Group expects its employees to act in the Group's best interests and to maintain high principles and ethical values. The Group will not tolerate any irresponsible or unethical behaviour that would jeopardise its good standing and reputation.

The Board has received an assurance from the CEO and CFO of PEB that the risk management and internal control system is operating adequately and effective, in all material aspects.

Statement On Corporate Governance

The Board recognises the importance of good corporate governance in directing the business of the Group. The Board is fully committed to ensure that the highest standard of corporate governance as articulated in the Principles and Best Practices set out in the Malaysian Code of Corporate Governance 2012 (the "Code") is practised throughout the Group as the underlying principle in discharging its responsibilities and to ensure transparency and corporate accountability.

The Board is pleased to disclose below how the Company has applied the Principles and the extent to which the Company has complied with the Code during the financial year ended 31 December 2013. The Board is of the opinion that it has, in all material respects, complied with the Principles and Best Practices outlined in the Code.

A. THE BOARD OF DIRECTORS

(i) Principal Responsibilities of the Board

Being the highest authority in the Company, the Board as a whole, leads and takes control of the Company. The Board considers the interests of all its stakeholders in its conduct. The Board is primarily responsible for the development of the corporate objectives, the strategic direction, the performance and the corporate governance of Petra Energy and its subsidiaries (the "Group"). The Board is also ultimately responsible for the identification and management of risks profiles, the adequacy and integrity of internal control systems, the succession planning of senior management and the implementation of investor relations programme.

In discharging its responsibilities, the Board is guided by the Code. The Board ensures that compliance is monitored through a process where declarations are obtained from all directors and Management Team on their compliance and this includes disclosure of any conflict of interest situations.

(ii) Board Composition and Balance

During the financial year ended 31 December 2013, the Board comprised two (2) Executive Directors and three (3) Non-Executive Directors, two (2) of whom are independent.

This composition met the Main Market Listing Requirements ("MMLR") of Bursa Securities, which requires a minimum of two (2) or one third (1/3) of the directors, whichever is the higher, to be independent directors. The two (2) Executive Directors have overseen the daily operations and management whilst the three (3) Non-Executive Directors with different backgrounds have added value to the Company's business by bringing in a mix of their respective knowledge, expertise, experience and skills. The detailed profile of each Director is disclosed in pages 16 to 20 of this annual report.

The two (2) Independent Directors do not participate in the day to day management of the Group and do not engage in any business dealing or other relationship with the Company to ensure that they are capable of exercising judgment objectively and act in the best interest of the Company. They provide unbiased and independent views, advise, opinions and judgement in the Board decision making process. The two (2) independent directors of Petra Energy, who are respected professionals in their own rights and have demonstrated their continued professionalism in discharging their duties, also ensure the proper functioning of the Board as a whole. With this composition, the Board has been well balanced such that no individual or small group of individuals could dominate the Board's decision making.

The Executive Directors are primarily responsible for the effective functioning of the Board, as they have intimate knowledge and experience in the core business activities of the Group. The responsibility of running the Group's business as a whole was mainly tasked upon the Executive Directors.

(iii) Board Meetings

The Board meets regularly and anticipates at least four (4) Board meetings during a financial year. Additional meeting(s) may be convened as and when deemed necessary where decisions or deliberations on urgent matters are required between the scheduled meetings.

All Directors have unrestricted access to any information pertaining to the Group's affairs and the duty to make further enquiries, advice and services from the Management Team and the Company Secretaries. The Board may also seek advice from independent professional experts at the Company's expense, if necessary. The Board believes that the current company secretaries are capable of carrying out their duties to ensure the effective functioning of the Board and relevant rules and regulations are being complied with.

The Board met seven (7) times during the financial year ended 31 December 2013 and the details of the attendance of Directors during the financial year under review are as set out below:

Names of Directors	Attendance*	Percentage of Attendance (%)
Ahmadi bin Yusoff	7/7	100
Abdul Rahim bin Abdul Hamid	7/7	100
Ahmad Azra bin Salleh	7/7	100
Dato' Anthony @ Firdauz bin Bujang	7/7	100
Gian Carlo Maccagno `	7/7	100

* Number of meetings attended/Number of meetings held

(iv) Appointment to the Board

The Nomination Committee is responsible for making recommendation relating to any new appointments to the Board. In making those recommendations, the Nomination Committee will take into account the individual's skill, expertise, knowledge, professionalism, integrity, experience and level of other commitments. Any new nomination received is put to the full Board for assessment and approval.

(v) Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being, or if the number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3), shall retire by rotation at each Annual General Meeting of the Company. The retiring directors would be those who have been the longest in office since their election or at least once in every three (3) years and the Directors scheduled for retirement shall be eligible for re-election.

(vi) Directors' Training

All the Directors have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia Securities Berhad for directors of public listed companies.

The Directors of the Company are encouraged to acquaint themselves with the ongoing projects of the Group. They are also encouraged to attend training courses at the Group's expense to enhance their skills and knowledge, where relevant as it would add value to their contributions in their deliberations, discussions and decisions at Board and Board Committee levels.

Statement On Corporate Governance

During the financial year ended 31 December 2013, the Directors have attended the trainings as indicated below:

Names of Directors	Trainings Attended
Abdul Rahim Bin Abdul Hamid	– Building High Performing Directors held from 9 to 13 June 2013; – ICPAS Convention held on 1 and 2 July 2013; – Luncheon Talk by Felda Global Ventures held on 24 September 2013; – National Zakat Symposium held on 8 October 2013; – Global Entrepreneurship Summit held from 11 to 12 October 2013; – Global Accounting & Corporate Social Reporting held on 27 October 2013; – MIA Conference held from 26 to 27 November 2013.
Ahmad Azra Bin Salleh	– Risk Management & Internal Control: Workshops For Audit Committee Members held on 27 November 2013.
Ahmadi Bin Yusoff	– Petra Energy Crisis Simulation held on 19 February 2013; – Validation Workshop held on 25 February 2013; – Envsioning Workshop held from 11 to 12 January 2013; – Brifieng on Petra Energy Bhd New Grading Structure & HAY Grading System held on 22 August 2013; – Petra Energy Bhd Management Team Building Session held from 14 to 15 December 2013.
Dato' Anthony @ Firdauz Bin Bujang	– Petra Energy Crisis Simulation held on 19 February 2013; – Validation Workshop held on 25 February 2013; – Envisioning Workshop held from 11 to 12 January 2013; – Core Values Workshop held on 22 August 2013; – Petra Energy Bhd Management Team Building Session held from 14 to 15 December 2013.
Gian Carlo Maccagno	– Market Outlook Seminar held on 21 January 2013; – Awareness Session on Malaysian Code of Corporate Governance 2012 held on February 2013; – 5 Behavioral Characteristics of Wasco Leaders, Mission and Vision held on 15 April 2013; – Offshore Technology Conference held on 6 to 8 May 2013; – Market Outlook Seminar held on 25 June 2013; – Coaching for Excellence held on 16 July 2013; – Board Agenda Series held on 27 August 2013; – Performance Management System held on 25 October 2013.

The Directors will continue to participate in training programmes to equip themselves and to effectively discharge their duties as Directors as and when beneficial. The Directors have constantly kept themselves updated on both local and international market developments and related issues and the changes in regulations affecting the Company through advisories from regulatory bodies, the management and through self-reading.

(vii) Board Committees

The Board has delegated specific responsibilities to four (4) Board Committees namely, the Audit Committee, Nomination Committee, Remuneration Committee and Board Risk Management Committee; with clearly defined terms of reference ("TOR"), primarily to assist the Board in discharging its duties and responsibilities.

All Board Committees do not have the authority to make decisions on behalf of the Board, but has the authority to examine areas or issues within their respective TOR and to report back to the Board with relevant recommendations. The ultimate responsibility for the final decision on all matters lies with the entire Board.

The composition of the Board Committees and the attendance of the Members at the meetings during the financial year ended 31 December 2013 are as follows:

	Attendance*			
Names of Directors	**AC**	**NC**	**RC**	**BRMC**
Abdul Rahim Bin Abdul Hamid	5/5	1/1	3/3	4/4
Ahmad Azra Bin Salleh	5/5	1/1	3/3	4/4
Gian Carlo Maccagno	5/5	1/1	3/3	4/4

* Number of meetings attended/Number of meetings held

1. Audit Committee

The composition and TOR of the Audit Committee are set out in the Audit Committee Report appearing in pages 42 to 47 of this annual report.

2. Nomination Committee

The Committee are mainly represented by the Non-Executive Directors to oversee the recruitment process as well as assessing the effectiveness of the Board as a whole. The members of the Nomination Committee are as follows:

(i) Encik Ahmad Azra bin Salleh (Chairman) – Independent Non-Executive Director

(ii) Encik Abdul Rahim bin Abdul Hamid – Senior Independent Non-Executive Director

(iii) Mr. Gian Carlo Maccagno – Non-Independent Non-Executive Director

The principal objectives of the Nomination Committee are as follows:

(i) to assess and recommend suitable candidates for appointment to the Board, Board Committees, Board of subsidiary companies and key Company-wide senior management officers of the Company.

(ii) to assess the Directors of the Company and subsidiary companies on an on-going basis, with the view to ensure that the all Boards have the appropriate mix of skills, experiences and other qualities, and the appropriate Board size.

The Nomination Committee is authorised by the Board of Directors to act as follows:

1. To recommend to the Board, candidates for all directorship to be filled by the shareholders or the Board, in the Company and subsidiaries companies.

2. To recommend to the Board, suitable Directors to fill the seats on Board committees.

Statement On Corporate Governance

3. To recommend to the Board, suitable candidates for appointment to key Company-wide senior management positions in the Company.

4. To annually review the required mix of skills, experience and other qualities of the Board, the Board of subsidiary companies and key Company-wide senior management, including core competencies of a Director of the key Company-wide senior management, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors.

5. To establish and implement a process for assessing the effectiveness of the Board and the Board of subsidiary companies as a whole, the effectiveness of each Director and the performance of the key Company-wide senior management.

6. To assess and recommend to the Board, the re-election of Directors retiring by rotation at annual general meetings.

7. To recommend to the Board, the removal of Director including Director of subsidiary companies, and key Company-wide senior management officers if he is ineffective, errant or negligent in discharging his responsibilities.

8. To oversee the appointment, management succession planning and performance evaluation of the key Company-wide senior management officers.

9. To carry out such other responsibilities as may be delegated by the Board from time to time and such other matters as the Nomination Committee considers appropriate.

3. Remuneration Committee

The Committee consist of not less than three (3) members, of which majority shall be Non-Executive Directors. Currently, the Committee members are:

(i) Encik Ahmad Azra bin Salleh (Chairman) Independent Non-Executive Director

(ii) Encik Abdul Rahim bin Abdul Hamid Senior Independent Non-Executive Director

(iii) Mr. Gian Carlo Maccagno Non-Independent Non-Executive Director

The objective of the Remuneration Committee is to recommend to the Board, the remuneration package of the Executive Directors including Directors of subsidiary companies, and key Senior Management officers to ensure that the Executive Directors and key Senior Management officers are fairly rewarded for their contribution to overall performance and that the compensation is reasonable in light of the Group's objectives.

The Committee is authorised by the Board of Directors to act as follows:

1. To review and recommend to the Board, the overall remuneration policy and structure for Executive Directors of the Company including subsidiary companies, and key Senior Management officers to ensure that rewards commensurate with their contributions to the Group's growth and profitability; and that the remuneration policy supports the Group's objectives and shareholder value and is consistent with the Group's culture and strategy.

2. To review annually the performance of the Executive Directors, including Director of subsidiary companies, and key Senior Management officers and recommend to the Board, adjustments in remuneration and/or reward payments, if any, reflecting their contributions for the year. Salaries payable to Executive Directors must not include a commission on or percentage of turnover.

