



**PETRA**

**SYNERGISING  
PARTNERSHIPS**

**PETRA ENERGY BHD**  
Annual Report 2018

# SYNERGISING PARTNERSHIPS

At PETRA, we believe our competitive edge lies in the synergies forged with our clients, business partners and vendors, shareholders, employees and the investment community – partnerships that have helped us grow over the years, and synergies that will strengthen our resilience in this industry.

The cover design reflects our corporate logo and its heritage via the subtle Sarawakian patterns on the background.



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## VISION STATEMENT

TO BE A  
**SUSTAINABLE  
ENERGY** COMPANY



# OUR CORE VALUES

At PETRA we believe in Synergising Partnerships and hold strong to our core values of Integrity, Professionalism, Commitment and Teamwork with Safety being the cornerstone across the Group's value chain.

## 01 INTEGRITY

We promise to have integrity in all that we do

- We are trustworthy and honest.
- We have principles and can be counted on to behave honourably, even when no one is watching.
- We are fair and transparent in all our dealings.
- We give peace of mind.



## 02 COMMITMENT

We always deliver on our commitment

- We are accountable for our performance and quality standards.
- We continuously strive to improve and educate ourselves to achieve high performance levels.
- We deliver what we promise and work towards a common goal.
- We deliver outstanding performance.



## 03 PROFESSIONALISM

We promise to display professionalism in everything that we do

- We take responsibility for our work and ensure the highest delivery standards.
- We are disciplined and comply rules and regulations when performing our duties.
- We do not compromise on quality and benchmark ourselves against global standards in service excellence.
- We ensure uncompromised service quality.



## 04 TEAMWORK

We promote teamwork

- We understand our roles and responsibilities in expediting our job functions.
- We listen and value opinions before reaching a consensus or final decision.
- We support one another to deliver value no matter how challenging the tasks may be.
- We inspire and encourage our team to give their best and achieve our company's goals.
- We are a strong and united company who work together as partners with our team, our colleagues and our clients.



The Company is on a culture enhancement journey to embody the behaviours that exemplify the principles of Accountability & Ownership, Diversity & Inclusiveness, Innovation and Care group-wide. This resonates with the Group's growth and strategic plans moving forward.

Our values and behaviours will always be an integral part of us, the way we work and the manner in which we go about our daily business.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirteenth Annual General Meeting (“**AGM**”) of Petra Energy Bhd. will be held at Multi Purpose Hall, Menara OBYU, No. 4 Jalan PJU 8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan on Thursday, 23 May 2019 at 11:00 a.m. for the following purposes:-

## AS ORDINARY BUSINESS

- |  |  |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.  | <b>(Please refer to Notes No. 1)</b>           |
| 2. To approve the payment of Directors’ fees payable to the Non-Executive Directors amounting to RM443,700 from 24 May 2019 until the next AGM of the Company.   | <b>(Resolution 1)</b>                          |
| 3. To approve the payment of Directors’ benefits up to an amount of RM68,800 from 24 May 2019 until the next AGM of the Company.   | <b>(Resolution 2)</b>                          |
| 4. To re-elect the following Directors, who are due to retire in accordance with Clause 110 of the Company’s Constitution and being eligible, have offered themselves for re-election:-<br><br>(a) Encik Abdul Rahim bin Abdul Hamid; and<br>(b) Dato’ Anthony @ Firdaus bin Bujang. | <b>(Resolution 3)</b><br><b>(Resolution 4)</b> |
| 5. To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.  | <b>(Resolution 5)</b>                          |

## AS SPECIAL BUSINESS

To consider and, if thought fit, with or without modification, to pass the following Ordinary and Special Resolutions:-

- |  |                       |
|--|-----------------------|
| 6. <b>ORDINARY RESOLUTION NO. 1</b><br><br><b>- RETENTION OF ENCIK ABDUL RAHIM BIN ABDUL HAMID AS AN INDEPENDENT DIRECTOR</b><br><br>“ <b>THAT</b> subject to the passing of Resolution 3, Encik Abdul Rahim bin Abdul Hamid, who would have served as an Independent Director of the Company for a cumulative term of nine (9) years from 13 July 2019 onwards, be and is hereby retained as an Independent Director of the Company.” | <b>(Resolution 6)</b> |
|--|-----------------------|

7. **ORDINARY RESOLUTION NO. 2****(Resolution 7)****- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016**

**“THAT** subject always to the Companies Act 2016 (**“the Act”**), the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad (**“Bursa Securities”**) and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being;

**AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; **AND FURTHER THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

8. **ORDINARY RESOLUTION NO. 3****(Resolution 8)****- PROPOSED RENEWAL OF EXISTING SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**“THAT** subject always to the Companies Act 2016 (**“the Act”**), the Constitution of the Company and Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Proposed Renewal of Existing Shareholder Mandate for the Company and its subsidiaries (**“the Group”**) to enter into and to give effect to the category of the recurrent transactions of a revenue or trading nature from time to time with the Related Parties as specified in Section 2.5 of the Circular/Statement to Shareholders dated 24 April 2019, provided that such transactions are:-

- a) recurrent transactions of a revenue or trading nature;
- b) necessary for the Group’s day-to-day operations;
- c) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- d) not to the detriment of minority shareholders,

{the **“Mandate”**};

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

**AND THAT** such authority shall commence upon the passing of this resolution and shall continue to be in force until:-

- i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM at which the Mandate was passed, at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
- ii) the expiration of the period within which the next AGM after that date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

**AND FURTHER THAT** the Directors be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the Mandate."

### 9. **ORDINARY RESOLUTION NO. 4**

**(Resolution 9)**

#### **- PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("Proposed Renewal of Share Buy-Back Authority")**

"**THAT** subject to the Companies Act 2016 ("**the Act**"), Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements, the Constitution of the Company, and all other applicable laws, rules and regulations, approval be and is hereby given to the Company to purchase such number of ordinary shares as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that:-

- a) the aggregate number of ordinary shares to be purchased and/or held by the Company shall not exceed ten percentum (10%) of the total number of issued shares of the Company including the shares previously purchased and retained as treasury shares (if any); and
- b) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase.

**THAT** such authority shall commence upon the passing of this resolution and shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM at which such resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting;

whichever occurs first.

**AND THAT** upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion to cancel all the shares so purchased; and/or retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; and/or retain part thereof as treasury shares and cancel the remainder; or in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

**AND FURTHER THAT** the Directors of the Company be authorised to do all acts, deeds and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps, and do all such acts and things as they may deem fit and expedient in the best interest of the Company."

## 10. SPECIAL RESOLUTION

**(Resolution 10)**

### - PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY

**THAT** approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix III of the Circular/Statement to Shareholders dated 24 April 2019 be and is hereby adopted as the Constitution of the Company;

**AND THAT** the Directors of the Company be and are hereby authorised to assent to any conditions, modification, and/or amendments as may be required by any relevant authorities and to do all acts and things and take all such steps as maybe considered necessary to give full effect to the foregoing."

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

11. To consider any other business for which due notice shall have been given.

By Order of the Board

**CHUA SIEW CHUAN** (MAICSA 0777689)  
**LIM LIH CHAU** (LS0010105)  
Company Secretaries

Kuala Lumpur  
24 April 2019

### Explanatory Notes to Special Business:

#### 1. Retention of Encik Abdul Rahim bin Abdul Hamid ("Encik Rahim") as an Independent Director

Encik Rahim was appointed as an Independent Director of the Company on 13 July 2010 and would have served the Board for a cumulative term of nine (9) years from 13 July 2019 onwards. The Board of Directors of the Company through its Nominating Committee, after having assessed the independence of Encik Rahim, regards him to be independent based amongst others, the following justifications, and recommends that Encik Rahim be retained as an Independent Director of the Company subject to the approval from the shareholders of the Company pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance:-

- (a) Encik Rahim has fulfilled the definition of an Independent Director as set out under Paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements:-
- is not an executive director of the Company or any related corporation (each corporation is referred to as "**said Corporation**");
  - has not been within the last two (2) years and is not an officer (except as a non-executive director) of the said Corporation. ["**officer**" has the meaning given in Section 2 of the Companies Act 2016];
  - is not a major shareholder of the said Corporation;
  - is not a family member of any executive director, officer or major shareholder of the said Corporation;
  - is not acting as a nominee or representative of any executive director or major shareholder of the said Corporation;
  - has not been engaged as an adviser by the said Corporation under such circumstances as prescribed by Bursa Malaysia Securities Berhad ("**the Exchange**") or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by the Exchange; or has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the applicant or listed issuer) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange;
  - is not a director who is accepting compensation from the said Corporation, other than compensation for board service for the current or immediate financial year; or
  - is not having a relationship which would interfere with the exercise of independent judgement in carrying out the functions as a director or a chairman/member of the Audit Committee, Remuneration Committee and Board Risk Management Committee and Nominating Committee.
- (b) Encik Rahim has not been involved in any business or other relationship which could hinder the exercise of independent judgement, objectivity or his ability to act in the best interests of the Company;
- (c) Encik Rahim has no potential conflict of interest, whether business or non-business related with the Company;
- (d) Encik Rahim has not established or maintained any significant personal or social relationship, whether direct or indirect, with the Group Chief Executive Officer and major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent with his duties and expected of him to carry out his duties as an independent director; and
- (e) Encik Rahim does not derive any remuneration and other benefits apart from Directors' fees that are approved by shareholders.

## 2. Authority to Issue Shares pursuant to the Companies Act 2016

The Company had been granted a general mandate by its shareholders at the Twelfth AGM of the Company held on 24 May 2018 to issue shares pursuant to the Companies Act 2016.

The proposed resolution 7 is intended to renew the mandate on the authority granted to the Directors to issue shares pursuant to the Companies Act 2016 at the Thirtieth AGM of the Company (hereinafter referred to as the "**New General Mandate**").

The New General Mandate will provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time as the Directors may deem fit, without incurring any further cost to convene a separate general meeting to approve such authority. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

## 3. Proposed Renewal of Existing Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution 8 is intended to enable the Company and its subsidiaries ("**the Group**") to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to the Circular/Statement to Shareholders dated 24 April 2019, for more information.

## 4. Proposed Renewal of Authority for the Company to Purchase its own Shares

The Proposed Resolution 9 allows the Company to purchase its own shares up to ten percentum (10%) of the total number of issued shares of the Company at any time within the time period stipulated in Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Please refer to the Circular/Statement to Shareholders dated 24 April 2019, for more information.

## 5. Proposed Adoption of the New Constitution of the Company

The proposed Resolution 10, if passed, will bring the Company's Constitution in line with the Companies Act 2016 and the amended Bursa Malaysia Securities Berhad Main Market Listing Requirements, and to provide clarity to certain provision thereof and to render consistency throughout in order to facilitate and further enhance administrative efficiency.

Please refer to the Circular/Statement to Shareholders dated 24 April 2019, for more information.

### Notes:-

1. This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements and only requires the Audited Financial Statements to be laid at the Meeting. Therefore, this Agenda item is not put forward for voting.
2. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 May 2019 shall be eligible to attend and vote at the Meeting.
3. A member entitled to attend and vote at the Meeting of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote instead of him. There shall be no restriction as to the qualification of the proxy. The proxy(ies) appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an Exempt Authorised Nominee which hold ordinary shares in the Company for multiple beneficial owners in one (1) 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. Where a shareholder is an authorised nominee as defined under SICDA, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
7. The completed instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjourned thereof.

# BUSINESS OVERVIEW

- ▶ **Petra Energy Bhd., listed on the Main Market of Bursa Malaysia Berhad, is an integrated brownfield services provider for the upstream oil and gas industry. The Group began operations more than 30 years ago and today provides a comprehensive range of services for the upstream oil and gas industry, specialising in Hook-up Construction and Commissioning and Topside Major Maintenance.**

## **Our service offerings include:**

### **INTEGRATED BROWN FIELD AND OFFSHORE MARINE SERVICES**

- Hook-up Construction Commissioning and Topside Major Maintenance
- Project Management, Procurement and Logistics
- Engineering, Operations and Maintenance
- Oil Field Optimisation
- Equipment, Packaging and Manufacturing

### **DEVELOPMENT AND PRODUCTION (SMALL FIELD RSC)**

- Development and Production of petroleum from Kapal, Banang and Meranti small fields offshore Terengganu, Malaysia

PETRA Energy, in partnership with an associate company, became the third Malaysian Company to be awarded the Small Field Risk Service Contract by PETRONAS (the national oil company) to develop and produce petroleum from the KBM small fields cluster offshore Terengganu, Malaysia.

**The Group's operations are supported by its key assets namely; its people, fabrication yards and marine assets:**



#### MARINE ASSETS

The Group owns and operates 4 workboats, 3 accommodation and work barges and 1 AHTS vessel to support its operations.



#### FABRICATION YARDS

The Group's fabrication yards provide fabrication and construction services, whilst serving as hubs for equipment supplies, storage and logistics. Onshore operation-wise, our assets include one main fabrication yard and warehouse and two leased laydown and secondary fabrication yards in Labuan as well as a repair and maintenance workshops in Kemaman, Terengganu and Miri, Sarawak respectively.

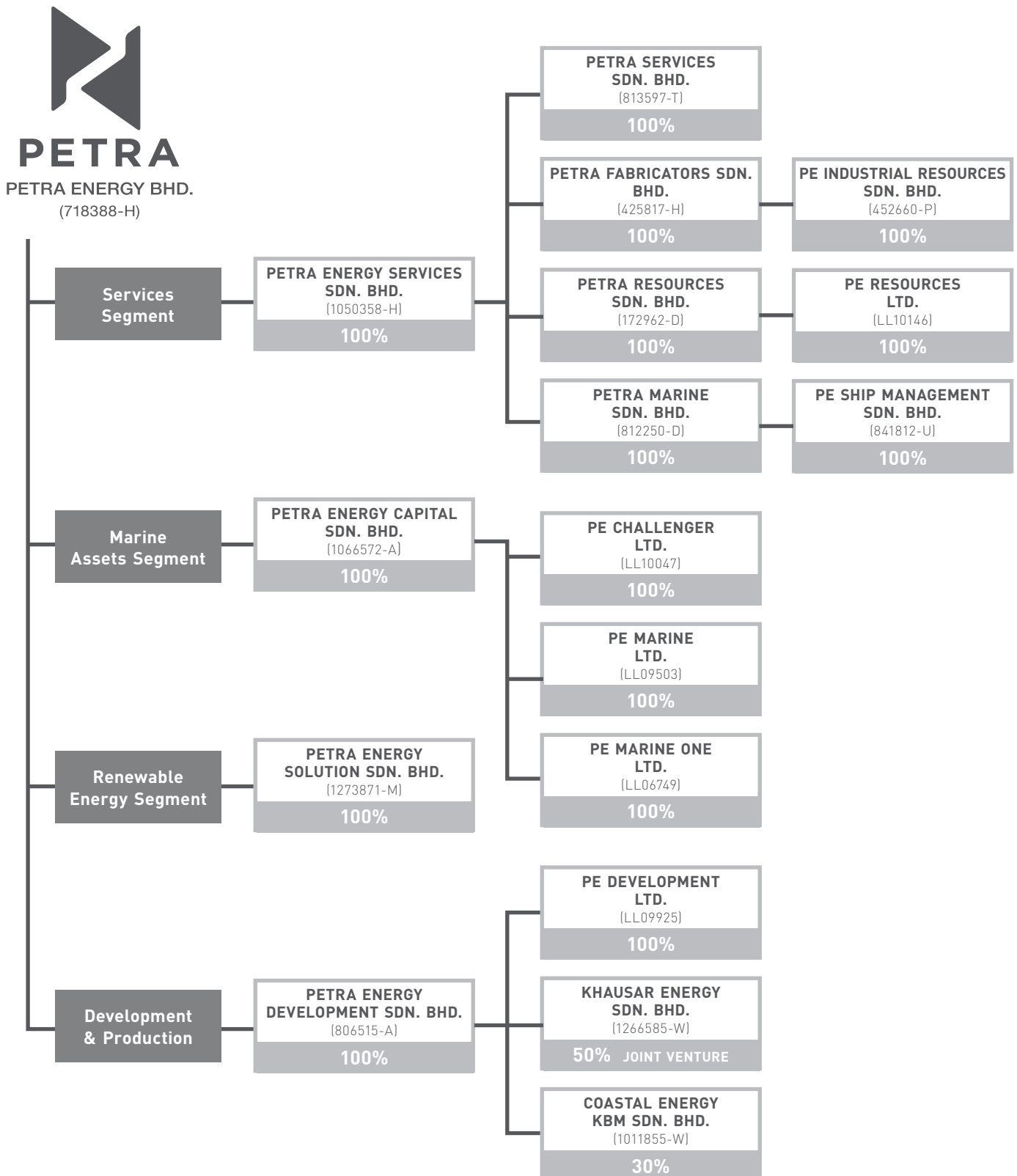


#### COMPETENT PROJECT MANAGEMENT TEAM AND SKILLED WORKFORCE

The Group's highly skilled technical workforce and crew are led by a core team of professionals. Our technical human capital assets comprises skilled staff in project engineering, various engineering disciplines, marine professionals and technical support staff. We also have the manpower strength of up to 2,000 offshore crew during peak-operations.



