



PETRA ENERGY

Ref No. : PEB/CRPD/ED&CEO/052012/0007

28 May 2012

Ms. Rita Benoy Bushon
Chief Executive Officer
Minority Shareholders Watchdog Group
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Dear Ms. Rita Benoy,

SIXTH (6TH) ANNUAL GENERAL MEETING (AGM) OF PETRA ENERGY BERHAD ("PEB") OR ("THE COMPANY")

We refer to your letter dated 22 May 2012.

Strategic & Financial Matters

1. For the financial year ended 31 December 2011, the Group recorded a turnover of RM650.4 million and profit before tax (PBT) of RM8.2 million as compared to a turnover of RM633.9 million and PBT of RM23.4 million (restated) for the previous year. Profit After Tax (PAT) attributable to shareholders was RM3.3 million compared to PAT of RM17.0 million (restated) in the previous year. The decrease in the Group's PAT and PBT for the financial year ended 31 December 2011 was due to the effects of foreign exchange translation and an increase in operating expenses by the Group. What was the reason for the increase in operating expenses?

The increase in operating expenses was mainly attributed to the following:

- General increase in industry manpower rates. There was an increase in permanent staff headcount from 704 personnel in 2010 to 753 personnel in 2011.
- A project office with full-fledged support services was set up in Kuala Lumpur in May 2011 to cater for the new Petronas Carigali Sdn Bhd Hook-up & Commissioning project.
- Legal and arbitration fees incurred for the UPOIPC case.
- Loss on FOREX in 2011 arose mainly as a result of adjustment for a vessel, previously treated as operating lease, now accounted for as finance lease, which is denominated in USD. In 2010, there was a gain on foreign exchange recorded as a prior year adjustment on similar grounds, thus improving the Profit After Taxation during that year.



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- 2. How much is PEB's current order book and the duration of the contracts? Could the Board also share with shareholders on the total amount of contracts PEB is currently bidding for and what is the likely success rates of these bids?**

The Group's current order book stands at RM797.45 million (as at Q1 2012), the contracts are expected to last until end 2013.

The Group has bid for contracts amounting to RM2.43 billion (as at Q1 2012). We are unable to speculate on the success rates of these bids as there are many stages prior to an award of a contract (for example pre-screening). However, based on our track record in particular Topside Major Maintenance Hook-up Construction & Commissioning (TMMHuCC) work, we are upbeat of our chances.

- 3. PEB had entered into a Memorandum of Understanding ("MoU") with Baker Hughes (M) Sdn. Bhd. to undertake oil & gas projects in Malaysia. Has there been any development since the signing of the MoU?**

This is an on-going venture, whilst working level discussions are being maintained, there has been no major development since the signing of the MoU. We will make the appropriate announcements in due course.

- 4. It was recently reported that Perdana Petroleum Berhad is disposing off its entire stake of 26.9% in PEB. In the Board's view, how would the sale effect the operations and strategic directions of PEB?**

We are unable to speculate or comment on an internal Perdana Petroleum Berhad matter, however, we welcome shareholders who can add value to the business, both for our current core business and future direction/growth.

- 5. With reference to the arbitration proceeding by United Palm Oil Industry Public Co. Ltd against Petra Boilers Sdn Bhd, a wholly-owned subsidiary of Petra Fabricators Sdn Bhd, which in turn is a wholly-owned subsidiary of PEB and the Counter-Claim, as disclosed in Note 28 on pages 100 and 101 of the Annual Report, what is the estimated financial impact on PEB Group?**

The Board of Directors has been advised by its solicitors that the UPOIPC claims were grossly inflated. The contract limits Petra Boilers' liability to 20% of the total contract value of USD\$1,256,381 (*approximately RM3.8million) and excludes claims for loss of profits, loss of use, loss of production, loss of contract and any other indirect or consequential damage that may be suffered by UPOIPC as a result of a breach of contract by Petra Boilers.

In any case, PBSB also has an impending claim for work done which has a value of more than the contractual liability limit as mentioned above.

**based on an exchange rate of USD1:RM3*



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Corporate Governance

MSWG is promoting certain standards of corporate governance best practices in PLCs. In this regard, we would like the Board to address the following:-

a) **Reinforce independence**

As stated in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012"), the positions of the chairman and CEO should be held by different individuals, and the chairman must be a non-executive member of the Board. If the Chairman is non-independent non-executive, the majority of board members must be independent. In this regard, would a chairman be appointed to PEB board?

The Company will appoint a Chairman to the PEB Board, but there has been an unavoidable delay. A candidate was in fact identified, however upon assessment, it was learnt that the candidate was conflicted and we are in the midst of sorting out the technicalities associated with the appointment. We will strive to comply with the recommendations of the Malaysian Code of Corporate Governance 2012 accordingly.

Gender Diversity

Address and formalizing the approach to gender diversity and actions taken to meet the target of 30% women directors and also discloses it in the Annual Report.

The Company supports diversity & inclusiveness and we acknowledge the recommendation of gender diversity on the Board. We will look at opportunities to appoint women, especially those with the right oil & gas credentials, if and when the opportunity arises and will formalize a policy in due course.

We sincerely appreciate MSWG's queries and feedback. The Company is committed to improving governance and controls and benchmarking itself with Corporate Governance best practices. In this respect, we will continue to work towards the best interest of all of our shareholders.

Please feel free to contact me, should you require further clarification.

Yours sincerely,

PETRA ENERGY BERHAD (718388-H)



DATO' ANTHONY BUJANG
Chief Executive Officer