3. To review as and when necessary, with other independent professional advice or outside advice if required, the adequacy of the remuneration and benefit packages of the Executive Directors, including their terms and conditions of service for market comparability and recommends changes to the Board whenever necessary.

4. To ensure that the review and update the job description for Executive Directors are in line with the Company's corporate strategies and direction.

4. Board Risk Management Committee

The Board Risk Management Committee ("BRMC") has been established on 27 April 2010. The BRMC delegates its power to the Risk Working Committee ("RWC") the responsibility for identification and management of operational risks, training and ensuring effective implementation and maintenance of operation and divisional level risk management system. In this respect, RWC will assist BRMC by assuming direct responsibility for the routine risk management activities within the Group. The RWC provides updates on key risk management issues to the BRMC by providing regular reporting of its activities.

The BRMC shall comprise not fewer than three (3) members with at least one (1) member being Independent Non-Executive Director. Currently, the Committee members are as follows:

(i) Encik Abdul Rahim bin Abdul Hamid (Chairman)
Senior Independent Non-Executive Director

(ii) Encik Ahmad Azra bin Salleh
Independent Non-Executive Director

(iii) Mr. Gian Carlo Maccagno
Non-Independent Non-Executive Director

The BRMC has the overall responsibility for overseeing the Group's risk management system, approving appropriate risk management practices and procedures to ensure effectiveness of risk identification, management and monitoring. Its primary roles include the following:

1. To provide regular and timely reporting and update the Board on key risk management issues as well as ad-hoc evaluation and reporting of new ventures/ investments proposals.

2. To ensure the effective implementation of risk treatment policy and procedures.

3. To assist and promote risk awareness so that risk identification, evaluation and management process and culture are adopted throughout the Group.

4. To ensure that risk management is incorporated in the Statement of Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approval of the Board.

The Committee is authorised by the Board of Directors to act as follows:

1. To review the Enterprise Risk Profile/ Register to ensure comprehensive and effective management of key risks.

2. To ensure that strategic risks are considered and addressed at Board level and Executive Directors level.

3. To follow-up on management risk treatment action plans reported by the RWC.

4. To provide regular reporting and timely update on the operations of the Enterprise-Wide Risk Management framework to the Board.

5. To propose to the Board the monetary threshold and qualitative criteria of proposed investment and/or new ventures, which require the evaluation and recommendation of the BRMC before submission to the Board.

6. To review investment and/or new venture proposals prepared by project sponsor which meet the aforesaid threshold and requisite qualitative criteria.

Statement On Corporate Governance

B. DIRECTORS' REMUNERATION

The details of Directors' Remuneration received and/or receivable from the Company and its subsidiaries during the financial year ended 31 December 2013 are as follows:

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Fees	–	398
Salaries, allowances and compensation	1,751	56
Benefits-in-kind	41	–
Defined contribution plan	230	–

Number of Directors whose remuneration falls into the following bands:

	Number of Directors	
	2013	2012
Executive Directors:		
RM600,001 – RM700,000	–	1
RM700,001 – RM800,000	1	–
RM800,001 – RM900,00	–	1
RM900,001 – RM1,500,000	1	–
	2	**2**
Non-Executive Directors:		
RM1 – RM50,000	–	–
RM50,001 – RM100,000	1	–
RM100,001 – RM200,000	2	3
	3	**3**

The Board ensures that the level of remuneration is sufficient to attract and retain Directors needed to run the Group successfully. The component part of remuneration has been structured to link rewards to corporate and individual performance for Executive Directors whilst Non-Executive Directors' remuneration reflects their experience and level of responsibilities.

The Board as a whole determines the remuneration of the Non-Executive Directors, Executive Directors, and the Key Senior Management officers of the Group, with the interested directors abstaining from discussions with respect to their remuneration.

C. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board is responsible in ensuring the financial statements are prepared in accordance with the provisions of the Companies Act, 1965 (the "Act") and the approved accounting standards in Malaysia (the "accounting standards"). The Board considers adherence to the Act and the accounting standards as sufficient to enable it to present a balanced and understandable assessment of the Company and the Group's positions and prospects.

(ii) Internal Controls & Risk Management

The Board has the overall responsibility in maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets. Whilst the Board recognises that it is not realistic to expect complete elimination of all risks, it is confident that the system of internal control within the structure of the Group is capable of mitigating these risks to an acceptable level. The inherent system of internal control is designed to provide reasonable assurance against the risk of material errors, misstatements or irregularities.

Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The Head of Internal Audit has direct access to the Board through the Chairman of the Audit Committee.

(iii) Relationship with Auditors

The Board, through the Audit Committee, has established transparent arrangements for maintaining appropriate relationships with both the external and internal auditors of the Group. These arrangements are included in the Audit Committee's TOR.

D. RELATIONSHIP WITH STAKEHOLDERS

The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders.

(i) Shareholders

The Board values regular communications with shareholders with the objective of providing a clear and complete picture of the Group's performance and position as much as possible. These include various announcements made during the year, the timely release of annual reports, circulars to shareholders, press releases and announcements on quarterly financial results which provide shareholders with an overview of the Group's business and financial performances. The Company also conducts regular dialogues with its institutional shareholders and financial analysts.

(ii) Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM")

The AGM and EGM is the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and raise any questions about the resolutions being proposed during the Meetings and the business operations of the Group.

(iii) Company Website

The Group maintains a corporate website at www.petraenergy.com.my which provides a comprehensive avenue for information such as Corporate Information, Directors' profiles, Board Charter, and Investor Relations including Financial Information, Press Statements and Business Activities to allow shareholders, investors and members of the public to access information on the Group. Shareholders are able to put questions to the Company through its email published in the corporate website and the Company will reply accordingly.

(iv) Annual Report

Another major channel used by the Board to provide its shareholders and investors with information on its business, financials and other key activities is the Annual Report of the Company, which contents are continuously enhanced to take into account the developments, amongst others, in corporate governance. The Board aims to provide and present a clear and comprehensive assessment of disclosures in the Annual Report to shareholders as guided by the principles set out in the MMLR and the Code.

Additional Disclosures

STATUS OF UTILISATION OF PROCEEDS RAISED FROM ANY CORPORATE PROPOSAL

The status of the utilisation of proceeds of approximately RM123,338 mil from the Rights Issue as at 22 April 2014 are as follows:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation
Development and production of Kapal, Banang and Meranti fields under risk service contract	100,000	100,000	12 months
Other upstream oil and gas activities	20,000	20,000	12 months
General working capital	2,338	2,338	12 months
Expenses related to Rights Issue	1,000	10,000	1 month
Total	**123,338**	**123,338**	

SHARE BUY-BACK

There was no share buy-back of the Company's shares during the financial year ended 31 December 2013.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

There were no options, warrants or convertible securities during the financial year as the Company has not issued any options, warrants or convertible securities.

DEPOSITORY RECEIPT PROGRAMME

The Company has not sponsored any depository receipt programme during the financial year ended 31 December 2013.

SANCTIONS AND/OR PENALTIES IMPOSED

There was no sanction and/or penalty imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2013 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm was RM42,000.00.

VARIANCE IN RESULTS

There was no profit estimate, forecast or projection made by the Company for the financial year ended 31 December 2013.

There was no deviation of 10% or more in the profit after tax and minority interest between the audited and the unaudited results announced for the financial year ended 31 December 2013.

PROFIT GUARANTEES

During the financial year ended 31 December 2013, there was no profit guarantee given by the Company.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Neither the Company nor any of its subsidiary companies had entered into any material contracts (not being contracts entered into in the ordinary course of business) which involved Directors and/or major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2013, or entered into since the end of the previous financial year except that the Company had on 17 January 2013 entered into a conditional Sale of Shares Agreement ("SSA") with Shorefield Offshore Services Sdn. Bhd. ("SOSSB"), Ahmadi bin Yusoff, Hafitz bin Khalid and Kamarul Baharin bin Albakri (collectively referred to as the "Vendors") to acquire 200,000 ordinary shares of RM1.00 each in KAS Ship Management Sdn. Bhd. ("KAS") ("Sale Shares"), representing 100% equity interest in KAS for a total purchase consideration of RM3.0 million ("Proposed Acquisition"). Approval from the shareholders of the Company for the Proposed Acquisition has been obtained on 27 February 2013. The completion of the Proposed Acquisition is subject to compliance with the term of the SSA and certain conditions.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE ("RRPTS")

The information on RRPTs for the financial year is presented in the Audited Financial Statements in this Annual Report and the Circular to Shareholders.

Statement Of Directors' Responsibility
In Relation To The Financial Statements

The Directors are required to take reasonable steps in ensuring that the financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, 1965, applicable financial reporting standards and approved accounting standards in Malaysia so to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and the cash flows of the Group and the Company for that year then ended.

The Directors consider that in preparing the financial statements for the year ended 31 December 2013:

- the Group and the Company have adopted the appropriate accounting policies and applied them consistently;
- reasonable and prudent judgements and estimates have been made;
- all applicable approved accounting standards in Malaysia have been followed; and
- the financial statements have been prepared on a going concern basis.

The Directors are also responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy at any time of the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps that appropriate systems are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities and material misstatements. Such systems, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Financial Statements

Directors' Report

The Directors are pleased to submit their annual report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Group are disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	12,537	104
Profit attributable to:		
Owners of the Company	12,735	104
Non-controlling interests	(198)	–
	12,537	104

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2012 was as follows:

	RM'000
Interim tax exempt (single-tier) dividend of 1.0 sen per ordinary share of 50 sen each, on 214,500,000 ordinary shares, declared on 25 February 2013 and paid on 30 April 2013	2,145

On 25 February 2014, the Directors declared a single tier interim dividend of 1.0 sen per ordinary share of 50.0 sen each on 321,750,000 ordinary shares for the year ended 31 December 2013, amounting to RM3,217,500 and payable on 15 May 2014.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2013.

ISSUE OF SHARES

During the financial year, 107,250,000 new ordinary shares of RM0.50 per share were issued by the Company through a Rights Issue at an issue price of RM1.15 per ordinary share, details of which are disclosed in Note 20 to the financial statements, for working capital and project financing purposes.

The above mentioned ordinary shares rank pari-passu in all respects with the existing ordinary shares of the Company.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIRECTORS

The Directors who have held office during the financial period since the date of the last report are:

Abdul Rahim Bin Abdul Hamid
Ahmad Azra Bin Salleh
Ahmadi Bin Yusoff
Dato' Anthony @ Firdauz Bin Bujang
Gian Carlo Maccagno

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

DIRECTORS' INTERESTS

None of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and financial position were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

Directors' Report

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 29 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 April 2014.

DATO' ANTHONY @ FIRDAUZ BIN BUJANG
DIRECTOR

ABDUL RAHIM BIN ABDUL HAMID
DIRECTOR

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Anthony @ Firdauz Bin Bujang and Abdul Rahim Bin Abdul Hamid, two of the Directors of Petra Energy Bhd, state that, in the opinion of the Directors, the financial statements set out on pages 72 to 131 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2013 and of the results and cash flows of the Group and Company for the financial year ended on the date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The supplementary information set out in Note 35 on page 132 have been prepared with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 April 2014.