# CORPORATE STRUCTURE



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tan Sri Datuk Seri Panglima Sulong bin Matjeraie** *(Chairman/Independent Non-Executive Director)*

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

**Ng Ing Peng** *(Independent Non-Executive Director)*

**Gian Carlo Maccagno** *(Non-Independent Non-Executive Director)*

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

**Ahmadi bin Yusoff** *(Executive Director)*

**Simon Ong** *(Executive Director)*

## AUDIT COMMITTEE

Abdul Rahim bin Abdul Hamid *(Chairman)*

Tan Sri Datuk Seri Panglima Sulong bin Matjeraie

Gian Carlo Maccagno

Ng Ing Peng

## NOMINATING COMMITTEE

Ng Ing Peng *(Chairman)*

Abdul Rahim bin Abdul Hamid

## REMUNERATION COMMITTEE

Abdul Rahim bin Abdul Hamid *(Chairman)*

Gian Carlo Maccagno

Ng Ing Peng

## BOARD RISK MANAGEMENT COMMITTEE

Abdul Rahim bin Abdul Hamid *(Chairman)*

Gian Carlo Maccagno

Simon Ong

## COMPANY SECRETARIES

Chua Siew Chuan *(MAICSA 0777689)*

Lim Lih Chau *(LS0010105)*

## AUDITORS

PricewaterhouseCoopers PLT  
*(LLP0014401-LCA & AF 1146)*

Chartered Accountants

Level 10, 1 Sentral,  
Jalan Rakyat,  
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](mailto: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](mailto:peb.corporate@penergy.com.my)  
Website : [www.petraenergy.com.my](http://www.petraenergy.com.my)

## SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.  
(36869-T)

Level 7, Menara Milenium,  
Jalan Damanela,  
Pusat Bandar Damansara,  
Damansara Heights,  
50490 Kuala Lumpur,  
Wilayah Persekutuan  
Tel : 03-2084 9000  
Fax : 03-2094 9940

## BANKERS

OCBC Bank (Malaysia) Berhad  
(295400-W)

Affin Bank Berhad (25046-T)

Malayan Banking Berhad (3813-K)

United Overseas Bank (Malaysia) Berhad  
(271809-K)

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Berhad

Sector : Energy  
Stock Code : 5133  
Stock Name : PENERGY

# BOARD OF DIRECTORS

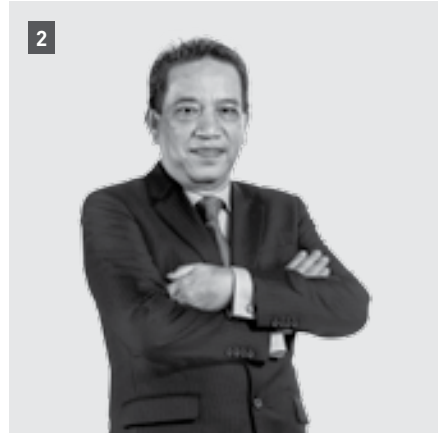
**1 Tan Sri Datuk Seri Panglima Sulong bin Matjeraie**

*(Chairman/Independent Non-Executive Director)*

1



2



**2 Abdul Rahim bin Abdul Hamid** *(Senior Independent Non-Executive Director)*

**3 Ng Ing Peng** *(Independent Non-Executive Director)*

**4 Gian Carlo Maccagno** *(Non-Independent Non-Executive Director)*

**5 Dato' Anthony @ Firdauz bin Bujang** *(Executive Director/ Group Chief Executive Officer)*

**6 Ahmadi bin Yusoff** *(Executive Director)*

**7 Simon Ong** *(Executive Director)*

3



4



5



6



7



# PROFILE OF BOARD OF DIRECTORS

## TAN SRI DATUK SERI PANGLIMA SULONG BIN MATJERAIE

Chairman / Independent Non-Executive Director

### Nationality / Age / Gender:

Malaysian / 72 / Male

### Date of Appointment:

28 August 2014

### Length of service as Director since appointment (as at 24 April 2019):

4 years 8 months

### Board Committee(s) served on:

- Member of the Audit Committee

### Academic/ Professional Qualification(s)/ Recognition:

- B.A. (Hons) Degree, University of Malaya (1970)
- Inns of Court School of Law, London
- Called to the Bar of England and Wales in the Trinity Term by the Honourable Society of Inner Temple, London (1974)
- Master of Laws (LLM), University of Southampton, (1977)
- Certificate in Advanced Management, Banff School of Advanced Management, Alberta, Canada (1978)

### Working Experience:

- Bintulu District Officer
- State Training Officer Sarawak
- Secretary of the Government Examination Board
- Director of Civic Development Unit
- Secretary of Complaints Suggestions Bureau
- General Manager of Sarawak Timber Industry Development Corporation
- General Manager of Bintulu Development Authority
- Senior Partner, Messrs. Sulong Matjeraie & Co
- Chairman, Kuching Division of the Advocates Association of Sarawak
- President, The Advocates Association of Sarawak
- Judicial Commissioner, High Court of Malaya, Johor (1998)
- Judge, High Court of Malaya, Johor Bahru (2000)
- Judge, High Court of Sabah and Sarawak, Kota Kinabalu, Sabah
- Judge, Court of Appeal
- Federal Court Judge, Federal Court of Malaysia, Palace of Justice, Putrajaya
- One of the four eminent persons to serve as member of the Judicial Appointments Commission
- Bencher of the prestigious Honourable Society of Inner Temple, London
- Chairman of the Board of Directors of University of Malaysia, Sarawak (Unimas) (2018)



### Present Directorship(s) in other Public/Listed Companies:

- Brahim's Holdings Berhad
- Ho Hup Construction Company Berhad
- Southern Acids (M) Berhad
- W T K Holdings Berhad

### Family Relationship with any Director and/or Major Shareholder of the Company:

Nil

### Disclosure of Conflict of Interests with the Company:

Nil

### Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:

Nil

### Number of Board Meetings attended in the financial year end:

Tan Sri Sulong attended seven (7) out of eight (8) Board Meetings held in the financial year ended 31 December 2018

## PROFILE OF BOARD OF DIRECTORS (cont'd)



### ABDUL RAHIM BIN ABDUL HAMID

Senior Independent Non-Executive Director

**Nationality / Age / Gender:**

Malaysian / 68 / Male

**Date of Appointment:**

13 July 2010

**Length of service as Director since appointment (as at 24 April 2019):**

8 years 9 months

Encik Rahim was appointed as Independent Non-Executive Director on 13 July 2010 and was subsequently redesignated as Senior Independent Non-Executive Director of the Company on 11 May 2011

**Board Committee(s) served on:**

- Chairman of the Audit Committee
- Chairman of the Board Risk Management Committee
- Member of the Nominating Committee
- Chairman of the Remuneration Committee

**Academic/ Professional Qualification(s)/ Recognition:**

- Fellow of the Association of Chartered Certified Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountants

**Working Experience:**

- Coopers & Lybrand (previously known as Cooper Brothers & Co.) (1971-1993)
- Chief Executive of Coopers & Lybrand (previously known as Cooper Brothers & Co.) (1993-1998)
- Deputy Executive Chairman of PricewaterhouseCoopers (1998-June 2004)

**Present Directorship(s) in other Public/Listed Companies:**

- Malaysia Debt Ventures Berhad
- UiTM Private Healthcare Sdn. Bhd.
- AEON Co. (M) Berhad
- Encorp Berhad
- MBSB Bank Berhad
- GFM Services Berhad

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil

**Number of Board Meetings attended in the financial year end:**

Encik Rahim attended all eight (8) Board Meetings held in the financial year ended 31 December 2018

## NG ING PENG

Independent Non-Executive Director

.....

**Nationality / Age / Gender:**

Malaysian / 62 / Female

**Date of Appointment:**

14 May 2015

**Length of service as Director since appointment (as at 24 April 2019):**

3 years 11 months

Madam Ng was appointed as Executive Director of the Company on 14 May 2015 and was redesignated as Non-Independent Non-Executive Director on 31 December 2016 and subsequently redesignated as Independent Non-Executive Director of the Company on 2 January 2019

**Board Committee(s) served on:**

- Member of the Audit Committee
- Chairman of the Nominating Committee
- Member of the Remuneration Committee

**Academic/ Professional Qualification(s)/ Recognition:**

- Bachelor of Accounting, University Malaya
- Member of Institute of Chartered Accountants of England and Wales

**Working Experience:**

- Head of Finance, CIMB Group Holding Berhad (2013)
- Group Chief Financial Officer of Petra Energy Bhd. (2016)

**Present Directorship(s) in other Public/Listed Companies:**

The only directorship of Madam Ng in other public company or listed company is Red Sena Berhad (in liquidation)

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil



**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil

**Number of Board Meetings attended in the financial year end:**

Madam Ng attended all eight (8) Board Meetings held in the financial year ended 31 December 2018

## PROFILE OF BOARD OF DIRECTORS (cont'd)



### GIAN CARLO MACCAGNO

Non-Independent Non-Executive Director

**Nationality / Age / Gender:**

Italian / 55 / Male

**Date of appointment as Director:**

18 September 2012

**Length of service as Director since appointment (as at 24 April 2019):**

6 years 7 months

**Board Committee(s) served on:**

- Member of the Audit Committee
- Member of the Board Risk Management Committee
- Member of the Remuneration Committee

**Academic/ Professional Qualification(s)/ Recognition:**

Bachelor in Business Administration from Tecnico Commerciale Maddalena Adria (RO) Italy

**Working Experience:**

- Trainee in Production and Project Management for Socotherm S.R.L, Italy (1984-1987)
- Project Manager for Socotherm S.R.L in Nigeria (1987-1990)
- Petro-Pipe Industries (M) Sdn. Bhd. in Malaysia (1990)
- Country Manager for Socotherm S.R.L in Taiwan (1991-1992)
- General Manager of Wasco Coatings Malaysia Sdn. Bhd. in Malaysia (1993)
- Deputy Managing Director of Wah Seong Corporation Berhad
- Chief Executive Officer of Wasco Energy Group of Companies

**Present Directorship(s) in other Public/Listed Companies:**

The only directorship of Mr. Maccagno in other public company or listed company is Wah Seong Corporation Berhad

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil

**Number of Board Meetings attended in the financial year end:**

Mr. Maccagno attended all eight (8) Board Meetings held in the financial year ended 31 December 2018

## DATO' ANTHONY @ FIRDAUZ BIN BUJANG

Executive Director/Group Chief Executive Officer

.....

**Nationality / Age / Gender:**

Malaysian / 59 / Male

**Date of appointment as Director:**

18 September 2012

**Length of service as Director since appointment (as at 24 April 2019):**

6 years 7 months

**Board Committee(s) served on:**

Nil

**Academic/ Professional Qualification(s)/ Recognition:**

- Degree in Economics (Business Admin), University Malaya
- Higher Professional Diploma in Management, University of Cambridge
- Executive MBA in International Marketing, University of Berne, Switzerland

**Working Experience:**

- Accountant in Bank Utama Malaysia Berhad (1983)
- Secretary and Adviser to Major Tender Board for Sarawak Shell Berhad (1988-1996)
- Head of General Contracts and Head of Strategy for Sarawak Shell Berhad (1988-1996)
- Head of Strategy, Planning & Procurement for Shell Gabon, Republic of Gabon, West Africa (1988-1996)
- Chief Executive of Eastbourne Services Sdn. Bhd. (1996 to 2000)
- General Manager for TV3 and NTV7
- Director of Operations for TV3 and NTV7
- Chief Executive Officer for TV3 and NTV7
- Group Chief Executive Officer for The NSTP (M) Berhad

**Present Directorship(s) in other Public/Listed Companies:**

Dato' Anthony does not hold any directorship in other public company and listed company but he sits on the Board for all the subsidiaries and associated company of Petra Energy Bhd.

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil



**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil

**Number of Board Meetings attended in the financial year end:**

Dato' Anthony attended all eight (8) Board Meetings held in the financial year ended 31 December 2018

## PROFILE OF BOARD OF DIRECTORS (cont'd)



### AHMADI BIN YUSOFF

Executive Director

.....  
**Nationality / Age / Gender:**

Malaysian / 59 / Male

**Date of appointment as Director:**

18 February 2010

**Length of service as Director since appointment (as at 24 April 2019):**

9 years 2 months

**Board Committee(s) served on:**

Nil

**Academic/ Professional Qualification(s)/ Recognition:**

Bachelor of Arts (Honours), Universiti Sains Malaysia

**Working Experience:**

Encik Ahmadi held various key management positions with experience spanning over 17 years in the electrical, media, agro-chemical, construction, plantation and trading sectors

**Present Directorship(s) in other Public/Listed Companies:**

Encik Ahmadi does not hold any directorship in other public company or listed company

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Encik Ahmadi is the brother of Tan Sri Bustari bin Yusuf, who is deemed interested by virtue of his interest in Shorefield Resources Sdn. Bhd., a Major Shareholder of the Company

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil

**Number of Board Meetings attended in the financial year end:**

Encik Ahmadi attended seven (7) out of the eight (8) Board Meetings held in the financial year ended 31 December 2018

## SIMON ONG

Executive Director

.....

