



25 May 2023

**Mr Devanesan Evanson**  
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### PETRA ENERGY'S RESPONSE TO MINORITY SHAREHOLDERS WATCH GROUP'S LETTER

We refer to your letter dated 15 May 2023 on some of the issues raised by minority shareholders. Please see below our response to the issues raised.

#### Operational and Financial Matters

1. The Group recorded maintained vessel utilization rate at 62% for FY 2022, much lower than 69.6% in FY 2021.
  - a) What are the reasons for the much lower maintained vessel utilization rate in FY 2022 as the crude oil price has enjoyed a substantial increase in price in that year and oil majors are keen to spend more capex to extract more crude oil?

***PETRA's Response: The lower vessel utilization by seven percentage points in FY2022 is attributed to lesser activities in clients scheduled work and hiring plans were deferred. We felt maintaining vessel utilization within the 60% range was an achievement for PETRA considering the challenges. Whilst crude oil prices indicate a pick up in activities, this did not directly translate to an increase in activity for PETRA as vessel charter is determinant on our clients hiring plan. Nevertheless, it is worthy to note that although utilisation was lower, the rates for FY2022, in certain contracts, were better as compared to FY2021.***

- b) What is the revenue and profit contribution of the maintained vessel utilization for FY 2022 and FY 2021 respectively?

***PETRA's Response: The marine asset segment recorded a revenue of RM126.8million and segment profit of RM22.7million for FY2022 as compared to a revenue of RM114.5million and segment profit of RM3.5million in 2021. The figure is reflected in Note 37 of the financial statements***



- c) What measures have been taken to further improve its maintained vessel utilization rate in FY 2023? How successful are these measures? What is the maintained vessel utilization rate as of March 2023?

**PETRA's Response:** *The Group has intensified its business development and marketing activities for its marine assets, this is an ongoing initiative for PETRA. Additionally, the Group has also registered its available marine assets with Upstream PETRONAS logistics (UPL) pool of vessels. As at Q12023, we recorded 41% utilization vs Q12022 21%.*

2. The Group's gross profit margin reduced further from 15.1% in FY 2021 to 9.4% in FY 2022. (Page 12 of AR)

- a) Please explain the reasons for the lower gross profit margin ratio for FY 2022.

**PETRA's Response:** *The lower gross profit margin ratio for FY2022 can be attributed to product mix changes in FY2022 against FY2021, mainly due to a decrease in HuC (Hook up and Commissioning) revenue. Revenue contribution for HuC, which fetches higher margins, decreased whereas MCM revenue, with lower margins, increased. The MCM contract was awarded during the low oil price period. The MCM rates have only been revised under a contract extension from 2023 to 2024. Currently, the Group does not have a HuC long term contract since FY2020.*

- b) What measures have been taken to stamp the declining gross profit margin in FY 2023?

**PETRA's Response:** *The Group has intensified its business development initiatives for all business segments. We are focused on growing our order book and will explore for pockets of opportunities within the HuC and MCM segments. The Group currently does not have a long term HuC contract in hand however, individual projects and rescue jobs are ongoing. In Q1 2023, we received three letters of awards to undertake HuC work for MMHE for the Kasawari CCS, Kasawari CPP and Jerun projects.*

- c) What is the expected gross profit margin for FY 2023 after incorporating the measures taken on item (b) above?

**PETRA's Response:** *We expect margins to be maintained with slight improvements in FY2023, this is also dependent on new contracts awarded during the year to replace the PETRONAS Carigali Sdn Bhd umbrella HuC contract and client's activity during the year.*



3. The Group had impaired RM3.53million on trade and other receivables in FY2022 as compared to RM Nil in FY2021. (Page 118 of AR).
- Please explain the reasons for the high impairment loss in FY2022?
  - Kindly provide a breakdown of the impairment loss by trade receivables and other receivables for FY 2022 respectively.
  - Has the Group managed to recover any of the impairment loss in FY 2023? If yes, please provide the amount and whether the recovery is from trade or other receivables

**PETRA's Response: Approximately RM2.3million of the impairment relates to other receivables and RM1.2million relates to expected credit loss (ECL) as part of requirement set in MFRS9 of the accounting standards. The impairment on other receivables is mainly due to unpaid management fee for a vessel leased by a third party. The lease agreement was subsequently terminated by us during the financial year as the particular lessee is unable to make payment on the ship management services fee. We are pursuing legal avenues to recover the said amount.**

4. The Group has approved but not contracted for Property, plant and equipment capital commitment for FY2023 amounting to RM107.2million in FY2022 as compared to RM33.8million in FY2021, three times increase (page 118 of AR)
- What were the reasons for the higher capital commitment in FY2022?

**PETRA's Response: This is purely related to the SK433 project that was committed in 2022 but was not contracted during the period.**

- Does the higher capital commitment signal that the Company will be securing more jobs in FY 2023? If yes, what is the expected amount?

**PETRA's Response: No, as it is part of the Phase 1 (appraisal scope) committed for SK433.**

- How does the Group plan to fund the acquisition of the Property, plant and equipment?

**PETRA's Response: If required, this will be through internally generated funds and through bank borrowings.**

5. It was reported on pages 37 and 38 of the annual report that the Group has zero gearing ratio. However, it was mentioned on page 28 of the same annual report that the Group's net gearing ratios are 0.38 times and 0.28 times in FY 2022 and FY 2021 respectively. Kindly confirm which set of gearing figures are correct.

**PETRA's Response: It is negative 0.38 (FY2022) and negative 0.28 (FY2021).**



Corporate Governance Matters

1. Resolution 9 is a proposal to pay a gratuity amounting to RM171,000 to Encik Abdul Rahim Bin Abdul Hamid, a Senior Independent Non-Executive Director. ("SINED") of the Company in recognition and appreciation of his long service and contribution to the Company

a) Has the company paid any gratuity payment to a SINED or any INED in the past? If yes, when and what was the amount.

**PETRA's Response: No, it has not paid any gratuity to a SINED or any INED in the past.**

b) How was the quantum of RM171,000 arrived at?

**PETRA's Response: It is based on the SINED's monthly fee multiplied by the number of years he has served.**

c) MSWG does not encourage the payment of gratuity to a SINED or INED as gratuity is normally paid to long serving staff. INEDs should be adequately remunerated by way of directors' fees, meeting allowances and other benefits.

**PETRA's Response: We note your position on this, thank you.**

d) Will this gratuity payment set a precedent for the Company to pay any INED who retires in the future? Will there be a gratuity policy set for INEDs?

**PETRA's Response: No, it is treated on a case-to-case basis.**

Thank you.

Yours faithfully,  
For and on behalf of PETRA Energy Bhd

**KHAIRUL ANWAR MOHAMAD**  
Chief Financial Officer  
PETRA Energy Bhd

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