DATO' ANTHONY @ FIRDAUZ BIN BUJANG
DIRECTOR

ABDUL RAHIM BIN ABDUL HAMID
DIRECTOR

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mohamad Zaidee Bin Abang Hipni, being the officer primarily responsible for the financial management of Petra Energy Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 72 to 132 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Mohamad Zaidee Bin Abang Hipni)
at Petaling Jaya in Malaysia on 22 April 2014) **MOHAMAD ZAIDEE BIN ABANG HIPNI**

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of Petra Energy Bhd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Petra Energy Bhd on pages 72 to 131, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 34.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 35 on page 132 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
(No. 2910/02/15 (J))
Chartered Accountant

Kuala Lumpur, Malaysia
22 April 2014

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	4	490,645	654,080	10,860	13,360
Cost of sales		(423,275)	(554,292)	–	–
Gross profit		67,370	99,788	10,860	13,360
Other income	5	17,142	2,354	3	624
Administrative expenses		(76,045)	(73,779)	(22,657)	(18,240)
Profit/(loss) from operations		8,467	28,363	(11,794)	(4,256)
Finance income		3,947	905	12,676	10,787
Finance costs	6	(11,110)	(13,382)	(5)	–
Share of results of associate		(20)	–	–	–
Profit before tax	7	1,284	15,886	877	6,531
Income tax credit/(expense)	10	11,253	(8,459)	(773)	1,051
Profit for the financial year		12,537	7,427	104	7,582
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
– Currency translation differences		1,578	–	–	–
Other comprehensive income for the financial year, net of tax		1,578	–	–	–
Total comprehensive income for the financial year		14,115	7,427	104	7,582
Profit/(loss) for the financial year attributable to:					
Owners of the Company		12,735	7,469	104	7,582
Non-controlling interests		(198)	(42)	–	–
		12,537	7,427	104	7,582
Total comprehensive income/(expense) attributable to:					
Owners of the Company		14,313	7,469	104	7,582
Non-controlling interests		(198)	(42)	–	–
		14,115	7,427	104	7,582
Earnings per share attributable to the owners of the Company (sen per share)					
Basic/diluted	11	4.20	3.32		

The notes set out on pages 79 to 131 form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	445,245	425,475	4,558	1,317
Trade and other receivables	13	2,357	13,207	232,365	–
Investments in subsidiaries	14	–	–	47,945	48,845
Investment in associate	15	5,980	–	–	–
Goodwill		168	–	–	–
Deferred tax assets	16	–	548	–	–
		453,750	439,230	284,868	50,162
CURRENT ASSETS					
Inventories	17	21,154	39,632	–	–
Trade and other receivables	13	259,823	205,364	50,870	217,531
Amount due from customers on contracts	18	19,510	16,996	–	–
Tax recoverable		6,747	6,263	115	734
Cash and bank balances	19	112,754	102,689	59,438	507
		419,988	370,944	110,423	218,772
Total assets		873,738	810,174	395,291	268,934
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	20	160,875	107,250	160,875	107,250
Share premium	21	138,934	69,880	138,934	69,880
Merger reserve	22	(31,000)	(31,000)	–	–
Currency translation reserve		1,578	–	–	–
Retained earnings		211,625	201,035	88,535	90,576
		482,012	347,165	388,344	267,706
Non-controlling interests		483	512	–	–
Total equity		482,495	347,677	388,344	267,706

Statements of Financial Position
As at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
NON-CURRENT LIABILITIES					
Loans and borrowings	23	104,771	19,391	–	–
Hire purchase liabilities	24	79	10	–	–
Deferred tax liabilities	16	25,648	38,708	274	236
		130,498	58,109	274	236
CURRENT LIABILITIES					
Loans and borrowings	23	94,421	174,898	–	–
Hire purchase liabilities	24	19	15	–	–
Trade and other payables	25	165,718	228,655	6,673	992
Provisions	26	284	223	–	–
Amount due to customers on contracts	18	120	564	–	–
Income tax payable		183	33	–	–
		260,745	404,388	6,673	992
Total liabilities		391,243	462,497	6,947	1,228
Total equity and liabilities		873,738	810,174	395,291	268,934

The notes set out on pages 79 to 131 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2013

		Attributable to Owners of the Company							
		Non-distributable				Distributable			
	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
2013									
At 1 January 2013		107,250	69,880	(31,000)	–	201,035	347,165	512	347,677
Profit/(loss) for the financial year		–	–	–	–	12,735	12,735	(198)	12,537
Other comprehensive income for the financial year		–	–	–	1,578	–	1,578	–	1,578
Total comprehensive income/ (expense) for the financial year		–	–	–	1,578	12,735	14,313	(198)	14,115
Transactions with owners:									
Interim dividend in respect of the financial year ended 31 December 2012	34	–	–	–	–	(2,145)	(2,145)	–	(2,145)
Rights shares issued	20, 21	53,625	69,712	–	–	–	123,337	–	123,337
Share issue expense	21	–	(658)	–	–	–	(658)	–	(658)
Share of net assets acquired in a subsidiary		–	–	–	–	–	–	169	169
		53,625	69,054	–	–	(2,145)	120,534	169	120,703
At 31 December 2013		160,875	138,934	(31,000)	1,578	211,625	482,012	483	482,495
2012									
At 1 January 2012		107,250	69,880	(31,000)	–	194,639	340,769	554	341,323
Total comprehensive income/ (expense) for the financial year		–	–	–	–	7,469	7,469	(42)	7,427
Transactions with owners:									
Final dividend in respect of the financial year ended 31 December 2011	34	–	–	–	–	(1,073)	(1,073)	–	(1,073)
		–	–	–	–	(1,073)	(1,073)	–	(1,073)
At 31 December 2012		107,250	69,880	(31,000)	–	201,035	347,165	512	347,677

The notes set out on pages 79 to 131 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2013

	Note	Non-distributable		Distributable	
		Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
2013					
At 1 January 2013		107,250	69,880	90,576	267,706
Total comprehensive income for the financial year		–	–	104	104
Transactions with owners:					
Interim dividend in respect of the financial year ended 31 December 2012	34	–	–	(2,145)	(2,145)
Rights share issued	20, 21	53,625	69,712	–	123,337
Share issue expenses	21	–	(658)	–	(658)
		53,625	69,054	(2,145)	120,534
At 31 December 2013		160,875	138,934	88,535	388,344
2012					
At 1 January 2012		107,250	69,880	84,067	261,197
Total comprehensive income for the financial year		–	–	7,582	7,582
Transactions with owners:					
Final dividend in respect of the financial year ended 31 December 2011	34	–	–	(1,073)	(1,073)
		–	–	(1,073)	(1,073)
At 31 December 2012		107,250	69,880	90,576	267,706

The notes set out on pages 79 to 131 form an integral part of these financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		1,284	15,886	877	6,531
Adjustments for:					
Finance income		(3,947)	(905)	(12,676)	(10,787)
Finance costs		11,110	13,382	5	–
Unrealised foreign exchange gain		(1,784)	(1,231)	–	–
Negative goodwill arising from acquisition	29	(12,835)	–	–	–
Property, plant and equipment					
– Depreciation charge		30,623	26,635	1,373	931
– Impairment loss		8,904	–	–	–
– Written off		121	41	77	–
– Loss on disposal		–	36	–	–
Net impairment loss/(reversal of impairment) on:					
– Trade receivables		1,722	1,849	–	–
– Other receivables		1,394	650	125	–
– Amount due from an associate		158	–	–	–
– Amount due from a subsudiary		–	–	–	(284)
– Investment in a subsidiary		–	–	900	(100)
Trade receivables written off		3,605	871	–	–
Share of results of an associate		20	–	–	–
Inventories written down		–	427	–	–
Provision for liquidated ascertained damages		107	223	–	–
Dividend income		–	–	(7,500)	(10,000)
		40,482	57,864	(16,819)	(13,709)
Changes in working capital:					
Inventories		18,478	(3,004)	–	–
Trade and other receivables		1,666	(23,967)	(1,233)	(291)
Amount due (to)/from customers on contracts		(2,958)	4,512	–	–
Trade and other payables		(63,038)	23,590	1,810	93
Cash flows (used in)/generated from operations		(5,370)	58,995	(16,242)	(13,907)
Taxation paid		(1,637)	(3,248)	(116)	(484)
Net cash flows (used in)/generated from operating activities		(7,007)	55,747	(16,358)	(14,391)

Statements of Cash Flows
For the Financial Year Ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash and cash equivalents		268	–	–	–
Acquisition of interest in an associate company		(6,000)	–	–	–
Purchase of property, plant and equipment		(10,364)	(27,064)	(4,691)	(1,000)
Proceeds from disposal of property, plant and equipment		–	352	–	–
Advances to:					
– Associate		(47,220)	–	–	–
– Subsidiary		–	–	(49,772)	(9,900)
Dividend income from a subsidiary		–	–	7,500	10,000
Additional investment in a subsidiary		–	–	–	(1,000)
Interest received		2,560	905	1,723	54
Net cash flows used in investing activities		(60,756)	(25,807)	(45,240)	(1,846)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid on ordinary shares	34	(2,145)	(1,073)	(2,145)	(1,073)
Proceeds from issuance of shares	20, 21	123,337	–	123,337	–
Share issue expenses	21	(658)	–	(658)	–
Repayment of loans and borrowings		(93,999)	(53,005)	–	–
Proceeds from loans and borrowings		130,865	39,811	–	–
Repayment of obligations under hire purchase		(17)	(47)	–	–
Repayment of obligations under finance leases		(49,805)	(11,378)	–	–
Repayment of advances to corporate shareholder		(18,146)	–	–	–
Interest paid		(10,184)	(12,601)	(5)	–
Net cash flows generated from/(used in) financing activities		79,248	(38,293)	120,529	(1,073)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,485	(8,353)	58,931	(17,310)
NET DECREASE/(INCREASE) IN RESTRICTED CASH AND CASH EQUIVALENTS		30,574	(11,453)	–	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		68,843	88,649	507	17,817
EFFECTS OF EXCHANGE RATE CHANGES		(84)	–	–	–
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	19	110,818	68,843	59,438	507

The notes set out on pages 79 to 131 form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Group are disclosed in Note 14. There have been no significant changes in the nature of the principal activities during the financial year.

Petra Energy Bhd is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associate.

The registered office and the principal place of business of the Company is located at Suite 13.02, Level 13, Menara OBYU, No. 4, Jalan PJU8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan.

These financial statements were authorised for issue by the Board of Directors in accordance with their resolution dated on 22 April 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparing the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on 1 January 2013 are as follows:

No.	Malaysian Financial Reporting Standards
1	MFRS 10, "Consolidated Financial Statements"
2	MFRS 11, "Joint arrangements"
3	MFRS 12, "Disclosures of Interests in Other Entities"
4	MFRS 13, "Fair Value Measurement"
5	The revised MFRS 127, "Separate Financial Statements"
6	The revised MFRS 128, "Investments in Associates and Joint Ventures"
7	Amendments to MFRS 101, "Presentation of items of other comprehensive income"
8	Amendment to MFRS 119, "Employee benefits"
9	Amendment to MFRS 7, "Financial Instruments: Disclosures"
10	Amendments to MFRS 10, 11 & 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
11	Annual improvements 2009 – 2011 Cycle
12	IC Interpretation 20, "Stripping costs in the production phase of a surface mine"

The impact of the new accounting standards, amendments and improvements to published and existing standards and IC interpretations on the financial statements of the Group and the Company is not material, except for additional disclosures made in Note 14 and Note 15.

(b) Standards early adopted by the Group

The amendments to MFRS 136 "Impairment of assets" removed certain disclosures of the recoverable amount of CGUs which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to standards and interpretations in the following periods:

(i) Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective 1 January 2014) introduce an exception to consolidation of investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following periods: (continued)

(i) Financial year beginning on/after 1 January 2014 (continued)

- IC Interpretation 21, "Levies" (effective from 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligation event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

(ii) Effective date yet to be determined by Malaysian Accounting Standards Board

- MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by the Board.

The impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and the Company is currently being assessed by management.

2.2 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Acquisitions of subsidiaries are accounted for by applying the acquisition method except for Petra Resources Sdn Bhd and Petra Fabricators Sdn Bhd, which were accounted for by applying the pooling of interest method.