**Nationality / Age / Gender:**

Malaysian / 65 / Male

**Date of appointment as Director:**

22 February 2018

**Length of service as Director since appointment (as at 24 April 2019):**

1 year 2 months

Mr. Simon Ong was appointed as Independent Non-Executive Director on 22 February 2018 and was subsequently redesignated as Executive Director of the Company on 4 December 2018

**Board Committee(s) served on:**

- Member of the Board Risk Management Committee

**Academic/ Professional Qualification(s)/ Recognition:**

- Bachelor in Chemical Engineering (Hons) from the University of Malaya and Master in Business Administration from Rotterdam School of Management
- Member of the Institution of Chemical Engineer and a Chartered Engineer
- In 2018, Mr. Simon Ong received the Distinguished Achievement Award for Individuals from OTC-Asia for his contribution to the development of the Oil and Gas Industry in Malaysia. The OTC is the world's largest Oil and Gas conference which is held annually in Houston. OTC-Asia is a bi-annual event whose inaugural conference was held in Kuala Lumpur in 2014

**Working Experience:**

- His 38 years broad upstream experience includes Engineering, Project Management, Maintenance and Upstream Mergers & Acquisitions and Asset Management for Shell Non-Operated Ventures
- Prior to retiring from the Royal Dutch Shell in 2017, Mr Simon Ong was the Managing Director of Shell Global Solutions and the General Manager for Projects in the East. His responsibilities included the delivery of two mega deep-water projects in Malaysia, the Gumusut-Kakap and the Malikai projects as well as leading the Shell Project and Technology Function in Malaysia. He was also a member of Shell Malaysia's Country Coordination Team
- Mr. Simon Ong has had several international assignments with Royal Dutch Shell Group, namely in Australia, The Netherlands and Canada
- In March 2012, he was elected to the Board of the Institution of Chemical Engineer, Malaysia for year 2013



**Present Directorship(s) in other Public/Listed Companies:**

Mr. Simon Ong does not hold any directorship in other public company and listed company

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil

**Number of Board Meetings attended in the financial year end:**

Mr. Simon Ong attended seven (7) out of seven (7) Board Meetings held in the financial year ended 31 December 2018 since his appointment to the Board on 22 February 2018

# PROFILE OF KEY SENIOR MANAGEMENT



**KHAIRUL ANWAR BIN MOHAMAD**  
Group Chief Financial Officer  
Malaysian, aged 37, Male

**Date first appointed to the Key Senior Management Position:**  
1 January 2017

**Academic/ Professional Qualification(s):**

- Bachelor Degree in Accounting (Hons), Universiti Tenaga Nasional, Malaysia
- Advanced Diploma in Management Accounting, Chartered Institute of Management Accountants, United Kingdom
- Chartered Accountant, Malaysian Institute of Accountants
- Associate Member, Chartered Institute of Management Accountants, United Kingdom
- Member, Chartered Global Management Accountant

**Working Experience:**

- January 2017 – present: Group Chief Financial Officer, Petra Energy Bhd. (“PEB”)
- 2013 : Joined PEB as Manager (Group Finance) and has held various positions within the Group, the last being Deputy Group Chief Financial Officer prior to his current appointment
- 2011 : Manager (Corporate Strategy and Development), Sapura Secured Technologies
- 2009 : Assistant Manager (Business Analyst-Corporate Strategy Department), Bank Muamalat Malaysia Berhad
- 2008 : Senior Executive (Strategic Change Management), RHB Bank Malaysia Berhad
- 2006 : Executive (Corporate Assurance Division), Astro All Asia Networks plc

**Present Directorship(s) in other Public/Listed Companies:**

Encik Khairul does not hold any directorship in other public company or listed company but he sits on the Board of several private companies under the PEB Group

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil



**SIM KIEN BENG**  
Head of East Malaysia  
Operations  
Malaysian, aged 59, Male

**Date first appointed to the Key Senior Management Position:**  
1 March 2015

**Academic/ Professional Qualification(s):**

Bachelor of Mechanical Engineering, Canterbury University, New Zealand

**Working Experience:**

- 10/2017–8/2018 : Chief Operating Officer, Petra Resources Sdn. Bhd. (“PRSB”)
- 10/2015–4/2018 : Chief Executive Officer, Petra Marine Sdn. Bhd. (“PMSB”)
- 03/2015–09/2015 : Managing Director, PMSB
- 10/2012–02/2015 : Senior Project Manager, PRSB
- 06/2005–02/2011 : Senior Manager, PRSB
- 06/2001–06/2005 : Sr Construction Engineer, Brunei Shell Petroleum SB
- 01/1998–06/2001 : Project Engineer, Technip Engineering Brunei
- 07/1986–12/1997 : Project Engineer, Shapadu Energy & Engineering SB
- 11/1984–09/1985 : Project Engineer, Panatec Services, Brunei
- 11/1983–05/1984 : Engineer Assistant, New Zealand Aluminium Smelter Ltd.
- 11/1981–02/1982 : Fitter Assistant, Waipa Sawmill, New Zealand

**Present Directorship(s) in other Public/Listed Companies:**

Mr. Sim does not hold any directorship in other public company or listed company but he sits on the Board of PMSB, a subsidiary of the Company

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil



**CAPTAIN SASITHARAN  
SOMADERAN**

Chief Executive Officer, Petra Marine Sdn. Bhd.  
Malaysian, aged 40, Male

**Date first appointed to the Key Senior Management Position:**  
1 April 2018

**Academic/ Professional Qualification(s):**

Master Mariner Certificate of Competency Class 1, Jabatan Laut Malaysia

**Working Experience:**

- 2018–present : Chief Executive Officer, Petra Marine Sdn. Bhd. (“PMSB”)
- 2014–2018 : General Manager, PMSB
- 2013–2014 : Marine Captain, PMSB
- 2011–2013 : Marine Superintendent, Bumi Armada Navigation Sdn. Bhd.
- 2010–2011 : Master Mariner, Bumi Armada Navigation Sdn. Bhd.
- 2006–2010 : Chief Officer / DPO Bumi Armada Navigation Sdn. Bhd.

**Present Directorship(s) in other Public/Listed Companies:**

Captain Sasitharan does not hold any directorship in other public company or listed company

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil



**MOHAMAD SUBKY BIN  
BUSTARI**

Chief Executive Officer, Petra Resources Sdn. Bhd.  
Malaysian, aged 36, Male

**Date first appointed to the Key Senior Management Position:**  
1 June 2011

**Academic/ Professional Qualification(s):**

BA Commerce/ BA Arts from Curtin University of Technology, Perth, Australia

**Working Experience:**

- Joined Petra Energy Bhd. as General Manager, Strategic Planning and Business Development prior to his appointment as Director, Business Development
- Appointed as Director of Shorefield Sdn. Bhd., a subsidiary company of OBYU Holdings Sdn. Bhd. (“OBYU”) until 2011
- Appointed as Director of KACC Construction Sdn. Bhd.

**Present Directorship(s) in other Public/Listed Companies:**

Encik Subky does not hold any directorship in other public company or listed company but he sits on the Board of several private companies under the PEB Group and OBYU Group

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Encik Subky is the son of Tan Sri Bustari bin Yusuf, who is deemed interested by virtue of his interest in Shorefield Resources Sdn. Bhd., a Major Shareholder of the Company

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil

## PROFILE OF KEY SENIOR MANAGEMENT (cont'd)



**BADARIAH ABDUL JALIL**  
Director, Group Human  
Capital and Admin  
Malaysian, aged 58, Female

**Date first appointed to the Key Senior Management Position:**  
28 February 2012

**Academic/ Professional Qualification(s):**

Master in Business Admin major in Human Resources Development  
University of Hull, United Kingdom

**Working Experience:**

- 2012–present: Director (Group Human Capital), Petra Energy Bhd.
- 2009–2012: Director (Group Human Capital), The NSTP (M) Berhad
- 2002–2009: General Manager (Human Resources (“HR”) and Corporate Affairs), Media Prima Berhad
- 2001–2002: Vice President (Corporate HR), Celcom
- 1999–2001: Principal Consultant, Price Waterhouse Coopers
- 1989–1999: Vice President (Corporate HR), Celcom

**Present Directorship(s) in other Public/Listed Companies:**

Puan Badariah appointed as Board of Trustee for Lembaga Zakat Selangor which was made effective from January 2018. Other than that she does not hold any directorship in other public company or listed company

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil



**DR. RODAINA IBRAHIM**  
Director, Information  
Technology  
Malaysian, aged 58, Female

**Date first appointed to the Key Senior Management Position:**  
1 June 2015

**Academic/ Professional Qualification(s):**

- Doctor of Philosophy (PhD) in Knowledge Management, Dublin Metropolitan University, Ireland
- Master in Business Administration (MBA), Paris Graduate School of Management, Paris, France
- Bachelor of Science in Computer Science, Ohio University, United States of America

**Working Experience:**

- 06/2015–present: Director (Information Technology (“IT”)), Petra Energy Bhd.
- 06/2010–05/2015: Director (IT), The NSTP (M) Berhad
- 01/2002–06/2010: General Manager (IT), Boustead Holdings
- 06/1999–2/2001: Director of Operation, RCM & Associates (M) Sdn. Bhd.
- 12/1997–06/1999: Vice President (Strategic Planning), Celcom (M) Berhad
- 06/1991–12/1997: Managing Consultant (Senior Manager), Price Waterhouse Associates
- 06/1990–05/1991: EDP Manager, Canon Opto (M) Sdn. Bhd.
- 06/1984–05/1990: System Analyst, Texas Instrument (M) Sdn. Bhd.

**Present Directorship(s) in other Public/Listed Companies:**

Dr. Rodaina does not hold any directorship in other public company or listed company

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil



**KHAIRUL RIDZWAN BIN AZIZAN**

General Manager, Group Internal  
Audit and Risk Management  
Malaysian, aged 35, Male

**Date first appointed to the Key Senior Management Position:**

16 January 2018

**Academic/ Professional Qualification(s):**

- Association of Chartered Certified Accountants ("ACCA")
- ACCA's Certified Accounting Technician (CAT)

**Working Experience:**

- Manager (Group Internal Audit and Risk Management), prior to his appointment as General Manager, Group Internal Audit and Risk Management of Petra Energy Bhd.
- Associate Manager (Internal Audit), Western Digital Malaysia
- Internal Audit Specialist, Kuclicke & Soffa OHQ (KNS)
- Senior Executive (Group Corporate Assurance Department), Sime Darby Berhad
- Senior Associate, Ernst & Young

**Present Directorship(s) in other Public/Listed Companies:**

Encik Khairul Ridzwan does not hold any directorship in other public company or listed company

**Family Relationship with any Director and/or Major Shareholder of the Company:**

Nil

**Disclosure of Conflict of Interests with the Company:**

Nil

**Conviction for Offences within the past 5 years and any Public Sanction or Penalty imposed by relevant regulatory bodies (other than Traffic Offences) during the financial year end:**

Nil

# FINANCIAL HIGHLIGHTS

## 31 DECEMBER

FINANCIAL YEAR	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
<b>INCOME STATEMENT</b>					
REVENUE	624,423	654,789	332,084	460,230	<b>467,424</b>
EBITDA	74,471	109,477	5,764	9,730	<b>15,634</b>
PBT/(LBT)	21,780	62,015	(124,483)	(46,212)	<b>(18,508)</b>
PAT/(LAT)	34,736	47,214	(114,199)	(46,033)	<b>(20,919)</b>
PATAMI (attributable to enquiry holders)	34,750	47,214	(114,199)	(46,033)	<b>(20,919)</b>
<b>BALANCE SHEET</b>					
Total Liabilities	601,881	559,114	412,650	481,579	<b>315,419</b>
Total Borrowings	349,490	341,913	237,705	198,206	<b>123,522</b>
Total Assets	1,117,305	1,106,025	830,241	834,635	<b>648,777</b>
Total Shareholders' Equity	515,424	546,911	417,591	353,056	<b>333,358</b>
Dividend / share (sen)	2.0	10.0	5.0	-	-
Share price at end of each financial year (RM per share)	1.73	1.26	0.95	0.82	<b>0.41</b>
EPS (sen per share)	10.80	14.68	(35.58)	(14.34)	<b>(6.52)</b>
Net assets / share (RM)	1.60	1.70	1.30	1.10	<b>1.04</b>
Total cash balances (RM'million)	127.8	213.5	238.7	145.3	<b>94.4</b>
Net gearing ratio (Net D/E)	0.43	0.23	0.00	0.15	<b>0.09</b>

# CALENDAR OF EVENTS

15<sup>th</sup> Jan 2018



The Maintenance, Construction and Modification (MCM) Services Contract Signing ceremony between PETRONAS Carigali and contractors. PETRA Resources was awarded the Sabah offshore Package B.

13<sup>th</sup> - 14<sup>th</sup> Apr 2018



HSE initiative - Basic occupational first aid Cardiopulmonary Resuscitation and Automated External Defibrillator Training for first aiders and safety marshalls at the Group's HQ operations.

4<sup>th</sup> Feb 2018



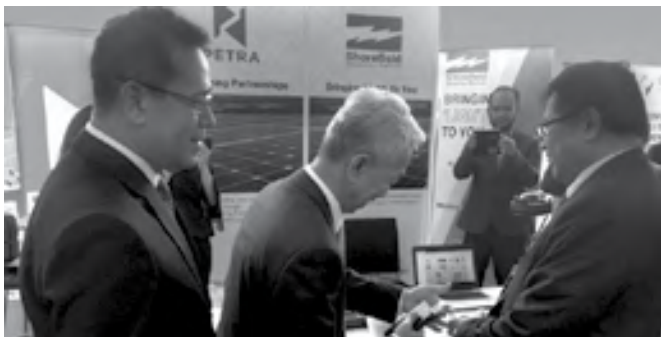
Participated in The Rakan IJN Artery Run, KL a CSR and Health & Wellness initiative.

23<sup>th</sup> - 24<sup>th</sup> Apr 2018



Emergency Response Preparedness and Basic Fire Fighting Practice for Fire Marshalls at the Group's HQ Operations.

10<sup>th</sup> & 11<sup>th</sup> Apr 2018



PETRA Energy participates in the International Sustainable Energy Summit 2018 Kuching, Sarawak.

24<sup>th</sup> May 2018



PETRA Energy Berhad 12th Annual General Meeting at Petaling Jaya, Selangor.

## CALENDAR OF EVENTS (cont'd)

28<sup>th</sup> May 2018

“Berbuka Puasa” with children from an orphanage in Kelana Jaya, Selangor.

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6<sup>th</sup> June 2018

“Berbuka Puasa” with children from the orphanage in Miri, Sarawak.

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30<sup>th</sup> July 2018



Employee Quarter 2 Townhall.

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31<sup>th</sup> July 2018

Petra Resources Sdn Bhd appointed as a member under the Vendor Development Programme (VDPx) by PETRONAS Carigali Sdn Bhd at Kuala Lumpur Convention Centre, Kuala Lumpur.

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16<sup>th</sup> - 18<sup>th</sup> Oct 2018

Management HSE Visit to the D12 Project site.

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21<sup>th</sup> - 22<sup>th</sup> Oct 2018

Management HSE visit to the Petra Main Fabrication & Secondary Yard, Labuan.

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25<sup>th</sup> Oct 2018



Petra Safety Day 2018 with staff at Menara OBYU, Selangor. All locations participated in the launch via a webcast shared live online.

13<sup>th</sup> Dec 2018



Petra Marine HSE Engagement & Seafarers' Forum.

25<sup>th</sup> Oct 2018



HSE engagement and coaching, a Safety Day initiative.

20<sup>th</sup> Dec 2018



Emergency Fire Drill Simulation at the Group's HQ operations.

3<sup>th</sup> & 4<sup>th</sup> Nov 2018



Gold Sponsor of the Sarawak Regatta 2018, Kuching Waterfront, Sarawak.

20<sup>th</sup> Dec 2018



Business Continuity Management Simulation at the Group's alternate office site. A yearly simulation exercise to ensure business continuity.

# CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS



## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Petra Energy Bhd (PETRA or the Group or Company), I present to you the 2018 Annual Report of the Group.

The global energy industry showed signs of a gradual recovery in 2018 with oil prices stabilising since its 2014 levels. However, market volatility was prevalent with global uncertainties impacting some sectors within the oil and gas industry. In Malaysia, the upstream oil and gas sector saw a slow pick-up in activities by Oil and Gas Operators during the first half of the year.

For PETRA, it was another challenging year as lower activities by clients inevitably impacted service companies across the upstream value chain. Notwithstanding the Group's full year loss after tax, PETRA recorded positive contributions in the final quarter of 2018 as reflected in the Group's Q4, 2018 financial results. This reduced the Group's loss after tax by some 55% as compared to 2017.

It is important to note that PETRA's financial strength has been fully tested in the years of low oil and gas activities. During this period it has not only been able to meet its client's expectations and short term obligations, but, it had fully-settled all of its long term debt. Our balance sheet remains healthy, with low debt-to-equity ratio, coupled with adequate working capital for future projects.

The improved performance can be attributed mainly to the Group's aggressive drive to reduce overheads, increase margins and profitability and enhance operational efficiency. This is an outcome of the initiatives implemented by the Group's Special Taskforce ("**Taskforce**") set up in 2018.

