



23 May 2018

MINORITY SHAREHOLDERS WATCHDOG GROUP

Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan,
50200 Kuala Lumpur
Attn: Mr Devanesan Evanson

Dear Mr. Devanesan Evanson,

12th Annual General Meeting of Petra Energy Bhd – 24 May 2018

We refer to your letter dated 18 May 2018. Please see our responses below to the questions raised.

Strategic and Financial Matters

- 1) **As reported on page 33 of the Annual Report, the Group posted a revenue of RM460.2 million for FY2017 as compared to RM332.1 million in 2016. However, the Group recorded a net loss of RM46 million, mainly due to depression in margins and poor performance on a particular project, which was subsequently completed during the period.**

Which was the project that performed poorly during the year and what was the reason for the poor performance?

The project in question relates to a project in the Group's services segment for Hook-up and Commissioning works for Malaysian Maritime and Heavy Engineering Sdn Bhd's (MMHE) for a PETRONAS Carigali project.

The main reason for the poor performance can be attributed to the inability to claim project cost overruns due to contractual terms.

- ii) **What are the measures taken to address the depression in margins?**

A two-pronged strategy has been put in place to address cost optimization and savings Group-wide :

- Special task force dedicated to enhancing operational performance and profitability.
- Reduction in overheads and project costs to achieve efficiency and better project margins.

- ii) **What is the Group's current order book?**
The Group defines order book as the remaining balance of the long term contracts in hand. As at 31 Dec 2017, the balance of work orders to be awarded is estimated at RM1.6 billion.
- 2) **It was stated on page 33 of the Annual Report that the Group entered into two (2) sale & purchase agreements for the sale of a piece of leasehold land and building for a consideration of RM20 million and an unutilised aged work barge for the price of USD1.69 million.**
 - i) **What will be the expected gain or loss on the disposal of these assets?**
The expected net gain on disposal of both the assets is approximately RM12m and will be recorded during FYE 2018.
 - ii) **Are there plans for further divestment of assets?**
Yes, the Group is on the look-out to dispose of its unproductive assets, such as aged accommodation and work barges.
- 3) **During the period under review, vessel utilisation increased but charter rates were impacted by the ongoing cost reduction efforts due to the sluggish oil and gas environment, as disclosed on page 35 of the Annual Report.**
 - i) **What was the average utilisation rate for the Group's vessels for FY2017?**
For the FYE2017, the average utilisation rate for the Group's vessels approximately at 40%.
 - ii) **Will the average utilization rate and charter rates be expected to improve in FY2018?**
We view the utilisation rates and charter rates to remain as per FY2017.
- 4) **In Note 32 on page 156 of the Annual Report, all the three segments namely, Services, Marine Assets and Production and Development, recorded segment losses.**
Which segment will sustain the performance of the Group for FY2018?
All three segments will continue to sustain the performance of the Group for 2018. Based on the work orders in hand and the extension of the Pan Mal HUC contract.

Corporate Governance Matters

- 1) **The Company in its Corporate Governance Report had stated that it has adopted Step Up Practice 4.3 of MCCG. However, in the explanation column on the application of Step Up Practice 4.3, it was stated that "the Independent Director ('INED') may continue to serve on the Board beyond the nine-year tenure provided that the Independent Director is re-designated as a Non-Independent Director. If the Board intends to retain the Independent Director beyond nine years, it must justify and seek annual shareholders' approval. If the Company wishes to continue to retain the Independent Director after the twelfth-year, the Board should provide justification and seek annual shareholders' approval through two-tier voting process. This is contrary to Step Up Practice 4.3 which does not provide for any extension of tenure beyond the 9-year tenure of INEDs.**

We hope the Board will take note of this.

As of to-date, none of the Company's Independent/Non-Executive Directors has reached the nine-year's cumulative term as Independent Directors. Hence, no shareholders' approval will be sought for this purpose at this Annual General Meeting.

The Board takes note of this practice and will implement the needful at the point an Independent/Non-Executive Director meets the 9-year mark.

- 2) The Company has stated that it has departed from Practice 4.5. In the measures to be taken, the Company has explained that for any vacant Board position in the future, the Board will be mindful that when sourcing for suitable candidates, it will be in line with the recommendation of the MCCG. We wish to highlight that Practice 4.5 of MCCG requires the Board to disclose in its annual report the company's policies on gender diversity, its targets and measures to meet those targets.

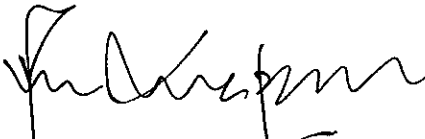
We hope the Board will take note of this.

As of to-date, the Board comprises of seven male directors and one woman director who is a Non-Independent Director. Thus far the Company has yet to set targets on gender diversity however discussions are underway with the relevant units on how best to approach this.

The Board takes note on the above and endeavor to improve the number of women Directors on Board, based on predetermined skill sets and competencies.

Thank you.

Best Regards,
For **PETRA ENERGY BHD**



DATO' ANTHONY BUJANG
Executive Director & Group Chief Executive Officer