For acquisition method, the consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any excess of the consideration transferred over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.6. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

For pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

2.3 Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries and associates are accounted for at cost less any impairment charges. Dividends received from subsidiaries and associates are recorded as a component of revenue in the Company's separate income statement. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within other income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency (continued)

(c) Group companies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Property, plant and equipment

All items of property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the plant and equipment. Leasehold land classified as finance lease is depreciated in equal installment over the period of the respective leases. The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	50 – 879 years
Leasehold buildings	50 years
Vessels and other marine assets	4% – 20%
Dry docking	20%
Plant and machinery	10%
Cabin, field and workshop equipment	10% – 20%
Motor vehicles	20%
Furniture, fittings and office equipment	20%
Air conditioner, computer, signboard, renovation and electrical installation	20% – 50%

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.7 on impairment of non-financial assets.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Goodwill

Goodwill arises on business combinations is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.7 Impairment of non-financial assets

Goodwill is tested annually for impairment. Assets that are subjected to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.9 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss. If loans and receivables has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market value.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, pledged deposits and cash restricted in use.

2.12 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Variations in contract work, claims and incentive payments are included in contract revenue to the extent agreed with the customer and are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts. Progress billings not yet paid by customers and retention are included within ‘trade and other receivables’.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

(a) Raw materials: purchase costs on a first-in first-out basis.

(b) Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group's and the Company's other financial liabilities include trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities (continued)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.17 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group makes contributions to the Employees' Provident Fund, a statutory defined contribution pension scheme in Malaysia. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.18 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial guarantee contracts (continued)

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

2.19 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.20(h).

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. Revenue is shown net of goods and services tax, returns, rebates and discounts and other eliminating sales within the Group.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue (continued)

(b) Rendering of services

Revenue from the hook up and commissioning as well as engineering services are recognised by reference to the stage of completion at the reporting date. Stage of completion is determined by reference to related cost and labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) Charter hire of vessel

Charter hire of vessels are recognised when the services are rendered on a time accrual basis.

(d) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.12.

(e) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(f) Management fees

Management fees are recognised when services are rendered.

(g) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(h) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.21 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief operating decision-maker, which in this case is the Group Chief Executive Officer, who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared. Incremental costs directly attributable to the issue of are shares are deducted against share premium account.

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group, or a present obligation or asset whereby it is not probable to estimate the amount reliably.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company, but are disclosed as contingencies unless the probability of outflow/inflow of economic benefits is remote.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Depreciation of vessels

The Group's costs of the vessels less their estimated residual values are depreciated on a straight-line basis over the estimated useful lives. The useful lives and residual values of the vessels are an estimation and these are common estimations applied in the shipping industry. Changes in market development and individual conditions of the vessel might impact the economic useful life and the residual values. Accordingly, future depreciation charges could be subject to revision.

The carrying amount of the Group's vessels at the reporting date is disclosed in Note 12.

(b) Impairment review of carrying value of vessels

The Group reviews periodically whether there is any indication of impairment for the vessels in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of each vessel, being defined as a cash generating unit, have been determined based on fair value less cost to sell based on an independent valuation report.

As at 31 December 2013, the Directors have evaluated the carrying amounts of vessels against their recoverable amounts. As a result of their review, an impairment charge of RM8,904,000 was recognised in the financial year ended 31 December 2013.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1 Key sources of estimation uncertainty (continued)

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 13.

(d) Construction contracts

The Group recognises contract revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

Where the total actual revenue and cost incurred are different from the total estimated revenue and cost incurred, such differences will impact the contract profit or losses recognised.

The carrying amounts of assets and liabilities of the Group arising from contract activities are disclosed in Note 18.

(e) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Impairment of investments

The Company assesses impairment of the investments mentioned in Note 14 to the financial statements whenever the events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable i.e. the carrying amount of the investment is more than the recoverable amount.

Projected future cash flows are based on Company's judgements in terms of assessing future uncertain parameters such as estimated revenue growth, operating costs, margins, future inflationary figures, appropriate discount rates and other available information. These judgements are based on the historical track record and expectations of future events that are believed to be reasonable under the current circumstances.

The assumptions used, results and conclusion of the impairment assessment are disclosed in Note 14 to the financial statements.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

4. REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rendering of services	261,067	325,085	–	–
Sale of goods	8,250	10,361	–	–
Charter hire of vessels	186,664	272,900	–	–
Contract revenue	34,664	45,734	–	–
Dividend income from a subsidiary	–	–	7,500	10,000
Management fees from subsidiaries	–	–	3,360	3,360
	490,645	654,080	10,860	13,360

5. OTHER INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Negative goodwill arising from acquisition	12,835	–	–	–
Net gain on foreign exchange – unrealised	1,784	1,231	–	–
Net gain on foreign exchange – realised	–	163	–	–
Others	2,523	960	3	624
	17,142	2,354	3	624

6. FINANCE COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on:				
– Term loans	2,497	4,716	–	–
– Obligations under finance lease	777	5,030	–	–
– Revolving credits	4,868	3,014	–	–
– Other borrowings	1,172	–	–	–
Other finance charges	1,796	622	5	–
	11,110	13,382	5	–

7. PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at profit before tax:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Auditors' remuneration:				
– statutory audit	354	320	60	40
– non-audit fees	42	40	42	5
Employee costs (Note 8)	155,967	158,341	13,568	10,757
Non-executive Directors' remuneration (Note 9)	454	477	454	477
Property, plant and equipment				
– Depreciation charge	30,623	26,635	1,373	931
– Impairment loss	8,904	–	–	–
– Write off	121	41	77	–
– Loss on disposal	–	36	–	–
Net, impairment loss/(reversal of impairment) in:				
– Trade receivables	1,722	1,849	–	–
– Other receivables	1,394	650	125	–
– Amount due from an associate	158	–	–	–
– Amount due from a subsidiary	–	–	–	(284)
– Investment in a subsidiary	–	–	900	(100)
Trade receivables written off	3,605	871	–	–
Inventories written down (Note 17)	–	427	–	–
Provision for liquidated ascertained damages	107	223	–	–
Operating lease:				
– charter hire of vessels	77,967	145,277	–	–
– rental of equipments	38,988	33,324	50	–
– rental of land and buildings	3,550	3,355	786	689
Net loss on foreign exchange – realised	2,327	–	–	–

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages and salaries	145,013	149,151	9,830	8,883
Social security contributions	168	263	40	32
Contributions to defined contribution plan	3,548	3,820	1,378	1,042
Other benefits	7,238	5,107	2,320	800
	155,967	158,341	13,568	10,757

Included in employee costs of the Group and the Company are Executive Directors' remuneration amounting to RM1,981,000 (2012: RM1,419,000).

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

9. DIRECTORS' REMUNERATION

The details of remuneration receivable by Directors of the Company during the year are as follows:

	Group and Company 2013 RM'000	2012 RM'000
Executive:		
Salaries, allowances and compensation	1,751	1,250
Defined contribution plan	230	169
Total executive Directors' remuneration (excluding benefits-in-kind)	1,981	1,419
Estimated money value of benefits-in-kind	41	60
Total executive Directors' remuneration (including benefits-in-kind)	2,022	1,479
Non-Executive:		
Fees and emoluments	454	477
Total Directors' remuneration	2,476	1,956

10. INCOME TAX EXPENSE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current tax				
– Malaysian income tax	1,259	(695)	735	(1,088)
– Deferred tax (Note 16)	(12,512)	9,154	38	37
	(11,253)	8,459	773	(1,051)
Current tax				
– Current financial year	1,584	413	735	–
– Over accrual in prior financial year	(325)	(1,108)	–	(1,088)
Total current tax	1,259	(695)	735	(1,088)
Deferred tax (Note 16)				
– Origination and reversal of temporary differences	(12,512)	9,154	38	37
Total income tax (credit)/expense	(11,253)	8,459	773	(1,051)

10. INCOME TAX EXPENSE (CONTINUED)

The explanation of the relationship between income tax expense and profit before tax is as follows:

Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax	1,284	15,886	877	6,531
Tax calculated at the applicable Malaysian tax rate of 25% (2012: 25%)	321	3,972	219	1,633
Tax effects of:				
– Effect of tax rate in other jurisdiction	(1,172)	–	–	–
– Expenses not deductible for tax purposes	4,623	3,398	2,429	904
– Income not subject to tax	(3,209)	–	(1,875)	(2,500)
– Utilisation of deferred tax assets previously not recognised	(648)	–	–	–
– Deferred tax assets not recognised	–	2,836	–	–
– Reversal of temporary differences previously recognised*	(15,619)	–	–	–
– Under/(over) accrual in prior financial year	4,451	(1,747)	–	(1,088)
	(11,253)	8,459	773	(1,051)

* The tax credit recognised is mainly arising from the reversal of the temporary differences previously recognised as a result of internal restructuring within the Group.

11. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the Company of RM12,735,000 (2012: RM7,469,000) by the weighted average number of ordinary shares outstanding during the financial year of 302,974,000 (2012: 225,225,000).

	Group	
	2013	2012 Restated
Profit attributable to owners of the Company (RM'000)	12,735	7,469
Weighted average number of shares in issue ('000)	302,974	225,225
Basic/diluted EPS (sen)	4.20	3.32

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.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Leasehold buildings RM'000	Vessels and other marine assets RM'000	Dry docking RM'000	Plant and machinery RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Air-conditioner, computer, signboard, renovation and electrical installation RM'000	Total RM'000
31.12.2013										
Cost	16,410	15,447	520,142	17,105	11,122	39,764	5,053	6,468	19,313	650,824
Accumulated depreciation and accumulated impairment losses	(1,295)	(3,767)	(115,966)	(14,984)	(10,144)	(36,580)	(4,103)	(5,354)	(13,386)	(205,579)
Net book value	15,115	11,680	404,176	2,121	978	3,184	950	1,114	5,927	445,245
31.12.2012										
Cost	16,410	15,447	466,805	17,105	11,111	39,032	5,031	6,277	15,472	592,690
Accumulated depreciation and accumulated impairment losses	(1,157)	(3,460)	(85,241)	(11,486)	(9,849)	(34,505)	(3,883)	(5,158)	(12,476)	(167,215)
Net book value	15,253	11,987	381,564	5,619	1,262	4,527	1,148	1,119	2,996	425,475

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land RM'000	Leasehold buildings RM'000	Vessels and other marine assets RM'000	Dry docking RM'000	Plant and machinery RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Air-conditioner, computer, signboard, renovation and electrical installation RM'000	Total RM'000
Net book value										
At 1 January 2013	15,253	11,987	381,564	5,619	1,262	4,527	1,148	1,119	2,996	425,475
Acquisition of subsidiary	–	–	46,275	–	–	–	–	4	–	46,279
Additions	–	–	3,715	–	11	732	102	471	5,423	10,454
Disposal	–	–	–	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–	(6)	(115)	(121)
Depreciation charge	(138)	(307)	(21,159)	(3,498)	(295)	(2,075)	(300)	(474)	(2,377)	(30,623)
Impairment charge	–	–	(8,904)	–	–	–	–	–	–	(8,904)
Exchange differences	–	–	2,685	–	–	–	–	–	–	2,685
At 31 December 2013	15,115	11,680	404,176	2,121	978	3,184	950	1,114	5,927	445,245
At 1 January 2012	6,888	4,181	393,083	9,117	1,631	4,747	1,286	1,148	3,394	425,475
Additions	8,503	8,100	5,889	–	–	1,660	10	496	2,406	27,064
Disposal	–	–	–	–	(9)	–	(6)	(13)	(360)	(388)
Write-off	–	(1)	–	–	–	(2)	–	(33)	(5)	(41)
Depreciation charge	(138)	(293)	(17,408)	(3,498)	(360)	(1,878)	(142)	(479)	(2,439)	(26,635)
At 31 December 2012	15,253	11,987	381,564	5,619	1,262	4,527	1,148	1,119	2,996	425,475

During the financial year, the Group had recognised an impairment loss of RM8,904,000 to impair a vessel to its recoverable amount due to the change in the fair value of the vessel. The recoverable amount is measured at its fair value less cost to sell based on an independent valuation report.

The Group's vessels and leasehold land and buildings with a carrying amount of RM230,952,000 (2012: RM237,849,000) and RM16,274,000 (2012: RM16,446,000) respectively are pledged to secure the Group's borrowings (Note 23).