In ensuring the sustainability of these initiatives and as a continuity to the Taskforce, PETRA has embarked on a 5-year Transformation Journey for the period of 2019 - 2023. This will be implemented Group-wide to address the cost structure of its core business, regain its footing as a market leader in Integrated Brownfield Services and to grow the Company in the renewables, midstream and upstream segments of the energy sector.



## Our balance sheet remains healthy, with low debt-to-equity ratio, coupled with adequate working capital for future projects



Operationally, the Kapal Banang and Meranti Risk Service Contract (KBMRSC) reached a total production level of approximately 16.8 million barrels of oil equivalent as at end 2018. Workover objectives for a particular well were successfully executed in 2018 meeting the projects targeted objectives and accomplishing natural flow of the well. The financial performance of the KBMRSC was impacted due to an ongoing dispute with a client, which is still being resolved.

The Group, in its core business area of Topside Major Maintenance, Hook-up, Construction and Commissioning (TMM/HUC) within its Integrated Brownfield Services segment, has performed especially well in the D18MP-A and the Temana brownfield projects showing marked improvements in the Group's project delivery performance and cost management. The D18MP-A and Temana Projects received Focused Recognitions by the client, for strong HSE performance with no Lost Time Injury (LTI).

Notable highlights during the period under review include:

- The Group's balance sheet, gearing and cash position remained at healthy levels

- Vessels financing were fully repaid in December 2018
- A one year extension of the Provision of Hook-up, Commissioning and Topside Major Maintenance Services for PETRONAS Carigali Sdn. Bhd. under the Pan Malaysia Project from May 2018 to May 2019 with work orders awarded during the extension period to be executed until 2020
- The continued forging of partnerships for business development to pursue projects in the renewable energy sector. An MoU to explore potential solar projects was signed at the International Sustainability Energy Summit 2018 in Kuching, Sarawak in April 2018
- The completion of the Baronia Rejuvenation, Temana EMP and D18MP-A Projects for PETRONAS Carigali during the period under review.
- Certified ISO 9001:2015 Management Systems compliant by Lloyds Registrar Quality Assurance Limited, for the Group's major subsidiary Petra Resources Sdn. Bhd.
- The Group's safety performance remained strong, maintaining a Lost LTI Frequency rate of 0.0 for 5.34 million manhours of work undertaken Group-wide during the period.
- During the period, the Group's operations were recognised for achieving 10 million manhours without LTI cases recorded for work undertaken for PETRONAS Carigali's offshore facilities (cumulative from 2011 – 2018). The commendation for PETRA's team members was for the robust commitment, leadership dynamics towards HSE and ensuring no compromises made in all HSE related matters.
- The Group's marine operations undertook work to support the Group's major contracts namely; the Pan Malaysia HuC and the MCM Sabah operations contracts for PETRONAS Carigali. Additionally, as part of its sustainability initiatives within the workplace dimension, the marine unit organised the HSE ENGAGEMENT & SEAFARERS' FORUM focusing on Malaysia's Shipping Master Plan during the period.
- PETRA was also awarded the Grand Prize Winner for the Best Proactive Measure Category by SHELL Malaysia Exploration and Production (SHELL) during SHELL's Safety Day 2018, in recognition of efforts to drive change in mitigating risk normalisation and addressing dilemmas to further reduce workplace risks as part of SHELL's Safety Leadership Engagement Programme. The recognition was awarded in relation to work undertaken for the Sabah Deepwater maintenance projects.
- PETRA Resources, was recognised as a partner to PETRONAS' VDPx programme. PETRONAS launched VDPx in July 2018 - a new vendor development scheme under the company's existing Vendor Development Programme (VDP) implemented in collaboration with major industry players in the country. PETRA has been part of PETRONAS' VDP Programme since the initiation of

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS OF EVENTS (cont'd)



the Programme. Vendor Development has been a continuous initiative for PETRA since 2010.

- In line with our sustainability objectives in developing communities where we operate and our clients' focus on local content, the Group continued to undertake the Fast Track Engineer Programme, a graduate trainee initiative that began in 2013 which saw the recruitment of 10 graduates from Sabah and Sarawak in the 2018/2019 batch. They are now attached to various projects and units within the Group. This initiative also ensures a steady pipeline of talent for the Company. The initiative is also driven in tandem with the Government's aim towards the development and upskilling of youths.

While there have been improvements, the Group is determined to work towards sustaining these improvements by leveraging on innovations and technology to reduce its cost and improve its project delivery effectiveness in line with the objectives of the PETRONAS Outlook.

### FINANCIAL PERFORMANCE

The first three quarters of 2018 were challenging for the Group, with lower revenues recorded due to lower work activity within the segment. However, in line with client demands, there was an increase in work orders within the later part of the year which translated to an improved performance in Q42018. The implementation of initiatives rolled out under the Special Taskforce set up in 2017 focused on cost management and operational excellence helped to further boost performance within the Group.

For the financial year ended 31 December 2018, revenue was recorded at RM467.4 million as compared to revenue of RM460.2 million in 2017, due to a marginal increase in TMM/HUC activities with PCSB coupled with improved vessel utilisation. Net loss after tax decreased from RM46 million in 2017 to RM20.9 million in 2018.

As a result of initiatives that were implemented by the Special Taskforce, the Group recognised total savings of approximately RM20.1 million during the period, arising from savings in employee costs, rentals of equipment, land and building, as well as finance costs.

This is in line with Group's effort in continuously managing costs effectively and efficiently.

Meanwhile, under the Development and Production segment, there is an ongoing dispute presently under discussion with a client that affected the share of result of the associate for the year ended 31 December 2018. Thus, the Group decided not to account for the revenue under dispute.

For the year ended 31 December 2018, the Group recognised impairment loss on receivables of RM1.6 million as compared to RM4.5 million in 2017. No impairment was made on marine assets in 2018.

A net gain of RM12.1 million has been recognised from the disposal of a leasehold land, leasehold building and marine asset which was completed in 2018.

The Group's financial position remained positive. Borrowings reduced from RM198.2 million in 2017 to RM123.5 million in 2018 (37.7%) due to full repayment of Term Loan facilities pertaining to marine assets. For FYE 2018, Group's cash position stood at RM94.4 million. Net debt-to-equity ratio is maintained at healthy state, from 0.15 in 2017 to 0.09 in 2018. Net asset per share stood at RM1.04.

In Quarter 4, 2018, the Group embarked on a 5-year Transformation Journey with the twin objectives of addressing the cost structure of the core business and grow in the other segments of the Energy Sector viz; Midstream, Upstream and Renewables.

In view of the Group's prudent cash flow management and to reserve funds for business expansion and growth, in support of the Group's 5-year Transformation Journey, the Board of Directors proposed no dividend declaration with respect to the financial year 2018.

## OPERATIONAL HIGHLIGHTS

As extracted from the PETRONAS' Activity Outlook - "The year 2018 has seen greater volatility in oil prices with dated Brent rising to US\$86 per barrel in early October from US\$67 per barrel at the onset of the year. In early December, Brent declined by 30% to US\$57 per barrel due to an oversupplied market. Nonetheless in 2018, generally the actual level of activities performed are as projected".

For PETRA, the first half of 2018 took on a sluggish pace of work orders and contract replenishment despite the climb in crude oil prices. Encouragingly, the industry witnessed the pick-up of activities during the second half of the year.

Highlights of the Group's performance in the Services segment are as follows.

### Services Segment

The services segment consists of the Group's core activities in the area of providing services such as HuC, TMM, marine vessel and fabrication yards support, trading and engineering services. Anchor contracts within this segment which contributed RM305.6 million towards the Group's revenue are:

- The Maintenance Construction and Modification (MCM) Services contract by PETRONAS Carigali for work offshore Sabah (Package C). The MCM services contract is for a period of 5 years expiring in November 2022 with a one year extension option

- The Pan Malaysia HuC and TMM (Hook-up Commissioning and Topside Major Maintenance) contract executed for PETRONAS Carigali Sdn Bhd, which ended in 2018 was extended for a year and expiring in May 2019. The Company has submitted bids for the five-year Integrated Hook-up and Commissioning Project which is the replacement of the current Pan Malaysia HuC Contract.

- Provision of Vendor Support Services & Supply of Spare Parts for Waukesha Equipment for PETRONAS Carigali

- Provision of Mechanical Rotating Maintenance Services and Crane Operations and Maintenance for Sarawak Shell Berhad / Sabah Shell Petroleum Berhad

- Provision Maintenance and Services for Lifting Equipment Sabah Shell Petroleum Berhad

Notable projects completed during the year are as follows:

- The successful closing out of the Baronia CP-2 project
- D18 Phase 1 – HUC Modification at D18MP-A for D28 Phase 1

- Successfully completed the onshore fabrication that consist of 3,418 diameter inch piping and 43 metric tonnes structures, i.e deck extension, service platform, structure strengthening, drip pan, pipe supports and Electrical & Instrumentation support

- During offshore execution, the project successfully delivered the shutdown scope of work four days ahead of the delivery schedule

- The D18 project achieved focused recognition commendations by the client, PETRONAS Carigali for contributing to the Projects HSE performance statistics with no LTI incident. The project team was commended for ensuring activities were carried out smoothly, safely with collaboration and support towards achieving the project milestones

- Temana Early Monetization Project (Temana EMP) for PETRONAS Carigali

- The Temana EMP for PETRONAS Carigali entailed undertaking work to ensure the development of four new production wells for the Temana field

- Achieved first oil delivery objectives set by the client for two wells within 10 months, an admirable feat considering the schedules stipulated for the Project

- The Temana EMP Project achieved focused recognition commendations by the client, PETRONAS Carigali for collaboration and support in achieving project milestones and contributing to the Projects HSE performance statistics with zero LTI incidents

During the period under review, the Group also undertook work orders for PETRONAS Carigali for the Samarang EOR, Sumandak EFAD and Sumandak Selatan Projects.

Group-wide, a total of 5,338,108 manhours (~5.34 million manhours) were clocked for all projects undertaken during the period.

We anticipate that work within this segment may continue to be challenging with suppressed margins and higher expectations by the clients. However, with the first phase of the transformation plan in place, we aim to ensure operational excellence by changing from conventional approaches as we innovate to achieve operational excellence and cost optimisation.

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS OF EVENTS (cont'd)



### Marine Assets Segment

This segment encompasses the Group's activities that cover the range of marine assets and fleet operations, management and chartering. PETRA's fleet of marine vessels includes:

- 4 accommodation workboats
- 3 accommodation work barges; and
- 1 anchor handling tug supply vessel (AHTS)

During the period under review, vessel utilisation remained a challenge during the first half of 2018, however a pick-up of activities in the second half of the year saw the Group's vessels undertake work mainly for projects as part of the Group's anchor contracts:

- Petra Challenger performed work for the Samarang EOR, Sumandak Selatan and ERB West Projects
- Petra Endeavour undertook work for the Kinabalu Non Associated Gas Turnaround Project and D12 Project
- MV Anis undertook work for the EWDP-A Project
- Petra Galaxy performed work for the Baram, B11, Trump Campaign and Temana Early Monetization Project
- Petra Orbit for the ERB West and Kinarut projects
- AHTS vessel Kas Marine 1 undertook work for the Sumandak SUPG-B,

Samarang EOR, Sumandak Selatan and ERB West Projects

Vessel utilisation was recorded at approximately 48% representing an increase of 5 percentage points from the previous financial period.

The Group's marine unit clocked 775,492 manhours without LTI during this period. Cumulative LTI since 1 January 2014 is at 6.9 million manhours.

The segment contributed RM161.8million as part of the Group's revenue.

### Development & Production Segment

This segment categorises the Group's business activities in the risk service contract and any new activities in relation to rejuvenation of brownfields as well as small and marginal field development and production. The project within this segment involves the Group's participation in the KBMRSC.

During the financial year, oil production from Kapal, Banang and Meranti cluster of small fields continued to produce crude oil at a consistent pace. Total production until December 2018 is approximately at 16.8 million barrels.

34 project personnel from PETRA were deployed to undertake work in the area

of operations and maintenance for both offshore and onshore operations. Workover objectives for a particular well were successfully executed in 2018 meeting the projects targeted objectives accomplishing natural flow of the well.

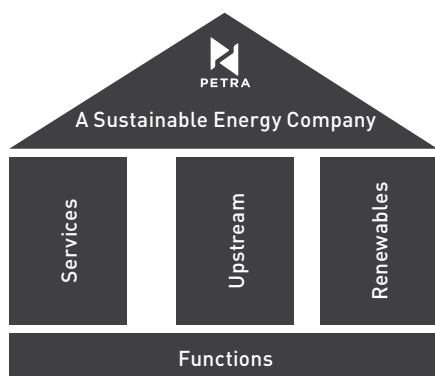
To date, the project has contribution RM151.1million, via share result of an associate, to the Groups earnings since year 2015. Production costs has consistently been below budget and development within schedules. The Project is said to be one of the most sustainable and profitable RSC projects.

For the period under review, the financial performance of the KBMRSC was impacted due to an ongoing dispute with a client, which is still being resolved. As such, return from this strategic venture for 2018 via contribution from share result of an association to PETRA was recorded at RM1.1 million.

The Group anticipates production to be consistent throughout 2019 subject to PETRONAS approval.

### HEALTH SAFETY & ENVIRONMENT

The Group's HSE and sustainability initiatives and updates is discussed in the Sustainability statement on pages 36 to 53 of this report.



## MOVING FORWARD - PETRA IS TRANSFORMING

In a competitive and rapidly evolving market, accelerated change is the only option. In becoming more sustainable and relevant in the industry and to realise its vision as a sustainable energy company, the Group has embarked on a 5-year Transformation Plan to create the new PETRA.

To be a Sustainable Energy Company we need to urgently address our challenges

- Sustained healthy margins
- Efficiency, speed and agility
- Behaviours which support Care, Ownership and Accountability Diversity and Inclusiveness and Innovation as our culture

and also diversify our revenue and client mix focusing on opportunities such as :

- Operations and Maintenance Services
- Matured and discovered small fields
- Midstream and Downstream Services segment
- Non-traditional energy opportunities e.g. solar and mini-hydro

2019 will focus on Cost Reset and returning to the black and aggressively strive to generate positive cash flow through healthy margins from projects. Other focus areas for the year are:

- Instituting a new operating model to focus on value adding activities

and which will promote integration across teams, faster decision making and “end to end thinking”.

- Creating a new cost structure which is competitive and transparent to support the operating model
- Instituting a set of desired behaviours and rewards to promote the culture of Care, Ownership and Accountability, Diversity and Inclusiveness and Innovation
- Implementing a performance based reward system for its employees.

We have weathered the cyclical downturn post the oil price crisis over the last three years, we will strive to make positive change through this Transformation journey in making PETRA, a sustainable energy company that we are all proud of and that others want to work with and be part of.

The end objective of the transformation plan is to propel PETRA to become an industry leader with sustainable and, profitable growth. In doing so, the Board remains committed to maintaining the right balance between investment in the business, dividends for shareholders and balance sheet strength.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to convey our sincere thanks to all our stakeholders, beginning with our shareholders for their patient support and belief in the Company. PETRA's share price has been encouraging in the first quarter 2019 and we hope that this trend continues.

To my colleagues on the Board for their stewardship, advice and support in steering through what has been challenging times for the Company and the oil and gas industry as a whole.

To the Management team and leaders, for their tireless dedication and leadership in ensuring that we deliver on our commitment to our clients. It has been challenging times for the leaders and staff who faced salary and benefits reductions during the period. We appreciate your unwavering commitment in seeing the Company through Phase 2 of the Transformation 2019-2023 in our efforts to create a sustainable energy company.

I also wish to take this opportunity to thank Dato' Mohamed Nizam bin Abdul Razak who resigned from the Board in September 2018 to pursue other business ventures. We wish to thank him for his support and good counsel during his tenure as Director on the Board.

During challenging times and declining profits, it is our employees, our crew on the ground and project front liners who bear much of the brunt of change. My thanks go to all of them for their hard work and belief in the leadership.

Synergising Partnerships

Thank you.

**Tan Sri Datuk Seri Panglima Sulong bin Matjeraie**  
Chairman

2 April 2019

# SUSTAINABILITY STATEMENT

PETRA is pleased to share our sustainability initiatives for the second year with guidance from Bursa Malaysia Securities Berhad ("Bursa Malaysia") Sustainability Reporting Guide.

Our core values – Integrity, Professionalism, Teamwork and Commitment – steer our direction and vision towards becoming a sustainable energy company.

In 2017, we identified and prioritised several sustainability themes such as the health and well-being of our employees, gender equality and climate change. In 2018, we have expanded this to include life on land. These themes also represent our commitment areas and the basis of our disclosures for this year.

Our 2018 Sustainability Statement incorporates elements beyond philanthropy to address key sustainability themes that are important to our stakeholders and business. Moving forward, we would embark on a stakeholder-inclusive materiality survey to ensure material topics are appropriately prioritized.

The period under review was a challenging for PETRA with the low activity and suppressed profit margins. In the coming years, we aspire to increase our efforts to be more systematic in embedding sustainability within the organisation. In 2019, we will focus on embedding the behaviours of accountability & ownership, diversity & inclusiveness, care and innovation that are in tandem with the Groups Transformation journey.

A formal sustainability steering committee, under the Group's Health Safety Security and Environment (HSE) leadership council, shall be formed in 2019 to drive and spearhead the Group's Sustainability agenda and strategy.

## SCOPE

This statement has been prepared with reference to Bursa Malaysia's Main Market Listing Requirements Note 9 and Bursa Malaysia's Sustainability Reporting Guide. These guidelines provide the foundation for disclosures on matters related to Economic, Environment and Social. We endeavour to integrate important sustainability considerations within our business operations and community projects.

Information within this statement relates to the selected subsidiaries under PETRA's Group of Companies unless otherwise stated:

- Petra Resources Sdn. Bhd.
- Petra Marine Sdn. Bhd.

These subsidiaries are within the largest segment of Petra Energy Group, i.e. the Services Segment. We intend to expand the scope of coverage of our sustainability statement to include other entities within the Group in the future.

## SUSTAINABILITY GOVERNANCE

We believe it is important to operationalise sustainability by establishing proper governance structures. In 2017, we established a working level sustainability workgroup. Moving forward sustainability will sit within the Group's HSE Leadership Council, aimed to be set up in 2019. This will comprise of key leadership from different streams within the Group. In addition, we will also formalise a comprehensive group-wide Sustainability Policy and Procedure guideline.

## OUR APPROACH IN SUSTAINABILITY

We believe that corporations that act in the best interest of stakeholders will deliver long-term value and future growth for the business. Our approach is guided by these commitment areas which have the most impact and significance to our business operations.

- Maintaining the health and well-being of our employees
- Improving gender equality in the workforce
- Supporting initiatives to reduce the impacts of climate change
- Supporting initiatives that enhance life on land

These commitment areas will form the foundation of our group-wide sustainability strategy, which we aspire to establish in the near future.

### THE 17 SUSTAINABLE DEVELOPMENT GOALS

The 17 Sustainable Development Goals (SDGs) introduced at the United Nations Conference on Sustainable Development in September 2015 provides a global action-plan for the governments across the world. The SDGs address critical areas of importance for sustainable development. There is now an increasing trend of companies integrating SDGs into corporate strategies and business plans. We believe that integrating SDGs into our business will provide the foundation to unlock new business opportunities, manage key environmental and social impacts as well as driving innovation within the organisation.



We support the SDGs and aspire to align our sustainability initiatives towards these goals. We have identified these 4 goals as priority areas for PETRA:

- **Goal 3 (Good Health and Well-Being)**
- **Goal 4 (Quality Education)**
- **Goal 5 (Gender Equality)**
- **Goal 15 (Life on Land)**

We will continue to prioritise these four (4) area as we aspire to develop group-wide benchmarks that allow us to share how we are contributing to the SDGs through our business operations and various sustainability initiatives in the near future.

### STAKEHOLDER ENGAGEMENT

As a responsible corporate citizen, we believe continuous engagement with our stakeholders will provide valuable inputs to thrive in this ever-evolving business environment. In 2018, the Group engaged the following stakeholders through various activities and communication channels. PETRA’s stakeholders comprise the following:

Stakeholder	Engagement Activity/method
Employees	<ul style="list-style-type: none"> <li>• Employee induction programme</li> <li>• Townhall sessions</li> <li>• Leadership briefing sessions</li> <li>• Health and Safety briefings and coaching</li> <li>• Learning and development programmes</li> <li>• Performance appraisals</li> </ul>

## SUSTAINABILITY STATEMENT (cont'd)

Stakeholder	Engagement Activity/method
Customers	<ul style="list-style-type: none"> <li>• Industry events</li> <li>• Industry exhibitions</li> <li>• Face-to-face engagements</li> <li>• Formal and informal meetings and updates</li> </ul>
Investors and shareholders	<ul style="list-style-type: none"> <li>• Engagement with Analysts</li> <li>• Annual General Meetings</li> <li>• Annual Report</li> <li>• PETRA Energy website</li> <li>• Quarterly announcements of financial results to Bursa Malaysia</li> </ul>
Government and regulatory authorities	<ul style="list-style-type: none"> <li>• Meetings and Engagements</li> </ul>
Communities and the public	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility events</li> <li>• Fast Track Engineer Program</li> <li>• Exhibitions and career fairs</li> <li>• PETRA Energy website</li> </ul>

### MATERIALITY

Sustainability reporting covers a wide range of topics that can be reported. In this regard, materiality provides the threshold to determine important economic, environment and social impacts to the organisation. We have maintained our key sustainability topics from 2017 that shape our 2018 Sustainability Statement.

We have identified a total of 10 material sustainability matters, mapped against Economic, Environment and Social topics.

 <p><b>ECONOMIC</b></p> <ul style="list-style-type: none"> <li>• Procurement Practices</li> <li>• Commitment towards Good Business Practices</li> </ul>	 <p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>• Waste Management</li> <li>• Water Consumption</li> <li>• Energy Consumption</li> <li>• Carbon Emission</li> </ul>	 <p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>• Occupational Health and Safety</li> <li>• Workforce Diversity</li> <li>• Employee Training</li> <li>• Corporate Social Responsibility</li> </ul>
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We aim to reach out to our stakeholders to provide a more inclusive materiality assessment in the coming years. As we continue to expand our stakeholder universe, the materiality matrix and reporting content may change accordingly. We will review these topics to assess their impacts on our business over the near, medium and long-term future. We also strive to disclose more granular processes and practices of our subsidiaries progressively to provide a more holistic picture of the Group's sustainability opportunities, risks and performance.



## ECONOMIC

We believe that being a good corporate citizen heightens our business success through our contributions towards a sustainable marketplace. We also believe in spurring the economy and business ecosystem in communities where we operate. This is also in line with our client PETRONAS' Vendor Development Programme (VDP) which PETRA has been a part of since 2010. We have identified our procurement practices and our commitment towards anti-corruption as key emphasis areas for our operations.

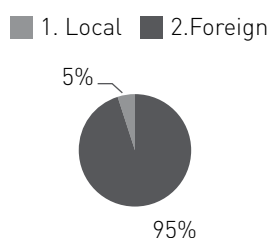
### PROCUREMENT PRACTICES

Petra Energy is committed to build and drive a sustainable value chain. As our activities and operations have a heavy focus in Sarawak and Sabah, we are passionate to add value to the communities in Sabah and Sarawak. Our procurement activities are focused towards engaging with competent local suppliers and vendors to serve our operations. Since 2013, we have awarded about RM350 million worth of projects to Sarawakian vendors in supporting the business activities of the Group in Sarawak. These project awards help strengthen long-term strategic partnership between Petra Energy and Sarawakian oil and gas vendors. In 2018, we engaged 95% of local suppliers.

Breakdown of suppliers by type	FY 2018	FY2017
Number of suppliers		
Local	874	442
Foreign	87	3
<b>Total</b>	<b>961</b>	<b>445</b>

Percentage of spending on suppliers by type	FY 2018	FY2017
Local	95%	99%
Foreign	5%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Supplier Category



An increase in foreign suppliers during the period was due to increase in activities under the Group's Trading unit. PETRA is an agent for seven foreign principals.

### PETRONAS VDPx – our commitment to local vendors and clients objectives

On 31 July 2018, PETRONAS Carigali Sdn. Bhd. launched a new Vendor Development scheme (VDPx) under PETRONAS' current vendor development programme. The scheme is aimed to reach out to more local vendors and further intensify its benefits to the industry as well as the nation.

PETRA has been a member of PETRONAS' Vendor Development Programme since 2010 and continues as a member within the newly launched VDPx scheme.

During the period under review and in tandem with the drive to develop local vendors by our key client, PETRA formalised service agreements via long term master supply agreements with key vendors. This we hope will further develop local vendor capabilities and create a multiplier effect that benefits the industry and economy.

### COMMITMENT TOWARDS GOOD BUSINESS PRACTICES

We have in place the following policies that support our commitment towards good business practices:

- Code of Conduct
- Whistle blower Policy
- Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission Group-wide

Petra Energy's Code of Conduct outlines the standard of professional conduct for all employees serving the Group. The Code stipulates that all employees are prohibited from giving or receiving bribes under no circumstances. Petra Energy established a Whistleblower Policy on November 2011 to provide a mechanism for all employees to report instances of unethical behaviour, actual or suspected fraud, dishonesty or violation of the Company's Code of Conduct. The Whistleblower Policy is available on the Group's website. In 2017, leaders and employees across the Group signed the Malaysian Anti-Corruption Commission Corporate Integrity Pledge as a commitment to a corruption-free organisation.

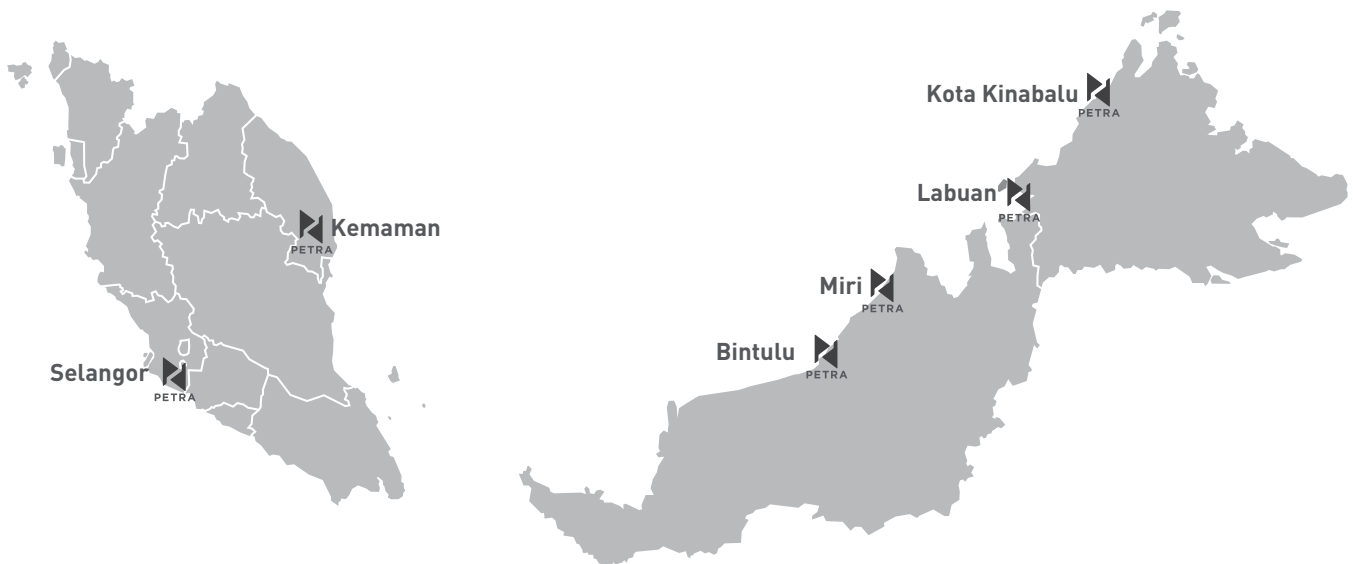
The Company has an integrity officer who leads initiatives and programmes towards continuous good business practices in Petra Energy.

## SUSTAINABILITY STATEMENT (cont'd)



### ENVIRONMENT

Climate change poses a fundamental threat to the planet and is rapidly changing the business landscape. As an oil and gas service provider, we are aware of the potential climate and environmental impacts that could arise from our business activities. Further, we also aim to systematically study the risk and impact of biodiversity in our project sites.



Our operations reside in eight offices in Selangor, Miri, Bintulu, Labuan, and Kota Kinabalu. We have identified electricity consumption, carbon emissions, water consumption and waste management as key environmental issues for the Group.

### ELECTRICITY CONSUMPTION

Total energy consumption for our project offices in Kuala Lumpur, Miri, and Kota Kinabalu in 2018 is 400,660 kWh. Meanwhile, total energy consumption at our project sites at Petra Fabrication Yard in Labuan and Petra Bintulu Site Office is 344,076 kWh. We strive to minimise our electricity consumption throughout all areas of our operations by improving energy efficiency at our offices and project sites. We strive to expand our scope of monitoring and reporting of electricity consumption at other offices and project sites in the coming year.

Our project office in Kuala Lumpur resides in Menara OBYU, a green building recognised and certified by Green Building Index (GBI). Green buildings are specifically designed to reduce overall impact on the environment and human health by incorporating measures to reduce waste generation and increase efficiency of energy and water consumption levels.

## Electricity consumption

Electricity consumption (kWh)	FY 2018
Office	400,660
Site	344,076
<b>Total</b>	<b>744,736</b>

## CARBON EMISSIONS

Our emissions accounting is based on the GHG Protocol classification of direct and indirect emissions, and we have calculated our emissions from indirect emission from purchased electricity (Scope 2). The carbon emissions from the use of electricity were derived using the emission factor published by Green Technology Malaysia for the Peninsular energy grid. Our total Scope 2 emission in 2018 from our headquarters in Kuala Lumpur is 130.08 metric tonnes of carbon dioxide emissions. We strive to improve our monitoring and tracking systems, especially since the boundary of carbon emissions data is incomplete.

## WATER CONSUMPTION

At our offices, water source is from our municipal water utilities supplier. The monitoring of water consumption is currently limited to certain offices and project sites. A total of 2,089 million cubic metres of water were consumed at project offices in Miri and Bintulu in 2018. Meanwhile, total 326,580 million cubic metres were consumed at our project sites at Petra Fabrication Yard in Labuan in 2018.

We aim to expand our scope of monitoring and reporting of water consumption of other offices and project sites in the coming year.

### Water consumed

Water consumption (million cubic metres)	FY 2018
Office	2,089
Site	326,580
<b>Total</b>	<b>328,669</b>

## WASTE MANAGEMENT

As an organisation, we generate two types of waste: general waste and scheduled waste. A total of 34.0160 metric tonnes of scheduled waste were disposed from our project site at Petra Fabrication Yard in Labuan in 2018. This significant proportion of scheduled waste is due to the nature of our services in topside major maintenance, hook-up, construction and commissioning for offshore and onshore oil and gas installations.

We ensure government-approved waste disposal contractors are appointed for removal and disposal of scheduled waste at our project sites. Data on scheduled waste is obtained from our waste disposal contractors.

The Group does not have a mechanism in place to measure office based general waste output.