In 2012, the Group revised the estimated residual values of vessels and motor vehicles to RM33,248,260. The revision in estimate had been applied on a prospective basis from 1 January 2012 and this had resulted in higher depreciation charges by RM806,606 in the previous financial year.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Air conditioner, computer, signboard, renovation and electrical installation RM'000	Total RM'000
Company				
2013				
Cost	5	902	6,331	7,238
Accumulated depreciation	(1)	(455)	(2,224)	(2,680)
Net book value	4	447	4,107	4,558
2012				
Cost	5	579	2,623	3,207
Accumulated depreciation	–	(299)	(1,591)	(1,890)
Net book value	5	280	1,032	1,317
Net book value				
At 1 January 2013	5	280	1,032	1,317
Additions	–	323	4,368	4,691
Write off	–	–	(77)	(77)
Depreciation charge	(1)	(156)	(1,216)	(1,373)
At 31 December 2013	4	447	4,107	4,558
Net book value				
At 1 January 2012	–	385	863	1,248
Additions	5	9	986	1,000
Write off	–	–	–	–
Depreciation charge	–	(114)	(817)	(931)
At 31 December 2012	5	280	1,032	1,317

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Trade receivables:				
Third parties	80,331	104,662	–	–
Accrued revenue	100,674	89,001	–	–
Associate company	916	–	–	–
Retention sum	26,426	10,056	–	–
Gross trade receivables	208,347	203,719	–	–
Less: Allowance for impairment				
– Third parties	(12,803)	(11,427)	–	–
– Associate	(158)	–	–	–
	195,386	192,292	–	–
Other receivables:				
Amounts due from:				
– Subsidiaries	–	–	48,647	216,417
– Associate	48,610	–	1	–
Deposits	2,826	1,964	1,567	992
Prepayments	10,992	6,963	328	63
Sundry receivables	3,628	4,977	452	59
Gross other receivables	66,056	13,904	50,995	217,531
Less: Allowance – sundry receivables	(1,619)	(832)	(125)	–
	64,437	13,072	50,870	217,531
Total current receivables, net	259,823	205,364	50,870	217,531
Non-current				
Trade receivables:				
Third parties	2,357	–	–	–
Retention sum	–	13,207	–	–
Gross trade receivables	2,357	13,207	–	–
Other receivables:				
Amounts due from subsidiaries	–	–	232,365	–
Total non-current receivables	2,357	13,207	232,365	–

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2013 RM'000	2012 RM'000
Neither past due nor impaired	191,219	175,535
1 to 30 days past due not impaired	3,846	18,337
31 to 60 days past due not impaired	2,426	2,317
61 to 90 days past due not impaired	252	2,207
More than 91 days past due not impaired	–	7,103
Total – Past due not impaired	6,524	29,964
More than 91 days – impaired	12,961	11,427
Gross trade receivables	210,704	216,926

Receivables that are neither past due nor impaired

Trade receivables from third parties are unsecured, non-interest bearing and are generally on 30 to 90 days (2012: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables from third parties that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Accrued revenues and retention sum balances are neither past due nor impaired and are recognised upon service rendered which represents their fair value on initial recognition.

Amount due from an associate is unsecured, interest free and are repayable within credit term of 30 days.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,524,000 (2012: RM29,964,000) that are past due at the reporting date but not impaired. These balances are unsecured in nature.

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2013 RM'000	2012 RM'000
At 1 January	11,427	10,880
Impairment loss recognised	2,456	1,900
Impairment loss reversed	(576)	(51)
Impairment loss written off	(346)	(1,302)
At 31 December	12,961	11,427

All trade receivables above are individually impaired at the reporting dates as they relate to balances that are unlikely to be collected.

(b) Amounts due from subsidiaries

The non-current amounts due from subsidiaries are unsecured, bear interest at 5.25% (2012: 5.25%) per annum and are repayable on demand.

The current portion of amount due from a subsidiary is unsecured, interest free and are repayable within the next twelve months.

These balances are neither past due nor impaired.

(c) Other receivables

Other receivables are unsecured and short-term in nature. The carrying amounts of the other receivables reasonably approximate their fair value due to the relatively short-term nature.

Amount due from an associate is unsecured, interest free and are repayable within the next twelve months.

At the reporting date, the movement of the allowance account used to record the impairment is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	832	1,876	–	–
Impairment loss recognised	1,394	650	125	–
Impairment loss written off	(607)	(1,694)	–	–
At 31 December	1,619	832	125	–

All other receivables above are individually impaired at the reporting dates as they relate to balances that are unlikely to be collected.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	48,845	48,845
Accumulated impairment losses	(900)	–
	47,945	48,845

Name	Effective interest (%) 2013	2012	Principal activities
Incorporated in Malaysia			
Petra Resources Sdn. Bhd.	100	100	Provision of services in operations and maintenance, oil field optimisation, retrofits, domestic vessels recharter, geophysical, design and fabrication of process equipment and packaging and supply of engineered equipment for the oil and gas industry
Petra Fabricators Sdn. Bhd.	100	100	Design, fabrication, supply and installation of pressure vessels, heat exchangers, skid packages and other process equipment primarily for the oil and gas and petrochemical industries
Petra Services Sdn. Bhd.	100	100	Equipment rental and related services in the oil and gas industry
Petra Marine Sdn. Bhd.	100	100	Ownership and supply of vessels
Petra Energy Development Sdn. Bhd.	100	100	Investment holding
Jurutera Perunding Akal Sdn. Bhd.	70	70	Engineering design and consultancy services
PE Marine Capital Sdn. Bhd.	100	–	Investment holding
PE Ventures Sdn. Bhd.	100	–	Investment holding
Held through Petra Resources Sdn. Bhd.:			
PE Resources Ltd	100	–	Investment holding
Held through Petra Fabricators Sdn. Bhd.:			
PE Industrial Resources Sdn. Bhd. (formerly known as Petra Boilers Sdn. Bhd.)	100	100	Design, fabrication, supply and installation of industrial boilers and ancillary equipment

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Effective interest (%) 2013	2012	Principal activities
Held through Petra Marine Sdn. Bhd.:			
PE Ship Management Sdn. Bhd. (formerly known as KAS Ship Management Sdn. Bhd.)	100	–	Provision of anchor handling tug supply vessels
PE Marine One Ltd (formerly known as KAS Marine Ltd)	100	–	Carry on offshore leasing business
PE Marine Ltd	100	–	To facilitate the leasing of transaction of an accommodation work barge vessel
PE Challenger Ltd	100	–	To facilitate the leasing of transaction of an accommodation work barge vessel
Held through PE Ventures Sdn. Bhd.			
Bumi Subsea Sdn. Bhd.#	51	–	Dormant
Held through Petra Energy Development Sdn. Bhd.			
PE Development Ltd	100	–	Investment holding

Not audited by PwC

(a) Non-controlling interests

The total non-controlling interest of the Group for the financial year is RM 483,262, of which RM402,315 is attributed to Jurutera Perunding Akal Sdn. Bhd. ("JPA"). The non-controlling interest in respect of Bumi Subsea Sdn Bhd is not material.

The information below is before inter-company eliminations.

(i) The summarised statement of comprehensive income for the financial year ended 31 December are as follows:

	JPA 2013 RM'000	2012 RM'000
Revenue	2,664	2,172
(Loss)/profit before tax	(366)	40
Total comprehensive (expense)/income	(366)	40
Total comprehensive (expense)/income attributable to NCI	(109)	12

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests (continued)

(ii) The summarised statement of financial position as at 31 December are as follows:

	JPA	
	2013 RM'000	2012 RM'000
Non-current assets	179	178
Current assets	1,651	2,008
Non-current liabilities	–	(78)
Current liabilities	(309)	(221)
Net assets	1,521	1,887

(iii) The summarised statement of cash flows for the financial year ended 31 December are as follows:

	JPA	
	2013 RM'000	2012 RM'000
Net cash flows from operating activities	269	217
Net cash flows from investing activities	(98)	(136)
Net cash flows from financing activities	(229)	(24)
Net (decrease)/increase in cash and cash equivalent	(58)	57
Net changes in cash restricted in use	(21)	(21)
Cash and cash equivalents at beginning of financial year	140	104
Cash and cash equivalents at end of financial year	61	140

(b) Impairment assessment of investment in a subsidiary

During the financial year, the Company had undertaken the test of impairment of its investment in a subsidiary following an impairment indicator arising from losses incurred by the subsidiary, based on a number of key assumptions as follows:

- The value in use is calculated using the budgeted cash flows of the subsidiary for five years from 2014 to 2018;
- A terminal value based on the cash flows for 2018 at Nil growth rate has been included in the cash flow projections;
- The forecast over these periods reflect the Company's expectation of revenue growth, operating costs and other cash outflow and margins based on past records and current assessment of expectation of market and industry growth; and
- The pre-tax discount rate used to calculate the value in use is 23.58%.

Based on the impairment test performed, the investment in the subsidiary has been impaired by RM900,000.

15. INVESTMENT IN ASSOCIATE

	Group 2013 RM'000
Unquoted shares at cost	6,000
Share of results of associate	(20)
Share of net assets	5,980

The Group's share of revenue, profit, assets and liabilities of an associate are as follows:

	Group 2013 RM'000
Loss after tax	(20)
Current assets	168,207
Current liabilities	(162,929)
Net assets	5,278
Less: Effect of movements in foreign currency	(320)
Add: Goodwill	1,022
	5,980

The details of the associate are as follows:

Name	Country of incorporation	Group's effective interest 2013 %	2012 %
Coastal Energy KBM Sdn Bhd#	Malaysia	30	–

Not audited by PwC. Equity accounted based on management financial statements from date of acquisition to 31 December 2013. The results of this associate are immaterial to the Group.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

15. INVESTMENT IN ASSOCIATE (CONTINUED)

On 29 June 2012, Petroliam Nasional Berhad ("PETRONAS") and CEC International Ltd ("CECI") entered into the small field risk service contract ("SFRSC") for the development and production of petroleum from the Kapal, Banang and Meranti cluster of small fields in offshore Terengganu, Malaysia ("Project"). Pursuant to the terms of the novation agreement dated 10 September 2012 and in accordance with the requirements of the SFRSC, CECI has novated all of its individual rights, interests, benefits and obligations under the SFRSC to Coastal Energy KBM Sdn Bhd ("CEKSB").

On 20 September 2012, the Company through its wholly owned subsidiary, Petra Energy Development Sdn. Bhd. ("PED") proposed to subscribe 30% of the enlarged equity interest in CEKSB ("Proposed Subscription"). Approval from the shareholders of the Company for the Proposed Subscription was obtained on 12 December 2012. The Proposed Subscription had been completed on 17 January 2013. With the completion of the Proposed Subscription, CEKSB became an associate company of the Group.

On 17 January 2013, PED had provided parental guarantee to PETRONAS to ensure performance of SFRC by CEKSB. PED has guaranteed the performance of the contract and it shall assume any loss, damages, costs and expenses arising from the failure or breach of the said contract based on PED's proportionate interest in CEKSB.

The following table summarised the information of CEKSB which are accounted for using the equity method and reconciles the information to the carrying amount of the Group's interest in CEKSB.

(i) The summarised statement of comprehensive income for the financial year ended 31 December are as follows:

	CEKSB 2013 RM'000
Loss for the financial year/total comprehensive expense	(67)
Group's share of loss	20

(ii) The summarised statement of financial position as at 31 December are as follows:

	CEKSB 2013 RM'000
Current assets	560,691
Current liabilities	(543,095)
Net assets	17,596

The information above reflects the amounts presented in the financial statements of the associate adjusted for differences in accounting policies between the Group and the associate.

There are no contingent liabilities relating to the Group's interest in the associate.

16. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
To be recovered more than 12 months				
– Deferred tax liabilities	(21,134)	(38,708)	–	(236)
To be recovered within 12 months				
– Deferred tax assets	–	548	–	–
– Deferred tax liabilities	(4,514)	–	(274)	–
	(25,648)	(38,160)	(274)	(236)
At start of financial year	(38,160)	(29,006)	(236)	(199)
(Charged)/Credited to profit or loss (Note 10):				
– Property, plant and equipment	15,671	(11,679)	(19)	(87)
– Unabsorbed capital allowances	(3,766)	(252)	–	–
– Unutilised business losses	(242)	2,451	–	–
– Others	849	326	(19)	50
	12,512	(9,154)	(38)	(37)
At end of financial year	(25,648)	(38,160)	(274)	(236)
Subject to income tax:				
Deferred tax assets				
Unabsorbed capital allowances	32,500	36,266	–	–
Unutilised business losses	–	242	–	–
Others	3,906	3,679	31	50
Before offsetting	36,406	40,187	31	50
Offsetting	(36,406)	(39,639)	(31)	(50)
After offsetting	–	548	–	–

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

16. DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax liabilities				
Property, plant and equipment	(62,054)	(77,725)	(305)	(286)
Others	–	(622)	–	–
Before offsetting	(62,054)	(78,347)	(305)	(286)
Offsetting	36,406	39,639	31	50
After offsetting	(25,648)	(38,708)	(274)	(236)

The amount of deductible temporary differences, unabsorbed capital allowances and unutilised business losses (all of which have no expiry date) for which no deferred tax asset is recognised in the statements of financial position are as follows:

	Group	
	2013 RM'000	2012 RM'000
Unutilised business losses	19,284	19,422
Unabsorbed capital allowances	321	56
Others	23	2,743
	19,628	22,221

17. INVENTORIES

	Group	
	2013 RM'000	2012 RM'000
Cost:		
Bunker fuel	–	2,078
Consumables	6,529	6,679
Finished goods	30	299
Raw materials	399	399
Work in progress	14,061	30,042
	21,019	39,497
Net realisable value:		
Consumables	135	135
	21,154	39,632

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM132,831,738 (2012: RM168,444,895).

In 2012, the Group had written down inventories by RM427,146 to their net realisable value of RM135,219.

18. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2013 RM'000	2012 RM'000
Construction contract costs incurred to date	44,761	94,184
Attributable profits less accumulated losses	16,413	79,515
	61,174	173,699
Less: Progress billings	(41,784)	(157,267)
	19,390	16,432
Presented as:		
Amount due from customers	19,510	16,996
Amount due to customers	(120)	(564)
	19,390	16,432

Amounts due from customers on contracts are neither past due nor impaired.

19. CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short term deposits with licensed banks	70,606	51,949	47,445	–
Cash on hand and banks balances	42,148	50,740	11,993	507
	112,754	102,689	59,438	507

Deposits of the Group and Company at the end of reporting period have a maturity period of 1 (one) month (2012: 1 – 3 months). The weighted average effective interest rates as at 31 December 2013 for the Group was 3.0% (2012: 2.52%) per annum and for the Company was 3.0% (2012: Nil).

Included in short term deposit is an amount held in Debts Service Reserve Account ("DSRA") of RM6,000 (2012: RM30,601,000) and deposits pledged of RM361,000 (2012: RM340,000) as securities for credit facilities granted to certain subsidiaries.

The gradual build-up in the DSRA will be used to meet the scheduled principal repayment of term loan as disclosed in Note 23.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

19. CASH AND BANK BALANCES (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	112,754	102,689	59,438	507
Less: Bank overdrafts (Note 23)	(1,569)	(2,905)	–	–
Cash and cash equivalents	111,185	99,784	59,438	507
Less: Restricted cash				
– DSRA	(6)	(30,601)	–	–
– Deposits pledged	(361)	(340)	–	–
Net cash and cash equivalents	110,818	68,843	59,438	507

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Counterparties with external credit rating				
– AAA	107,246	102,103	54,437	507
– AA	5,414	475	4,997	–
	112,660	102,578	59,434	507

20. SHARE CAPITAL

	Group and Company			
	Number of shares of RM0.50 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised:				
At 1 January/31 December	1,000,000	1,000,000	500,000	500,000
Issued and fully paid:				
At 1 January	214,500	214,500	107,250	107,250
Issued during the year	107,250	–	53,625	–
At 31 December	321,750	214,500	160,875	107,250

20. SHARE CAPITAL (CONTINUED)

On 13 December 2012, the Company proposed to undertake a renounceable rights issue involving up to 107,250,000 Rights Shares ("Proposed Right Issue") on a basis of one (1) Rights Share for every two (2) existing ordinary shares of RM0.50 each ("Shares") held in the Company. The proceeds from the Proposed Rights Issue will be mainly used for participation in the Project vide CEKSB and further expansion plans into the upstream oil and gas value chain.

The issue price was determined at RM1.15 per Rights Share. The Rights Issue was fully subscribed and resulted in gross proceeds of RM123.34 million.

On 9 April 2013, the Rights Issue was completed with the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

21. SHARE PREMIUM

	Group and Company	
	2013	2012
	RM'000	RM'000
At 1 January	69,880	69,880
Issued during the year, net of transaction costs	69,054	–
At 31 December	138,934	69,880

22. MERGER RESERVE

Merger reserve arose from the acquisition of Petra Resources Sdn. Bhd. and Petra Fabricators Sdn. Bhd. which were previously under the common control of Perdana Petroleum Berhad, and which has ceased to be a substantial shareholder of the Company on 3 September 2012.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

23. LOANS AND BORROWINGS

	Note	Group 2013 RM'000	Group 2012 RM'000
Current			
Secured:			
Revolving credits	(a)	–	30,000
Term loan 1	(a)	–	39,627
Term loan 2	(b)	–	7,000
Term loans 3	(c)	24,713	–
Term loan 4	(d)	1,600	1,614
		26,313	78,241
Unsecured:			
Revolving credits		49,400	28,900
Bankers' acceptances and trust receipts		17,139	15,824
Bank overdrafts (Note 19)		1,569	2,905
Obligations under finance lease	(e)	–	49,028
		68,108	96,657
Total current loans and borrowings		94,421	174,898
Non-current			
Secured:			
Term loan 1	(a)	–	9,723
Term loans 3	(c)	96,771	–
Term loan 4	(d)	8,000	9,668
Total non-current loans and borrowings		104,771	19,391
Total loans and borrowings		199,192	194,289

(a) Revolving credits and Term loan 1

During the year, the term loan had been fully repaid. The revolving credit and term loan were secured by the following:

- First fixed and floating charge upon all the assets of a subsidiary, Petra Marine Sdn. Bhd.;
- First ranking assignment executed by subsidiary, Petra Resources Sdn. Bhd. ("PRSB"), to assign all of PRSB's rights, title, interest and benefits in and to all proceeds arising from a Contract to a Designated Collection Account and an Operation Account;
- First ranking statutory mortgage over the 3 vessels of the Group, which are Petra Galaxy, Petra Endeavour and Petra Orbit;
- First ranking Charge and Assignment of DSRA of RM30,601,000 in 2012;
- An irrevocable and unconditional undertaking from PRSB to cover any shortfall in the DSRA; and
- Corporate guarantee by the Company.

23. LOANS AND BORROWINGS (CONTINUED)

(b) Term loan 2

During the year, the term loan had been fully repaid. The term loan was secured by the following:

- First ranking statutory mortgage over Petra Discovery;
- Assignment of all risk insurance in respect of the vessel "Petra Discovery" with the Bank named as the mortgagee and loss payee; and
- Corporate guarantee by the Company.

(c) Term loans 3

The term loans are secured by the following:

- First ranking statutory mortgages over vessels (Note 12);
- Assignment of all risk insurance in respect of the vessels with the Banks and a financial institution named as the mortgagees and loss payees;
- First ranking Charge and Assignment of DSRA (Note 19); and
- Corporate guarantees by the Company.

(d) Term loan 4

The term loan is secured by the following:

- First party legal charge over properties located at Kampung Sg. Keling, Wilayah Persekutuan Labuan (Note 12);
- Short term deposits of RM361,000 (2012: RM340,000) are pledged as securities for borrowings (Note 19); and
- Corporate guarantees by the Company.

(e) Finance lease liabilities

The Group entered into a finance lease for Petra Lyra (formerly known as Otto 3), an accommodation work barge vessel, in prior years with Koi Marine Ltd, a company incorporated in Marshall Island ("Koi Marine"). The lease does not have terms of renewal, but grants the Group an option to purchase at different exercise prices during the lease term. The lease also grants the lessor the option to sell the vessel to the Group at the end of the lease term at a pre-agreed price.

On 13 February 2013, the Group entered into a Memorandum of Agreement with Koi Marine, to acquire Petra Lyra at a purchase consideration of USD14.1 million (equivalent to approximately RM42.3 million). The transaction was completed on 27 December 2013.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

24. HIRE PURCHASE LIABILITIES

	Group	
	2013 RM'000	2012 RM'000
Future minimum hire purchase payments	117	26
Less: Interest in suspense	(19)	(1)
Present value of hire purchase liabilities	98	25
Analysed as:		
Not later than 1 year	19	15
More than 1 year and less than 5 years	38	10
More than 5 years	41	–
	98	25

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables				
Third parties	64,122	120,526	–	–
Advance billings	3,853	5,749	–	–
Accrued expenses	83,366	76,972	–	–
	151,341	203,247	–	–
Other payables				
Other payables and accrued expenses	14,377	25,408	2,805	992
Amounts due to subsidiaries	–	–	3,868	–
	14,377	25,408	6,673	992
Total trade and other payables	165,718	228,655	6,673	992

Trade payables and other payables are non-interest bearing and credit terms ranging from 30 days to 60 days (2012: 30 days to 60 days).

Included in the Group's other payables and accrued expenses are amounts totalling RM156,624 (2012: nil) which are due to parties related to a corporate shareholder. The amounts are unsecured, interest free and repayable within the next twelve months.

26. PROVISIONS

	Group	
	2013 RM'000	2012 RM'000
Provision for liquidated ascertained damages		
At 1 January	223	643
Provision during the year (Note 7)	107	223
Utilised/paid	(46)	(643)
At 31 December	284	223

27. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Transactions with related parties of corporate shareholders with significant influence over the Company:					
Rental of vessels and rendering of services	(i)	–	(57,186)	–	–
Rental paid		(1,327)	(266)	–	–
Interest income from advances to subsidiaries		–	–	10,956	10,733

(i) On 3 September 2012, the corporate shareholder of a related company has ceased to be substantial shareholder of the Company and subsequently all transactions relating thereto are no longer deemed as Related Party Transactions.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group and the Company include all the Executive Directors of the Company and employees of the Group who make certain critical decisions in relation to the strategic direction of the Group.

The details of remuneration receivable by key management of the Group and the Company during the year are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages and salaries	4,751	4,042	4,342	4,042
Defined contribution plan	612	503	563	503
Other employee benefits	81	91	81	91
	5,444	4,636	4,986	4,636

Included in the above table is the Executive Directors' compensation which is disclosed in Note 9.

28. COMMITMENTS

(a) Operating lease commitments – as lessee

The Group has entered into commercial leases on certain vessels, motor vehicles, buildings and office equipment. These leases have an average tenure of between one and six years with no renewal option or contingent rent provision included in the contracts.