### Waste disposed

Scheduled Waste (metric tonnes)	FY 2018
Office	-
Site	34.0160
<b>Total</b>	<b>34.0160</b>

## SUSTAINABILITY STATEMENT (cont'd)



### SOCIAL

We aim to be a responsible employer by creating a high quality and inclusive work environment for all employees. Our aspiration is guided by our commitment areas to improve gender equality in the workforce and maintain the health and well-being of our employees. Our vision and core values range from integrity, professionalism, teamwork and commitment. These shared values influence the way we work and our approach when conducting business. At PETRA, we also strive to contribute towards the wider society via our various community service programmes. In 2019 the Company will embark on a plan to embed the behaviours of; Accountability and Ownership; Diversity and Inclusiveness; Innovation and Care within the Group as part of its culture change exercise in line with the Group's 5 year Transformation Plan.

The safety and health of our employees at the workplace is highly critical to the success of our business operations. Given its relative importance, greater emphasis has been placed on this topic in our 2018 sustainability disclosures. Other critical topics identified include employee training, workforce diversity and corporate social responsibility.

### OCCUPATIONAL HEALTH AND SAFETY

As a service provider within the upstream oil and gas industry, the well-being of our employees is prioritised at all levels of the Group's business operations. We have introduced various measures to provide a safe and quality work environment for employees to carry out their daily activities.

At Petra Energy, the following policy measures provide the foundation for our health and safety framework:

- Health, Safety and Environment Policy;
- Quality Policy;
- Drug & Alcohol Policy; and
- Stop Work Policy

We introduced a requirement for all employees to be accountable of the safety and health of their colleagues, contractors and the public. We also ensure all employees comply with the applicable laws, regulations, industry codes and practices. We firmly believe promoting a collective responsibility within the organisation will only enhance the safety of our workforce and stakeholders.

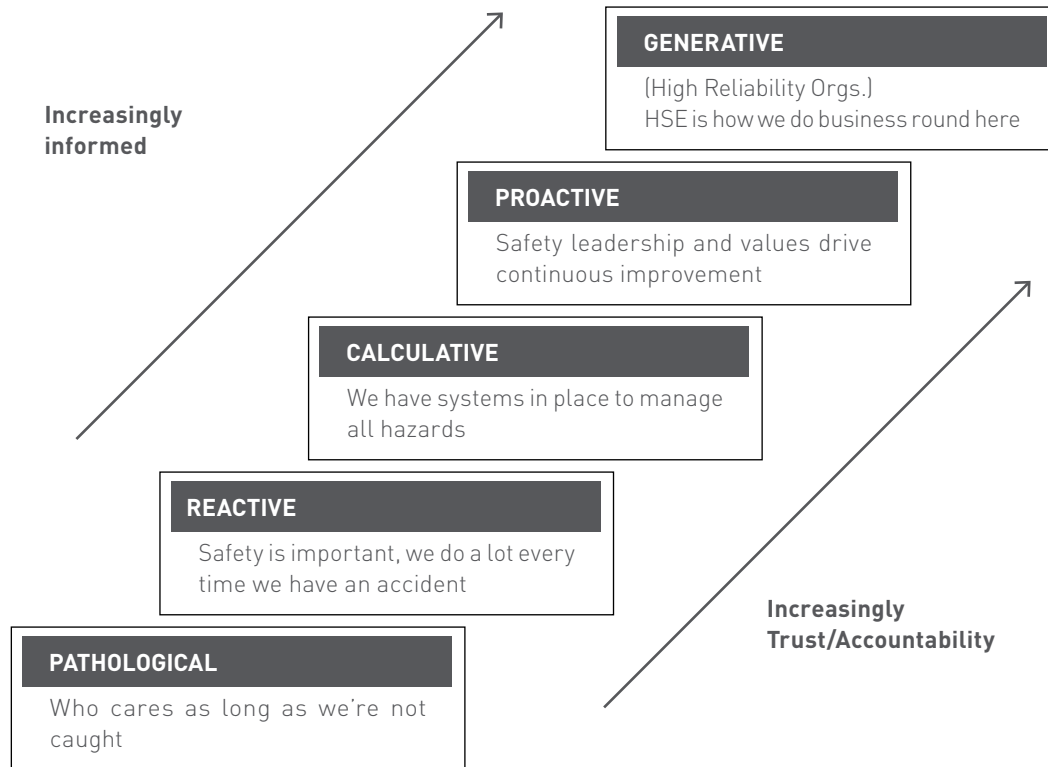
### On a journey towards a GENERATIVE safety culture

The safety culture ladder level for PETRA's currently lies in the CALCULATIVE state which translates to having all necessary systems in place to manage all hazards. We aim to reach the GENERATIVE and highest level where safety is weaved into every facet of the organisation.

### OUR GROUP WIDE SAFETY OBJECTIVES

- A strong safety culture is where everyone:
  - Values safety
  - Expects the unexpected
  - Knows what to do
  - Are open to suggestions
  - Wants to make a difference
  - Believes their behaviour makes a difference for others
- And Managers (Management) in particular:
  - Lead by example
  - See the behaviour of others as reflecting their leadership

**THE SAFETY CULTURE LADDER**



**The initiatives to achieve the PROACTIVE state**

- Developing a comprehensive yearly Occupational Health Safety Security and Environment (OHSSE) Plan that addressed the current gaps in the current cultural ladder

**Key areas are:**

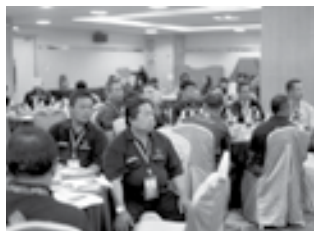
- Visibility of Leadership in OHSSE Management via Management Health Safety Visit (MHSEV)
- International body certification for the HSE-MS (ISO 45001) and EMS (ISO 14001)
- Strengthened the frontline leaders in managing HSSE
- Improvement in methodology of engaging contractors (HSE as the essential criteria)
  - Developing pools of future leaders that will have HSE experience
  - Exposure of HSE personnel in various types of HSE activities (Planning/projects/data/audit).



**HSE ENGAGEMENT & SEAFARERS FORUM 2018**

As part of its sustainability initiatives within the workplace dimension, the marine unit organised a HSE ENGAGEMENT & SEAFARERS' FORUM focusing on Malaysia Shipping Master Plan during the period. With the support from the Ministry of Transport Malaysia, Marine Department of Malaysia, and Malaysia Shipowners' Association, the Maritime Institute of Malaysia (MIMA) organised a national shipping conference themed "Revitalizing Malaysian Shipping for a Stronger Economy" on 26 March 2015. Recognising the criticality of the shipping industry to the economy and security of Malaysia, the conference addressed the policies and strategies needed to enable it to overcome its vulnerabilities and to thrive in a competitive environment. The conference concluded that a shipping master plan was urgently needed to improve the state of Malaysian shipping. Following the conference, eight industry workshops were held to formulate strategies and action plans to address the decline in Malaysian shipping and Malaysia's increasing dependence on foreign ships, seafarers, and services.

PETRA Marine as an owner and operator of OSVs in Malaysia, felt the need to bring together key stakeholders within our reach and community in the best way to support and contribute to Malaysia's Shipping Master Plan, especially in providing a skillful, capable and productive workforce in the industry. A seminar themed revolutionising partnerships was organised. As productivity goes hand-in-hand with safety, where we believe a safety 'cultured' workforce tend to produce better productivity through loss prevention.



**HSE COMMITTEE**

Our Safety and Health Committee (HSE Committee) comprises 25 members: 16 management representatives and 9 employee representatives. The committee composition conforms to the requirements of OSHA 1994, which requires at least four employer and employee representatives for an organisation with more than 100 people. The HSE Committee is responsible for the following:

Reviewing the measures taken to ensure the safety and health of employees at the workplace;

- Investigating any matters at the workplace which has been brought to the attention of the employer on findings of unsafe incidents or threats to safety and health
- Attempting to resolve any matters identified

**Emergency Drill & Business Continuity Management**

Emergency preparedness and response are important elements of business continuity and risk management. To ensure business continuity, we have in place a Business Continuity team comprising leaders and key personnel within the organisation.

The Group has in place an alternate space for operations to continue in the event of an emergency.

During the period under review, PETRA's HQ operations had a simulation exercise on 20 December 2018 to test preparedness and effectiveness of Emergency Drill and a business continuity simulation on 20 December 2018. This simulation acts as a real life simulation in the event of a crisis.



## SUSTAINABILITY STATEMENT (cont'd)

### Accident Control Technique (ACT)

All employees are required to undergo a training to understand the hazard and effect management process employed by PETRA. ACT is used to identify and correct Unsafe Conditions and Unsafe Acts (UCUA) found in the workplace which helps the organisation to identify the cause and minimises the recurrence of the occupational hazards. The objectives of the ACT are to:

- Remove UCUA hazards identified at the workplace
- Reaffirm and improve HSE standards employed by the organisation
- Improve communication, understanding and rapport among employees
- Provide better and more positive HSE performance
- Bring about change in behaviour and attitude of employees towards the empowerment of HSE practices in Petra Energy

We encourage our staff to report unsafe act and unsafe work conditions through the ACT by establishing Key Performance Indicators (KPIs) for our employees at offices and project sites. In 2018, we received a total of 29,503 ACT (UCUA) reports from our employees at project sites located onshore and offshore.

We recognise contributions by employees via the ACT (UCUA) Award to encourage frequent reporting by employees of any unsafe act and unsafe conditions through the ACT.

### HSE PERFORMANCE INDICATORS

In 2018, we recorded 5,338,108 total man-hours worked by our employees, with no lost workdays. We encourage all employees to report to the management of all unsafe conditions and acts that may result in injuries and accidents, no matter how small. Continuous feedback allows us to improve our work environment and integrate appropriate corrective action within our health and safety management system.

We also encourage employees to practice an active and healthy lifestyle which are organised throughout the Group's operations.

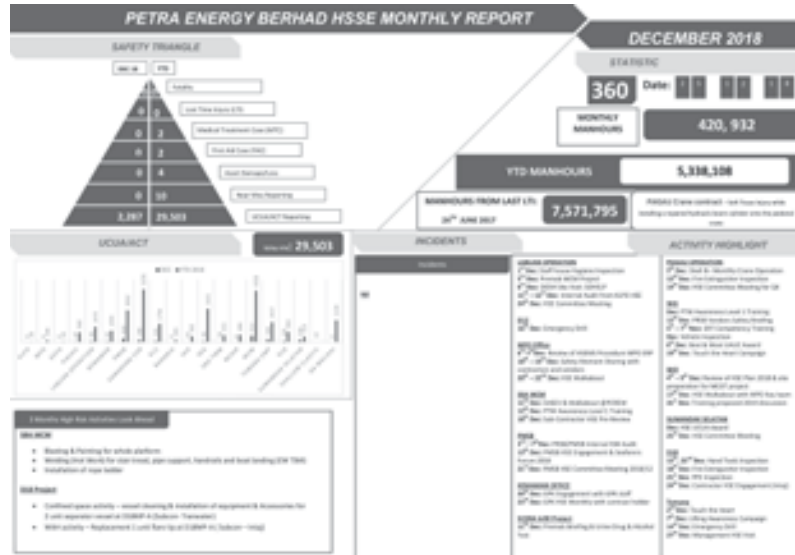
Health and Safety Indicators	FY 2018	FY2017
Number of cases resulting in lost workdays	0	1
Number of cases resulting in medical treatment	2	1
Number of cases resulting in first aid treatment	2	4
<b>Total work-related injuries</b>	4	6
Total man-hours worked	5,338,108	4,821,119
Total number of lost days	0	5
<b>Rate of work related injuries per total man hours worked</b>	0.000000749	0.00000124
<b>Severity rate</b> (Total number of lost days per total number of recordable incidents)	0	5

Our 2018 HSE performance showed improvements in total work related injuries and no lost workdays. Furthermore, the rate of work related injuries per total man hours worked and severity rate reflected improvement. We will continue to instill good HSE practices at all locations Group-wide as we strive towards our AIM ZERO Goals.

**HSE COMMUNICATION**

**HSE Dashboard**

We share HSE information and performance via a monthly HSE dashboard. This helps to demonstrate and provide visibility on the Group’s HSE performance group-wide.



**HSE Newsletter**

HSE newsletter – sharing news from the ground. The Group’s yard operations and initiatives are shared with all employees via the monthly newsletter. This newsletter covers all activities that includes stories and updates from the Group’s HSSE and Quality Assurance and Quality Control Departments.



**HSE Alerts**

Sharing experience, lessons learnt from near misses, incidents and accidents and best practices are key HSSE tools in PETRA. These ongoing initiatives are done via HSE Alerts/Lessons Learnt. These alerts are disseminated and communicated Group-wide via the Group’s email alert and intranet. These are also reflected at all of the group’s operations via sharing on notice and bulletin boards.

## SUSTAINABILITY STATEMENT (cont'd)

### HSE

#### MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH (MSOSH)

During the period under review, the Group became a member of the Malaysian Society for Occupational Safety and Health (MSOSH), a leading association for occupational safety and health professionals. This will provide PETRA a shared platform for learning and development and sharing of HSE best practices.



#### MARINE COMPLIANCE

The Group's marine operations strictly comply with MARPOL (Marine Pollution) Conventions under ANNEX VI "Regulations for the prevention of air pollution from Ships".

Under MARPOL, the SEEMP (Ship Energy Efficiency Management Plan) is an operational measure that establishes a mechanism to improve the energy efficiency of a ship in a most cost-effective manner. The SEEMP also provides an approach for shipping companies to manage ship and fleet efficiency performance over time using, for example the Energy Efficiency Operational Indicator (EEOI) as a monitoring tool.

The EEOI enables operators to measure the fuel efficiency of a ship in operation and to gauge the effect of any changes of operations e.g improved voyage planning or more frequent propeller cleaning, or introduction of technical measures such as waste heat recovery system or new propeller.

### AWARDS AND COMMENDATIONS

Safety has always been the cornerstone of the Group's operations. In keeping with industry standards and to grow into a recognized sustainable energy company, PETRA encourages a strong safety culture within all of the Group's operations. In 2018, the Group received commendations and focused recognitions for good safety practices and achievements in occupational safety and health, as appended below.



Commendation for being safe, collaborative and supportive in project execution by PETRONAS Carigali, for the Sumandak Infills Project resulting in positive HSE performance with no LTI's recorded.



Commendation for being safe, collaborative and supportive in project execution by PETRONAS Carigali, for the Samarang EOR Project resulting in positive HSE performance with no LTI's recorded.



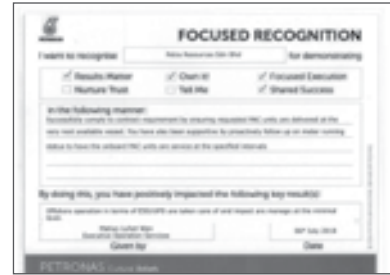
Commendation for being safe, collaborative and supportive in project execution by PETRONAS Carigali, for the Temana Early Monetization Project resulting in positive HSE performance with no LTI's recorded.



Commendation for being safe, collaborative and supportive in project execution by PETRONAS Carigali, for the D18 Project resulting in positive HSE performance with no LTI's recorded.



Commendation to PETRA's HSE Team for their robust commitment, leadership dynamics towards HSE and ensuring no compromises made in all HSE related matters.



Commendation for focused execution for the delivery of items and commitment towards service deliverables resulting in positive HSE performance and managed offshore operation schedules.

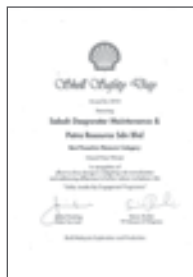


Commendation by PETRONAS Carigali for commitment towards 100% service deliverables achieving zero recorded HSE non-compliance contributing towards SK GAS HSE Target and Shared KPI. In recognition to PETRA Resources Sdn Bhd (PRSB) for showing 100% service deliverables with sustainable operational in place. PRSB has successfully achieved zero recorded Major HSE Non-Compliance which supported SK GAS HSE Target & Shared KPI such as:

- Zero Lost Time Injury (LTI) & Fatal Accident
- Zero Lost of Production Containment (LOPC)
- Zero Fire Incident and Near-Miss Incident



**Sarawak Asset Outstanding Vendor Award by PETRONAS Carigali**  
Awarded in 2018 in recognition of improved performance in 2017 for the provision of supply and rental of portable air compressor for PETRONAS Carigali Sdn Bhd



**Best Proactive Measure Award by SHELL Malaysia, Sabah Deepwater Maintenance**  
SHELL award in recognition of Petra Resources Sdn Bhd's effort to drive change in mitigating risk normalization and addressing dilemmas to further reduce workplace risk.



Certified **ISO 9001:2015 Management Systems** compliant by Lloyds Registrar Quality Assurance Limited, for the Group's major subsidiary Petra Resources Sdn Bhd

## SUSTAINABILITY STATEMENT (cont'd)

### WORKFORCE DIVERSITY

Diversity and inclusiveness are behaviours we promote within PETRA. We believe that a diverse workforce and inclusive culture are key to PETRA's evolution and are driving forces of our growth. While we operate in an industry traditionally dominated by men, we strive to promote equal opportunity and to be more inclusive in our hiring process. Inclusion is the foundation of high performance and innovative teams where every employee is empowered and capable of doing their best work.

The Group's major operations are centred mainly in Sabah and Sarawak, we focus on ensuring that we uphold local content and ensure we hire personnel from within the communities where we operate.

In managing harassment, discrimination or violence at the workplace, PETRA has in place a separate grievance mechanism for employees to address any complaints of these nature.

As at 31 December 2018, 1478 people are employed in Petra Energy Group of Companies

By gender	FY2018 including offshore crew	FY 2017
Male	1270	416
Female	208	169
<b>Total</b>	<b>1478</b>	<b>585</b>

By Designation	FY2018 (onshore)			FY2018 (offshore)		
	Male	Female	Total	Male	Female	Total
Non-Executive	143	47	190	915	0	915
Executive	194	116	310	0	0	0
Management	18	45	63	0	0	0
<b>TOTAL</b>	<b>355</b>	<b>208</b>	<b>563</b>	<b>915</b>	<b>0</b>	<b>915</b>

Employee breakdown by age

By Age	FY2018 (onshore)		
	Male	Female	Total
20-30 years old	92	78	170
31-40 years old	140	79	219
41-50 years old	81	37	118
51-60 years old	40	14	54
61-66 years old	2	0	2
<b>TOTAL</b>	<b>355</b>	<b>208</b>	<b>563</b>

### Employee breakdown by region/major operational location

By Region	FY2018	
	Onshore	Offshore
Peninsular Malaysia	236	100
Sabah	68	217
Sarawak	253	585
Labuan	6	0
Other nationalities	0	13
<b>TOTAL</b>	<b>563</b>	<b>915</b>

### Commitment to local employment

Guided by our brand promise “Synergising Partnerships”, we strive to improve the participation of our local communities in Sarawak and Sabah. We aim to hire locally and provide equal opportunities to the local communities near our business operations. Approximately 75% of our employees are from East Malaysia.

### Petra Recruitment Drive 2018

In supporting local content and our commitment to the communities we operate in, our subsidiary Petra Resources Sdn. Bhd. organised multiple recruitment drives for job applicants from Sabah and Sarawak held at various locations in Malaysia throughout the year. Approximately 350 job applicants turned up during these events.

No	Recruitment Drive	Date	Venue
1	Job Expo Tawau Sabah	24 February 18	Estern Plaza Tawau
2	Job Expo Kota Kinabalu	3 March 18	UTC, Kota Kinabalu Sabah
3	Job Expo Tawau Sabah	11 March 18	Padang Perbadanan Tawau
4	Walk In Interview	7 April 18	KKPO
5	Youth Carnival	8 April 18	ITCC, Penampang
6	Walk In Interview	28 & 29 April 2018	Aifa Hotel, Labuan
7	Program Kerjaya	17 November 18	IKBN, Miri
8	Sabah Job and Entrepreneur	24 & 25 November 2018	Dewan Serbaguna, Kompleks Sukan, Kota Kinabalu, Likas



## SUSTAINABILITY STATEMENT (cont'd)

### EMPLOYEE TRAINING

Capacity building within the Group is critical to ensure that all employees have the necessary technical skills, knowledge and qualifications to complete their work. We are committed to equip our employees with the necessary skills to deliver our services safely and efficiently. In 2018, we provided about 7,101 hours of training to our employees.

#### Employee training

##### Onshore based employees

Total Training Hours by gender	FY2018	FY2017
Male	5,333	7,512
Female	1,768	2,937
<b>Total</b>	<b>7,101</b>	<b>10,449</b>

Average Training Hours Per Employee	FY2018	FY2017
Male	15.02	18.06
Female	8.5	17.38
<b>Total Average</b>	<b>12.61</b>	<b>17.86</b>

##### Offshore Crew

Total Training Hours by gender	FY2018	FY2017
Male	10,104	8,312
Female	N/A	N/A
<b>Total</b>	<b>10,104</b>	<b>8,312</b>

Average Training Hours Per Employee	FY2018	FY2017
Male	11.04	N/A
Female	N/A	N/A
<b>Total Average</b>	<b>10.85</b>	<b>N/A</b>

### CORPORATE SOCIAL RESPONSIBILITY

#### Empowering youth – the fast track engineer programme

PETRA Energy has the reputation of being supportive towards the communities that we operate in which includes through education & development. During the period under review, the Group continued with the FTE Programme for its 6th cycle with emphasis on the recruitment of Sarawakian and Sabahan youth. The programme received 250 applications, of which 10 were hired to undertake a management programme for a year to be exposed to various functions within the Group's project management and support units.

#### Welder Training Programme

For the period under review, the Welder Training Programme with PETRA Energy was not executed.

#### Sarawak Regatta – Petra Energy's commitment to upholding and age old culture and tradition and developing communities

The Sarawak Regatta is a traditional long boat race held on the Sarawak River in Kuching, Malaysia. This annual event dates back to the era of James Brooke with the intention resolve tribal conflicts through sportsmanship by having boat races to prove their strength and power.

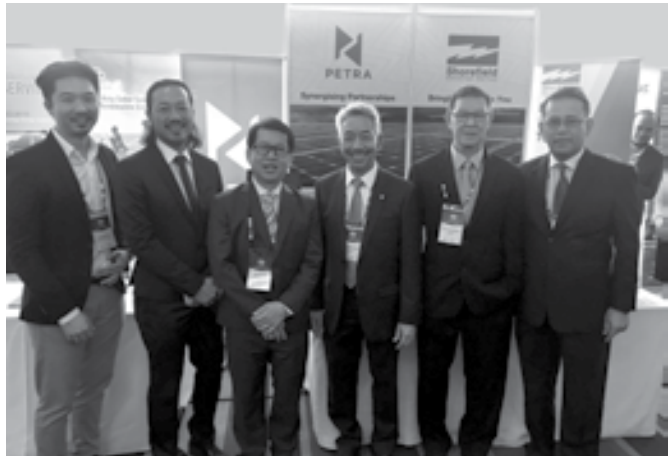
Petra Energy has supported the Sarawak Regatta through sponsorship since 2012 and has been a gold sponsor since 2013. The sponsorship represents our commitment to preserve an age-old tradition and the culture of dragon boat races. In 2018, the Regatta witnessed the participation of 30 teams from 12 countries including Malaysia, all vying for the coveted "Rajah Sungai" title.



**Participation in Industry events**

We seek to share our knowledge, keep up with industry trends and develop strategic partnerships with industry players through various engagement methods. Attending industry conferences and exhibitions provide an opportunity to highlight the role that we play in the oil and gas industry.

- In April 2018, Petra Energy participated in the International Sustainable Energy Summit in Kuching Sarawak attended by State dignitaries and local and international delegates. As an exhibitor during this event, the platform was used to share and discuss ideas with other industry players and academics about the services that we provide in the oil and gas industry and our aim to be a long term solutions provider to the renewables segment of the energy industry.
- In October 2018, PETRA participated in PETRONAS' Project Delivery & Technology HSE Contractor Conference aimed at enhancing the relationship with contractors and for HSE improvement sharing. PETRA was also a co-sponsor for the conference.
- PETRA is also a member of the Malaysian Oil and Gas Services Council and the Malaysian Gas Association – associations within the oil and gas fraternity that act as a platform to spur collaboration, HSE experience and knowledge sharing sessions with other member companies within the oil and gas industry.



**Community Building**

In the spirit of supporting the local community and philanthropy, the Company undertook the following initiatives during the period:

- Donation to Lembaga Kebajikan Anak-anak Yatim Sarawak via contributions for the underprivileged children and orphans during the holy month of Ramadhan.
- Berbuka Puasa event - In 2018, representatives from PETRA HQ broke fast with children from Rumah Amal Limpahan Kasih at Masjid Tengku Kelana Jaya and employees from Miri joined the Iftar dinners at Rumah anak-anak Yatim Komplek Kebajikan Hamidah Yaakup, Miri. Petra Energy also made donations to the homes during the respective events



- Management and staff also participated in the Persatuan Rakan Institut Jantung Negara Run, about 30 PETRA personnel participated in the run aimed at raising funds for charity.



- The Group's Temana project team supported PETRONAS Carigali's CSR initiative during the period - "PARTICIPATING IN PCSB's TEMANA OPERATION ACTIVITIES - AN OSH AWARENESS CAMPAIGN IN A HIGH SCHOOL IN BINTULU". Nine crew members of PETRA's Temana Project joined representatives from PETRONAS and BOMBA for the event aimed at raising HSE awareness for school going children.



# AUDIT COMMITTEE REPORT

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee ("**AC**") comprises four (4) members as follows, all are Non-Executive Directors and majority of them are independent, which is in line with Paragraph 15.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("**MainLR**"):-

Name	Designation	Directorship
Abdul Rahim bin Abdul Hamid	Chairman	Senior Independent Non-Executive Director
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	Member	Independent Non-Executive Director
Ng Ing Peng <i>(appointed as a member of the AC on 2 January 2019)</i>	Member	Independent Non-Executive Director
Gian Carlo Maccagno	Member	Non-Independent Non-Executive Director

None of the AC members was previously a partner in the incumbent external auditors, PricewaterhouseCoopers PLT in the previous two (2) years, nor do any of the AC members hold any financial interest in PricewaterhouseCoopers PLT.

## ATTENDANCE OF AC MEMBERS AT MEETINGS

The AC held a total of five (5) meetings during the financial year ended 31 December 2018. The details of the attendance of the respective members are as follows:-

Name	No. of meetings attended <sup>^</sup>
Abdul Rahim bin Abdul Hamid (Chairman)	5/5
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	5/5
Ng Ing Peng*	-
Gian Carlo Maccagno	5/5
Simon Ong <sup>#</sup>	4/4
Dato' Mohamed Nizam Bin Abdul Razak <sup>®</sup>	-

<sup>^</sup> The meetings were held on 22 February 2018, 6 April 2018, 13 April 2018, 23 May 2018 and 22 November 2018.

\* Appointed as a member of the AC on 2 January 2019.

<sup>#</sup> Appointed as a member of the AC on 22 February 2018 and ceased to be a member of the AC on 4 December 2018 subsequent to his redesignation as Executive Director of the Company.

<sup>®</sup> Appointed as a member of the AC on 24 May 2018 and ceased to be a member of the AC on 24 September 2018 after his resignation as a Director of the Company.

## SUMMARY OF WORK OF THE AC

During the financial year ended 31 December 2018, the AC has carried out the following work activities in the discharge of its duties, functions and responsibilities:-

- a) Discussed the budget of the Group for year 2018, and recommended the same to the Board for approval;
- b) Reviewed the audit findings in relation to the financial statements of the Group for the financial year ended 31 December 2017;
- c) Reviewed the performance evaluation forms for AC, internal audit function and external auditors to streamline with the provisions of the MainLR and Malaysian Code on Corporate Governance, and recommended the same to the Board for approval and adoption;
- d) Met with the external auditors without the presence of the Management twice;
- e) Reviewed the Unaudited Quarterly Reports on the consolidated results of the Group for the financial quarters ended 31 December 2017, 31 March 2018 and 30 September 2018, and recommended the same to the Board for approval;
- f) Discussed the updates on the financial performance and corporate and business developments of the Group;
- g) Reviewed the Audited Financial Statements for the financial year ended 31 December 2017 to ensure that the financial statements and disclosures presented a true and fair view of the Company's financial position and performance for the said year and are in compliance with the provisions of the Companies Act 2016 as well as the applicable Malaysian financial Reporting, and recommended the same to the Board for approval;
- h) Reviewed the internal audit progress reports presented on the state of internal controls of the Group and steps taken by Management in response to the audit findings on the quarterly basis;
- i) Reviewed the Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") on quarterly basis to ensure that they are within the mandate approved by the shareholders at the Twelfth Annual General Meeting of the Company held on 24 May 2018;
- j) Reviewed the Circular to Shareholders on the Renewal of Shareholders' Mandate for the existing RRPTs and Proposed Renewal of Authority to Buy-Back its own Shares by the Company dated 24 April 2018, and recommended the same to the Board for approval;
- k) Reviewed the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2017, and recommended the same to the Board for approval;
- l) Reviewed the suitability, effectiveness and independence of the external auditors, and recommended their re-appointment to the Board to recommend the same to the shareholders for approval;
- m) Assessed the internal audit function of the Company;
- n) Reviewed and confirmed the minutes of the AC meetings;
- o) Reported to the Board on the proceedings of each AC meeting through the chairman of the AC; and
- p) Reviewed and approved the Annual Internal Audit Plan for year 2019.

## AUDIT COMMITTEE REPORT (cont'd)

### SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The AC is supported by in-house Group Internal Audit Department (“GIA”) of PEB in discharging the internal audit function of PEB Group.

The role of GIA is to carry out independent reviews of the Group’s internal control system in order to provide reasonable assurance that internal controls are in place and operating effectively. All internal control related issues identified were reported directly by the head of GIA to AC and administratively to the Group Chief Executive Officer. GIA also worked collaboratively with the Board Risk Management Committee in the updates of the risk registers and the reporting of results arising from the risk management process.

The AC also had full access to the services and advice of GIA and received reports on all audits that were performed.

Throughout the year, GIA had performed the following internal audit activities:

- a) Presented the internal audit progress reports based on the planned audit of the Group to the AC on quarterly basis.
- b) Carried out audit reviews covering the following and presented the results and necessary information including internal control weaknesses identified, corresponding recommendations for improvements and Management response, etc of the audit reviews to the AC:-
  - F12 engineering, procurement, construction and commissioning (EPCC) project;
  - Management of logistics activities for PEB Group of Companies;
  - Project management activities of Petra Resources Sdn. Bhd.; and
  - Finance operations activities for Petra Resources Sdn. Bhd.
- c) Reviewed the Group’s state of compliance with established principles and practices, as well as the relevant statutory requirements.
- d) Collaborated with the Management to promote the culture of practicing good internal controls and governance to attain optimal business efficiency and process effectiveness.
- e) Closely monitored the timeliness and followed up on the status of implementation of corrective actions by Management in addressing audit observations and reported the same to the AC.
- f) Formulated the Group Audit Plan for year 2019 including annual operating budget and presented the plan to the AC for review and approval.

The total costs incurred for the internal audit activities of the PEB Group for the financial year ended 31 December 2018 was RM575,696.78

# 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 being a hook-up commissioning and topside major maintenance service provider in the Oil & Gas Industry, our businesses have unique risks that are specific to our industry. We recognise the fact that these risks must be effectively managed to ensure the long-term growth and enhancement of shareholders’ 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 January 2013 and was last revised in June 2016. The 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 to 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 shareholders’ 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 optimise 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

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 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 risks 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 it 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 Head of Group 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.