Future minimum rentals payable under non-cancellable operating leases at the reporting dates are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Not later than 1 year	26,699	27,044	1,630	1,393
More than 1 year and less than 5 years	68,142	4,771	2,012	3,642
More than 5 years	11,121	–	–	–
	105,962	31,815	3,642	5,035

(b) Operating lease commitments – as lessor

The Group has entered into commercial vessel leases on certain vessels. These non-cancellable leases have remaining lease terms of between one month and three years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases at the reporting dates are as follows:

	Group	
	2013 RM'000	2012 RM'000
Not later than 1 year	29,674	54,730
More than 1 year and less than 5 years	4,180	–
	33,854	54,730

28. COMMITMENTS (CONTINUED)

(c) Capital commitments

	Group	
	2013 RM'000	2012 RM'000
Property, plant and equipment		
Approved and contracted for	969	1,459
Approved but not contracted for	22,739	8,464
	23,708	9,923

29. SIGNIFICANT ACQUISITION

On 17 January 2013, the Company entered into a conditional Sale of Shares Agreement with several parties, including a related party of a corporate shareholder with significant influence over the Company and a member of key management personnel to acquire 200,000 shares of RM1.00 each in PE Ship Management Sdn Bhd (formerly known as KAS Ship Management Sdn Bhd) and its subsidiaries (collectively known as "PE Ship Group"), representing 100% equity interest in PE Ship for a total purchase consideration of RM3.0 million. The acquisition was completed on 16 May 2013. The acquisition resulted in the recognition of negative goodwill by the Group amounting to RM12,835,000.

The following table summarises the consideration paid, the fair value of assets acquired and the liabilities assumed at the acquisition date.

	Note	2013 RM'000
Purchase consideration in cash		3,000
Recognised amounts of identifiable assets acquired/(liabilities assumed)		
Plant and equipment	12	46,279
Trade and other receivables		1,999
Cash and bank balances		3,136
Trade and other payables		(11)
Borrowings		(17,378)
Amount due to corporate shareholder		(18,146)
Taxation		(44)
Total identifiable net assets		15,835
Negative goodwill arising from acquisition	5	(12,835)
Total		3,000

In the seven and half months to 31 December 2013, PE Ship Group had contributed revenue and profit for the financial year of RM8,539,909 and RM2,467,000 respectively. If the acquisition had occurred on 1 January 2013, the impact of acquisition of PE Ship Group would have been an increase in the consolidated revenue and profit for the financial year of the Group to RM495,693,000 and RM14,539,000 respectively, assuming that the fair value adjustments determined that arose on the date of acquisition would have been the same.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of current financial assets, non-current financial assets, current financial liabilities and non-current liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rate on or near the reporting date.

31. FINANCIAL INSTRUMENTS BY CATEGORY

Loans and receivables as per statements of financial position

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade and other receivables excluding prepayments	251,188	211,608	282,907	217,468
Cash and bank balances	112,754	102,689	59,438	507
Amounts due from customers on contract	19,510	16,996	–	–
	383,452	331,293	342,345	217,975

Other financial liabilities at amortised cost as per statements of financial position

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade and other payables excluding statutory liabilities and advance billings	156,552	219,479	6,350	992
Loans and borrowings	199,192	194,289	–	–
Hire purchase liabilities	98	25	–	–
	355,842	413,793	6,350	992

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risk, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk arising in the normal course of the Group's businesses. The Directors monitor the Group's financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group.

The Directors review and agree on policies for managing each of these risks and they are summarised below:

(a) Foreign currency exchange risk

The Group is exposed to transactional currency risk primarily through sales, purchases and borrowings that are 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 US Dollars ("USD").

The Group's exposure to foreign currency risk, denominated in USD, based on carrying amount as at the end of reporting period was:

	Group	
	2013	2012
	RM'000	RM'000
Trade receivables	4,464	7,309
Amount due from contract customers	7,797	3,859
Amount due from an associate	48,610	–
Loan and borrowings	(21,635)	(49,028)
Trade payables	(5,363)	(7,716)
	33,873	(45,576)

With all other variables held constant, the following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates against the functional currency of the Group.

	Group	
	Profit before tax	
	2013	2012
	RM'000	RM'000
USD/RM – strengthen 3%	(1,016)	(1,367)
– weaken 3%	1,016	1,367

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate.

The Group's income and operating cash flows' exposure to changes in interest rate risk relates primarily to the Group's bank borrowings and deposits placed with licensed banks and financial institutions.

As at reporting date, 91% (2012: 75%) of the Group's loans carry floating interest rates. As such, the Group's profit and loss and operating cash flows are therefore influenced by changes in market interest rate.

At the reporting date, if interest rates had been 10 basis points lower/higher, with all variables held constant, the Group's profit before tax would have been RM182,053 (2012: RM116,167) higher/lower, arising mainly as a result of lower/higher interest expense from floating rate loans.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The following table sets out the carrying amounts, the weighted average effective interest rate ("WAEIR") as at the reporting date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risks:

	Note	WAEIR %	1 year or less RM'000	1 to 5 years RM'000	Total RM'000
Group					
At 31 December 2013					
Financial assets					
Short term deposits with licensed banks	19	3.00	70,606	–	70,606
Financial liabilities					
Term loans	23	4.56	26,313	104,771	131,084
Bank overdraft	23	7.85	1,569	–	1,569
Revolving credits	23	5.32	49,400	–	49,400
Bankers' acceptances and trust receipts	23	4.49	17,139	–	17,139
Hire purchase liabilities	24	4.50	19	79	98

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk (continued)

	Note	WAEIR %	1 year or less RM'000	1 to 5 years RM'000	Total RM'000
At 31 December 2012					
Financial assets					
Short term deposits with licensed banks	19	2.52	51,949	–	51,949
Financial liabilities					
Term loans	23	4.94	48,241	19,391	67,632
Bank overdrafts	23	8.23	2,905	–	2,905
Revolving credits	23	5.00	58,900	–	58,900
Bankers' acceptances and trust receipts	23	6.11	15,824	–	15,824
Hire purchase liabilities	24	2.73	15	10	25
Obligations under finance lease	23	9.10	49,028	–	49,028

(c) Credit risk

i) Receivables, Investments and other financial assets

The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risks by setting appropriate credit terms and limits for customers and ensuring that sales are made to customers with good credit assessments.

The Group manages its exposures to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration

As at 31 December 2013, the Group has significant concentration of credit risk in the form of outstanding balance due from 2 customers which are major players in the oil and gas industry, representing approximately 88% (2012: 72%) of the Group's total net trade receivables.

ii) Financial guarantee contracts

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by subsidiaries.

The maximum exposure to credit risk amounts to RM199,192,000 (2012: RM145,261,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity and cash flow risk

The Group seeks to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating and investing activities.

Therefore the policy seeks to ensure that each business unit, through efficient working capital management, must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

The Group also seeks to maintain sufficient credit lines available to meet its liquidity requirements while ensuring an effective working capital management within the Group.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Note	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2013					
Group					
Financial liabilities					
Trade and other payables excluding statutory liabilities and advance billings	31	156,552	–	–	156,552
Loans and borrowings		96,192	104,827	4,354	205,373
Hire purchase liabilities		23	49	45	117
		252,767	104,876	4,399	362,042
Company					
Financial liabilities					
Trade and other payables excluding statutory liabilities and advance billings	31	6,350	–	–	6,350
Financial guarantee contracts		96,192	104,827	4,354	205,373
		102,542	104,827	4,354	211,723

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity and cash flow risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	Note	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2012					
Group					
Financial liabilities					
Trade and other payables excluding statutory liabilities and advance billings	31	219,479	–	–	219,479
Loans and borrowings		181,989	14,223	5,785	201,997
Hire purchase liabilities		16	10	–	26
		401,484	14,233	5,785	421,502
Company					
Financial liabilities					
Trade and other payables excluding statutory liabilities and advance billings	31	992	–	–	992
Financial guarantee contracts		181,989	14,223	5,785	201,997
		182,981	14,223	5,785	202,989

(e) Capital management

The Group's primary objective in managing its capital is to maximise the Group's value by optimising its capital structure and enhancing capital efficiency while maintaining a sufficient level of liquidity.

As required by the terms of the borrowing by a subsidiary, the Group needs to cap its leverage ratio at or below 1.25 times. Leverage ratio is derived by dividing total debts by total shareholders' fund. Total debts are the sum of all loans and borrowings and hire purchase. Shareholders' fund includes share capital, share premium, and equity attributable to owners of the Company less merger reserve.

The leverage ratio is as follows:

	Group	
	2013 RM'000	2012 RM'000
Total debt	199,290	194,314
Total equity	482,012	347,165
Leverage ratio (times)	0.41	0.56

No changes were made in the objectives, policies or processes in regards to the Group's management of its capital structure during the years ended 31 December 2013 and 31 December 2012.

Notes to the Financial Statements
For the Financial Year Ended 31 December 2013

33. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

I. Integrated Brownfield Maintenance and Engineering Services – provision for services in operations and maintenance, oil field optimisation, retrofits, domestic vessel recharter, geophysical, design and fabrication of process equipment and packaging and supply of engineered equipment for the oil and gas industry.
II. Onshore Civil Engineering Services – provision for procurement, construction and commissioning of Kumang Cluster Onshore Tie-In at MLNG-2 and Bintulu Integrated Facilities onshore upgrading and modifications.
III. Marine Offshore Support Services – provision for charter hire of vessel.
IV. Design, Fabrication, Supply and Installation Services – design, fabricate, supply and install pressure vessels, heat exchanger, skid packages and other process equipment primarily for the oil and gas, and petrochemical industries.

Other non-reportable segments comprise operations related to the corporate assets and expenses.

	Integrated Brownfield, 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	Total RM'000
2013					
Revenue:					
External customers	426,898	–	29,083	34,664	490,645
Inter-segment	61,999	–	–	6,437	68,436
Total revenue	488,897	–	29,083	41,101	559,081
Results:					
Finance income	2,153	–	19	55	2,227
Negative goodwill arising from acquisition of a subsidiary	–	–	12,835	–	12,835
Depreciation	(27,194)	–	(1,435)	(621)	(29,250)
Impairment loss	(8,904)	–	–	–	(8,904)
Finance costs	(9,561)	(371)	(805)	(368)	(11,105)
Segment profit/(loss)	53,368	12,692	13,907	(4,085)	75,882
Assets and liabilities					
Segment assets	787,763	513	310,947	50,037	1,149,260
Segment liabilities	(263,752)	(29,706)	(355,218)	(51,289)	(699,965)

33. SEGMENT INFORMATION (CONTINUED)

	Integrated Brownfield, 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	Total RM'000
2012					
Revenue:					
External customers	550,361	–	66,734	36,985	654,080
Inter-segment	90,559	–	–	8,749	99,308
Total revenue	640,920	–	66,734	45,734	753,388
Results:					
Finance income	762	–	42	47	851
Depreciation	(24,730)	(1)	(156)	(816)	(25,703)
Finance costs	(13,068)	(33)	(2)	(279)	(13,382)
Inventories written down	–	–	–	(427)	(427)
Segment profit/(loss)	19,407	7,907	264	(7,997)	19,581
Assets and liabilities					
Segment assets	918,154	1,045	39,565	57,457	1,016,221
Segment liabilities	(449,910)	(43,579)	(129,345)	(55,573)	(678,407)

Notes to the Financial Statements
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33. SEGMENT INFORMATION (CONTINUED)

	External customers RM'000	Inter segment RM'000	Finance income RM'000	Negative goodwill RM'000	Depre-ciation RM'000	Impairment loss RM'000	Finance costs RM'000	Inventories write down RM'000	Segment profit/ (loss) RM'000	Segment assets RM'000	Segment liabilities RM'000
2013											
Total reportable segments	490,645	68,436	2,227	12,835	(29,250)	(8,904)	(11,105)	–	75,882	1,149,260	(699,965)
Other non-reportable segment	–	–	1,720	–	(1,373)	–	(5)	–	3,036	143,794	(30,119)
Elimination of inter-segment transactions or balances	–	(68,436)	–	–	–	–	–	–	(77,634)	(419,316)	338,841
Consolidated total	490,645	–	3,947	12,835	(30,623)	(8,904)	(11,110)	–	1,284	873,738	(391,243)
2012											
Total reportable segments	654,080	99,308	851	–	(25,703)	–	(13,382)	(427)	19,581	1,016,221	(678,407)
Other non-reportable segment	–	–	54	–	(932)	–	–	–	6,531	268,934	(943)
Elimination of inter-segment transactions or balances	–	(99,308)	–	–	–	–	–	–	(10,226)	(474,981)	216,853
Consolidated total	654,080	–	905	–	(26,635)	–	(13,382)	(427)	15,886	810,174	(462,497)

Geographical information

No geographical segmental reporting has been prepared as the Group's activities involve only one geographical segment, i.e. Malaysia.

Major customers

	Group 2013 RM'000	Group 2012 RM'000
Integrated Brownfield, Maintenance and Engineering Services		
Customer A	157,531	192,821
Customer B	256,669	347,701
	414,200	540,522
Marine Offshore Support Services		
Customer A	10,300	65,137
Customer B	112	–
	10,412	65,137

34. DIVIDENDS

	Group and Company 2013 RM'000	2012 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
– Interim tax exempt (single-tier) dividend for financial year ended 2012: 1.0 sen	2,145	–
– Final tax exempt (single-tier) dividend for financial year ended 2011: 0.5 sen	–	1,073
	2,145	1,073
Proposed but not recognised as a liability as at 31 December:		
Dividend on ordinary shares:		
– Interim tax exempt (single-tier) dividend for financial year ended 2013: 1.0 sen (2012: 1.0 sen) per share	3,218	2,145

On 25 February 2014, the Directors declared a single tier interim dividend of 1.0 sen per ordinary share of 50.0 sen each on 321,750,000 ordinary shares for the year ended 31 December 2013, amounting to RM3,217,500 and payable on 15 May 2014.

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Notes to the Financial Statements
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35. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries:				
– Realised	235,479	240,039	89,559	90,814
– Unrealised	47,068	(37,923)	(1,024)	(238)
	282,547	202,116	88,535	90,576
Total share of retained earnings from associated company:				
– Realised	(20)	–	–	–
	282,527	202,116	88,535	90,576
Less: Consolidation adjustments	(70,902)	(1,081)	–	–
Retained earnings as per financial statements	211,625	201,035	88,535	90,576

List of Properties

Address	Description	Status	Remaining Lease period/ Years	Date of Acquisition	Age/Years	NBV RM'000
Petra Resources Sdn Bhd Lot 2000, Block 4 Miri Concession Land District Piasau Industrial Estate 98000 Miri, Sarawak	Workshop	Leasehold	29	18/07/2000	26	1,825
Petra Resources Sdn Bhd Lot 1991, Block 4 Miri Concession Land District Piasau Industrial Estate 98000 Miri, Sarawak	Warehouse	Leasehold	29	18/07/2000	26	282
Petra Fabricators Sdn Bhd Lot 58, Jalan Utas 15/7 Kawasan Perusahaan Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Factory (Approximately 13,656 sq. m)	Leasehold	59	24/07/2006	40	8,414
Petra Resources Sdn Bhd Lot 205312634 and Lot 205312590 at Kampung Sungai Keling Wilayah Persekutuan Labuan	Fabrication Yard (Approximately 0.2064 and 2.0882 hectares respectively)	Leasehold	973	13/02/2012	26	16,274

Petra Energy Berhad Group has not carried out any revaluation on its landed properties.

Analysis of Shareholdings

As at 22 April 2014

Class of Securities : Ordinary shares of RM0.50 each
Authorised Capital : RM500,000,000
Issued Capital : 321,750,000 ordinary shares of RM0.50 each
Paid-up Capital : RM160,875,000.00
Voting Rights : On a poll, one vote for every ordinary share held

DISTRIBUTION OF SHAREHOLDINGS (as per the Record of Depositors)

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
1 – 99	134	5.14	5,199	0.00
100 – 1,000	848	32.53	463,113	0.14
1,001 – 10,000	1,152	44.19	5,027,450	1.56
10,001 – 100,000	365	14.00	12,223,714	3.80
100,001 – 16,087,499 (*)	104	3.99	79,173,712	24.61
16,087,500 AND ABOVE (**)	4	0.15	224,856,812	69.89
TOTAL	**2,607**	**100.00**	**321,750,000**	**100.00**

Remark : * – less than 5% of issued holdings
: ** – 5% and above of issued holdings

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (as per the Record of Depositors)

	Names of Shareholders	No. of Shares Held	%
1.	Wasco Energy Ltd	86,550,000	26.90
2.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Shorefield Resources Sdn Bhd*	77,250,000	24.01
3.	Lembaga Tabung Haji	31,806,812	9.89
4.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Mohamed Nizam Bin Abdul Razak*	29,250,000	9.09
5.	Shorefield Resources Sdn Bhd	11,130,000	3.46
6.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for JPMorgan Chase Bank, National Association (Norges BK)*	8,203,600	2.55
7.	AmSec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Abang Sarbini Bin Abang Ahmad Latif*	8,000,000	2.49
8.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Mei Loon*	5,650,000	1.76
9.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Mohammad Affrin bin Samsudin*	4,225,000	1.31
10.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for Credit Suisse (SG BR-TST-ASING)*	4,077,000	1.27

	Names of Shareholders	No. of Shares Held	%
11.	CitiGroup Nominees (Tempatan) Sdn Bhd *Allianz Life Insurance Malaysia Berhad (MEF)*	2,186,400	0.68
12.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Senthil A/L Appu (CEB)*	1,854,300	0.58
13.	Amanahraya Trustees Berhad *Public Islamic Opportunities Fund*	1,749,862	0.54
14.	Goh Siew Chin	1,662,500	0.52
15.	Ting Chek Ting	1,598,500	0.50
16.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Joo Theam*	1,580,000	0.49
17.	AIBB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Siew Booy*	1,290,500	0.40
18.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Noor Azman @ Noor Hizam B Mohd Nurdin (CEB)*	1,000,000	0.31
19.	CitiGroup Nominees (Asing) Sdn Bhd *Exempt An For CitiBank NA, Singapore (Julius Baer)*	825,000	0.26
20.	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Joo Theam*	720,000	0.22
21.	Amanahraya Trustee Berhad (AMITTIKAL)	691,100	0.21
22.	Midvest Asia Sdn Bhd	681,600	0.21
23.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chua Sai Men*	639,900	0.20
24.	AMSEC Nominees (Tempatan) Sdn Bhd *AMTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)*	634,700	0.20
25.	Tiong Ing	575,500	0.18
26.	HSBC Nominees (Asing) Sdn Bhd *HSBC-FS I For Samsung Global Best Southeast Asia Equity Mother Fund*	570,000	0.18
27.	CitiGroup Nominees (Tempatan) Sdn Bhd *Allianz Life Insurance Malaysia Berhad (ULIFE)*	558,200	0.17
28.	AMSEC Nominees (Tempatan) Sdn Bhd *Patrick Sim Yiaw Kheng*	553,500	0.17
29.	Ng Boo Kean @ Ng Beh Kian	543,000	0.17
30.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Sia Derg*	533,600	0.17
	TOTAL	**286,590,574**	**89.09**

Analysis of Shareholdings

LIST OF SUBSTANTIAL SHAREHOLDERS (as per the register of Substantial Shareholders)

	Names	Direct Interest No. of Shares Held	Direct Interest %	Deemed Interest No. of Shares Held	Deemed Interest %
1.	Shorefield Resources Sdn Bhd	88,380,000	27.47	–	–
2.	Wasco Energy Ltd	86,550,000	26.90	–	–
3.	Lembaga Tabung Haji	31,806,812	9.89	–	–
4.	Dato' Mohamed Nizam Bin Abdul Razak	29,250,000	9.09	–	–
5.	Shorefield Sdn Bhd	–	–	88,380,000 (a)	27.47
6.	OBYU Holdings Sdn Bhd	–	–	88,380,000 (a)	27.47
7.	Tan Sri Bustari Bin Yusuf	–	–	88,380,000 (a)	27.47
8.	Wah Seong Corporation Berhad	–	–	86,550,000 (b)	26.90
9.	Wah Seong (Malaya) Trading Co. Sdn Bhd	–	–	86,550,000 (c)	26.90
10.	Tan Kim Yeow Sendirian Berhad	–	–	86,550,000 (d)	26.90
11.	Tony Tan @ Choon Keat	–	–	86,550,000 (d)	26.90
12.	Tan Chin Nam Sdn Bhd	–	–	86,550,000 (d)	26.90
13.	Robert Tan Chung Meng	–	–	86,550,000 (d)	26.90
14.	Pauline Tan Suat Ming	–	–	86,550,000 (d)	26.90

Notes

(a) *Deemed interested through Shorefield Resources Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("Act").*

(b) *Deemed interested by virtue of its direct interest in Wasco Energy Ltd pursuant to Section 6A of the Act.*

(c) *Deemed interested by virtue of its direct interest in Wah Seong Corporation Berhad pursuant to Section 6A of the Act.*

(d) *Deemed interested by virtue of their respective indirect interests in Wah Seong Corporation Berhad pursuant to Section 6A of the Act.*

LIST OF DIRECTORS' SHAREHOLDINGS (as per the register of Directors' Shareholdings)

	Names	Direct Interest No. of Shares Held	Direct Interest %	Deemed Interest No. of Shares Held	Deemed Interest %
1.	Abdul Rahim Bin Abdul Hamid	–	–	–	–
2.	Ahmad Azra Bin Salleh	–	–	–	–
3.	Ahmadi Bin Yusoff	–	–	–	–
4.	Dato' Anthony @ Firdauz Bin Bujang	–	–	–	–
5.	Gian Carlo Maccagno	–	–	–	–

Form of Proxy

Number of Shares Held

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

I/We _____ CDS Account No. _____
(FULL NAME AND NRIC/PASSPORT/COMPANY NO.) (FOR NOMINEE COMPANY ONLY)

of _____
(FULL ADDRESS)

being a member of PETRA ENERGY BERHAD ("the Company"), hereby appoint _____

_____
(FULL NAME AND NRIC/PASSPORT NO.)

of _____
(FULL ADDRESS)

or failing him, _____
(FULL NAME AND NRIC/PASSPORT NO.)

of _____
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held at Mutiara Ballroom, Ground Floor, The Royale Chulan Damansara, 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Thursday, 29 May 2014 at 11:00 a.m. and at any adjournment thereof, in the manner as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	Receipt of Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and Auditors thereon.	N/A	N/A
2.	Approval of payment of Directors' fee.		
3.	Re-election of Ahmad Azra bin Salleh as Director who retire pursuant to Article 104 of the Company's Articles of Association.		
4.	Re-Appointment of Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration.		
5.	Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965.		
6.	Proposed renewal of shareholders' mandate for recurrent related party transaction with OBYU Holdings Sdn Bhd.		

Please indicate with an "**X**" in the spaces provided above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.

Date : _____

_____
Signature/Common Seal of Member

NOTES:

(a) In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 May 2014 shall be eligible to attend, speak and vote at the Meeting.

(b) A member entitled to attend, speak and vote at the Meeting is entitled to appoint more than one proxy to attend, speak and vote in his stead. A proxy may but does not need to be a member of the Company and the provision of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend, speak and vote at the Meeting is entitled to appoint any person as his proxy to attend, speak and vote instead of the member at the Meeting. There should be no restriction as to the qualification of proxy.

(c) In the case of a corporate member, the instrument appointing a proxy must be executed either under its common seal or under the hand of its officer or attorney duly authorised.

(d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(e) To be valid, the instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

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here

THE COMPANY SECRETARY
PETRA ENERGY BERHAD
c/o Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur

Fold here

Petra Energy Bhd (718388-H)
Suite 13.02, Level 13, Menara OBYU, 4, Jalan PJU 8/8A , Bandar Damansara Perdana
47820 Petaling Jaya, Selangor Darul Ehsan. Tel: +60 3 7726 5576 | Fax: +60 3 7726 3686
Email: peb.corporate@penergy.com.my

www.petraenergy.com.my