### 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.

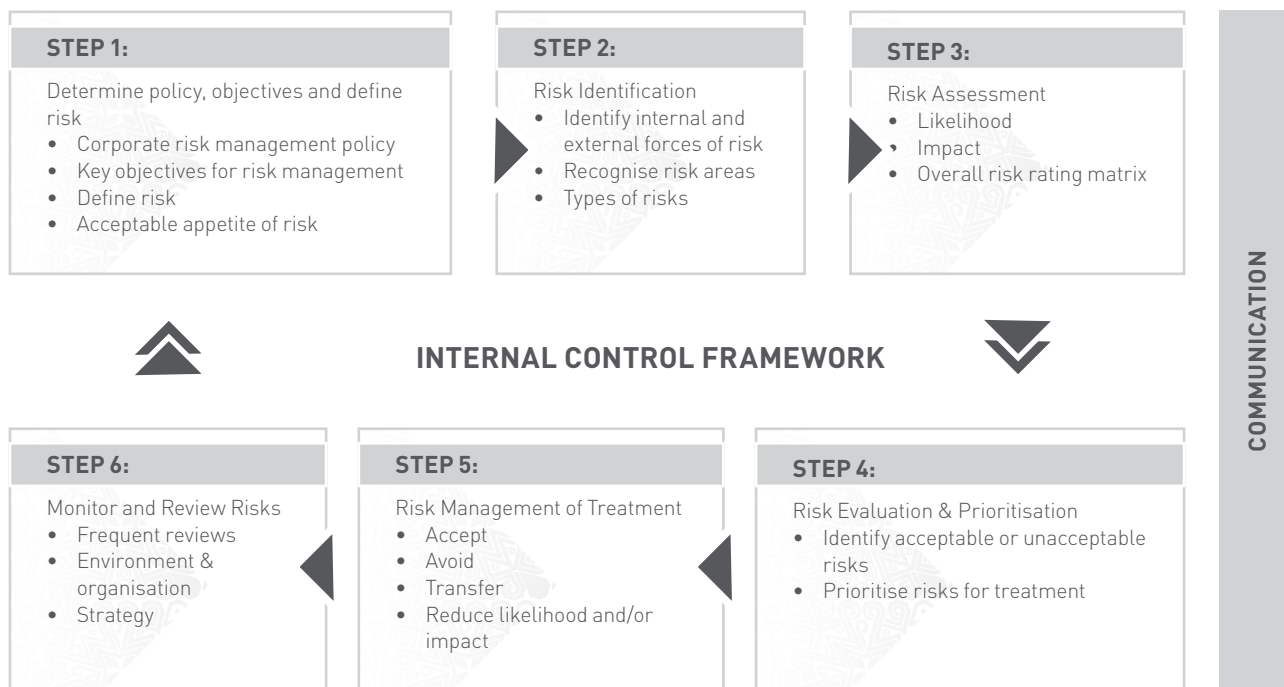


Figure 1: PEB Risk Management Framework Diagram

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)**

### **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 December 2018, there is a total of 10 identified risks for PEB Group comprised of two (2) Very High, Four (4) High risks and Four (4) Medium risks.

### **INTERNAL CONTROL**

Key elements of the Group 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 Group. The work processes and procedures are documented in the Group 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 Group. 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, authorisation, 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 the 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.

The Group also monitors the performance of each project through regular periodic review of the actual project costs incurred against the respective project budgets. The result of the project budget review is reported to the Senior Management of PEB Group to ensure effective management of project costs in order to achieve the desired project profitability.

### **Group Limits of Authority (LOA)**

The 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 2014.

The Company has also established the Supply Chain Manual (“SCM”) which acts 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 explains the network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers. Continuous reviews and updates are conducted accordingly to reflect any changes in Petra Energy Group of Company Policies to avoid conflicts 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 mishaps 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.

### **Audit Committee**

The Audit Committee has been established by the Board since year 2002. The Audit Committee comprises four (4) members of the Board, majority of whom are independent directors. Its terms of reference was published of the Company website.

### **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 Berhad 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 minimise 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 summarised as follows:

1. Serve the Audit Committee and the Management with high-quality professional internal audit products;
2. Perform the internal audit work in an efficient and effective manner and to evaluate the results of audit tests within a business context;
3. Identifying process and business improvement activities, including opportunities to improve the efficiency and effectiveness of controls to achieve an optimal balance between risk and control; and
4. Communicate audit results in the most efficient and effective manner that adds value to the management with an alignment to risk and business objectives.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)**

In year 2018, four (4) audit engagements have been completed encompassing evaluation of effectiveness and efficiency of the system of internal control on tender preparation, project management and cost control, project logistics and finance operations.

### **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 employees' commitment, confidentiality, insubordination, public statements, and conflicts of interest. The Code is designed to maintain discipline and order in the workplace 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 Board in December 2011 and 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 whistleblowers 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.

### **Associated Company**

The statement of risk management and internal control of an associated company is excluded from this Statement.

## KEY ENTERPRISE RISKS & MITIGATION

This section describes the key risks that the Group is facing at present. PETRA has an established Risk Management Framework that includes an Enterprise Risk Management process to guide the identification, assessment, treatment, monitoring and review of risks.

RISKS & IMPACT	MITIGATION
<p><b>MAINTAINING SUSTAINABILITY IN AN INDUSTRY DIRECTLY AFFECTED BY THE OIL PRICE VOLATILITY</b></p> <p>The low and unpredictable fluctuations within the oil prices in recent years have lead our main clientele within the oil and gas industry to adopt conservative business strategies resulting in lower demands for our services and therefore making it a challenge to generate predictable and sustainable cash flows and earnings.</p>	<p>The Group, in adapting to this challenging time has developed a business strategy that aims to expand and diversify its revenue streams beyond the current market that we serve. Measures have also been taken to improve our operating efficiency and reduce costs and therefore enabling us to achieve a lean organisation whilst not jeopardising the quality of services provided.</p> <p>These measures are part of the 5 year Transformation Roadmap which kicked off in 2018 with the cost reset being the focus for 2019.</p>
<p><b>MANAGING PROJECTS WITH INCREASINGLY CHALLENGING CONTRACT REQUIREMENTS</b></p> <p>In providing high quality project deliverables under increasingly stringent contract requirement and restricted margins, failure to properly plan, execute and monitor projects throughout its lifecycle can quickly and adversely affect the project's profitability and the Group's reputation.</p>	<p>Procedures have been established and implemented in ensuring that active project risk management is practiced throughout all projects that the Group undertakes. Project management risks and mitigation are reported and monitored regularly throughout the projects' lifecycles. The Group is also upgrading its project management monitoring system via a newly established Project Excellence Council to enable for more precise project performance reporting and tighter controls over project spending.</p>
<p><b>NON-COMPLIANCE WITH APPLICABLE STATUTORY RULES AND REQUIREMENTS</b></p> <p>The Group's main onshore fabrication and supply hub is located in Labuan Federal Territory. It is important that the facilities maintained and logistics processes comply with all the local statutory and tax requirement. Any non-compliance may affect cash flow in through penalties and summons and even worse, disruption in operations that will adversely impact the projects that the hub serves.</p>	<p>We have ensured that all legal and customs requirement of the local authority have been complied with by obtaining the relevant licenses and certificates as well as engaging licensed and reputable logistics providers to manage the statutory excise and duties requirement in transporting materials in and out of Labuan.</p>
<p><b>INEFFECTIVE BUSINESS CONTINUITY AND DISASTER RECOVERY MANAGEMENT</b></p> <p>The goal of BC/DR is to limit risk and get the organisation running as close to normal as possible after an unexpected interruption. Given the challenging nature of our business, any disaster or interruption to the key operating activities that are not properly managed and prepared for may cause long-term or even permanent disruption to the Group's business.</p>	<p>The Management has established a Group-wide Business Continuity and Disaster Recovery Program to ensure that the impact of any disaster or incident that may affect the Group is contained and that key business activities affected can quickly recover to its normal operating level. The BCP and disaster recovery procedures are tested for effectiveness through disaster simulations annually.</p>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

RISKS & IMPACT	MITIGATION
<p><b>MAJOR HSSE INCIDENTS, FATALITIES AND INJURIES</b></p> <p>Any major incidents involving any one of our assets may result in injury or loss of life, asset or environmental damage or reputational impact.</p>	<p>The Group's Health, Safety, Security and Environment (HSSE) Committee monitors all HSSE related risks and events. The GHSSE Committee places high priority on ensuring that relevant regulations are complied with and best practice safety standards are applied across the Group.</p>

In addition to the general risks identified above, summarised below are some of the specific risks faced by the Group:

RISKS & IMPACT	MITIGATION
<p><b>IMPAIRMENT REVIEW OF CARRYING VALUE OF VESSELS</b></p> <p>Failure to perform an impairment assessment may result in the asset's carrying amount not being able to be supported by the underlying cash flows.</p>	<p>The management has performed assessment on the projected return from vessels utilisation until the end of their expected useful lives and independent valuation based on open market value. These assessments are based on the estimation and assumptions mainly on vessels' utilisation days. Based on this assessment, the fair value of the vessels are supported by the recoverable value of the vessels.</p>
<p><b>ACCOUNTING FOR REVENUE UNDER DISPUTE BETWEEN A SIGNIFICANT ASSOCIATE COMPANY AND ITS CUSTOMER</b></p> <p>Absence of assessment on the disputed amount may result in the recognition of a revenue which may not comply with the relevant accounting standards.</p>	<p>The management has assessed the ongoing dispute between the associated company and its customer. Based on the information available at date of this report, management has made a judgement, given the ongoing dispute, that recognition of revenue by the associate cannot be supported since collection is not probable. As such, the revenue under dispute has been excluded in the Group's financial statement for 2018. Management has also assessed any remaining exposure and consider any additional outflow of resources to settle the dispute to be remote.</p>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Petra Energy Bhd. (the “**Company**” or “**PEB**”) (the “**Board**”) recognises the importance of practising high standards and excellence in corporate governance in the best interest of PEB and for all its stakeholders, and to protect and enhance shareholders’ value and the performance of the Company and its subsidiaries (the “**Group**”). The Board understands that this is not just through achieving the desired financial performance but also through being ethical and sustainable.

The Board of PEB is pleased to present this Corporate Governance (“**CG**”) Overview Statement (the “**Statement**”) to provide shareholders and investors an overview of the CG practices adopted by the Company in achieving the intended outcomes as set out in the new Malaysian Code on Corporate Governance (“**MCCG**”) with reference to the following three (3) key principles, under the stewardship of the Board:-

<b>Principle A</b>	Board Leadership and Effectiveness	<ul style="list-style-type: none"> <li>• Board Responsibilities</li> <li>• Board Composition</li> <li>• Remuneration</li> </ul>
<b>Principle B</b>	Effective Audit and Risk Management	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Risk Management and Internal Control</li> </ul>
<b>Principle C</b>	Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders	<ul style="list-style-type: none"> <li>• Communication with Stakeholders</li> <li>• Conduct of General Meetings</li> </ul>

This Statement also serves as a compliance with Paragraph 15.25(1) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) Main Market Listing Requirements (“**MainLR**”) and should be read together with the CG Report of the Company for the financial year ended 31 December 2018 (“**FYE 2018**”) published on the Company’s website at [www.petraenergy.com.my](http://www.petraenergy.com.my).

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### Intended Outcome 1.0

**Every company is headed by a Board, which assumes responsibility for the Company’s leadership and is collectively responsible for meeting the objectives and goals of the Company.**

- 1.1 In setting the Company’s strategic aims, the Board relies on the reports provided by the Group Chief Executive Officer (“**GCEO**”) who oversees the entire business and operations of the Group.

At each Audit Committee (“**AC**”) Meeting and Board Meeting, and as and when the need arises, the GCEO will brief the Directors on the current operations, issues faced and plans of the Group in order for the Board to be kept abreast on the conduct, business activities and development of the Company, and to discuss and advise the Management in its formulation of the Company’s business strategies, both short-term and long-term. Discussions would include the deployment of resources in achieving the objectives to be met and how the Management has performed its duties in order to ensure that all resources are efficiently and effectively utilised. In making its decisions, the Board would be guided by the Company’s values and standards.

In the discharge of the Board’s duties and responsibilities, the Board has delegated certain duties and responsibilities to four (4) other Board Committees namely, the AC, Nominating Committee (“**NC**”), Remuneration Committee (“**RC**”) and Board Risk Management Committee (“**BRMC**”) to assist the Board in overseeing the Company’s affairs and in deliberation of issues within their respective functions and terms of reference, which outline clearly their objectives,

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

duties and powers. The Chairman of each Committee will report to the Board on the outcome of the Committee's meetings and resolutions, which would also include the key issues deliberated at the Committee's meetings.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company during the FYE 2018, the Board had, amongst others:-

- (a) reviewed, challenged and decided on Management's proposals and monitored the implementation by the Management;
- (b) promoted good governance culture within the Company;
- (c) ensured that the strategic plan of the Company supports long term value creation and sustainability;
- (d) supervised and assessed the Management performance;
- (e) ensured there is a sound framework for internal controls and risk management;
- (f) understood the principal risks surrounding the Group's business and set the risk appetite to ensure the risks are properly managed;
- (g) ensured the integrity of the Company's financial and non-financial reporting; and
- (h) ensured that the Company has in place procedures to enable effective communication with stakeholders.

### 1.2 The Chairman of the Board has:-

- (a) provided leadership to the Board without limiting the principle of collective responsibility for the Board decisions;
- (b) led Board meetings and discussions in a manner that encouraged constructive discussions and effective contribution from each Director;
- (c) reviewed the minutes of the Board meetings to ensure that the minutes accurately reflect the Board's deliberations, and matters arising from the minutes have been addressed;
- (d) led the Board in establishing and monitoring good corporate governance practices in the Company;
- (e) encouraged active participation and allowed dissenting views to be freely expressed;
- (f) managed the interface between the Board and the Management;
- (g) ensured appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- (h) through the Management and the Company Secretaries, set the Board agenda and ensured that the Board members received complete and accurate information in a timely manner.

### 1.3 The positions of the Chairman of the Board and GCEO have always been held by two (2) different individuals and each has a clear accepted division of responsibilities between two (2) roles to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

### 1.4 The Company is supported by two (2) suitably qualified and competent Company Secretaries.

The Company Secretaries are the external Company Secretaries from Securities Services (Holdings) Sdn. Bhd. with vast knowledge and experience from being in public practice and are supported by a dedicated team of company secretarial personnel.

During the FYE 2018, the Company Secretaries had discharged their duties and responsibilities accordingly, and had and will continue to constantly keep themselves abreast on matters concerning company law, the capital market, CG, and other pertinent matters, and with changes in the regulatory environment through continuous training and industry updates.

The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging their functions, duties and responsibilities.

- 1.5 The Notice of the Board meeting is served to the Directors at least seven (7) days prior to the Board meeting unless there is an exceptional case.

During the FYE 2018, all meeting materials are circulated to the Directors at least three (3) days in electronic form prior to the Board meetings, to allow ample time for Directors to consider the relevant information.

The Management takes cognisance of the importance of providing complete and adequate information to the Directors on a timely basis to enable them to make informed decisions to discharge their duties and responsibilities. They will continue to strive in ensuring that the complete meeting materials are circulated at least five (5) business days in advance of the meetings.

#### **Intended Outcome 2.0**

**There is demarcation of responsibilities between the Board, Board Committees and Management.**

**There is clarity in the authority of the Board, its Committees and individual Directors.**

- 2.1 The Board has published the latest Board Charter on the Company's website at [www.petraenergy.com.my](http://www.petraenergy.com.my), which was reviewed, updated and approved by the Board on 22 February 2018. The respective roles and responsibilities of the Board, Board Committees, Executive Directors ("EDs")/CGEO, Independent Directors and Management are clearly set out in the Board Charter as guidance and clarity to enable them to effectively discharge their duties.

The Board Charter was updated to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members, and the various legislations and regulations affecting their conduct, and that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of the Company.

The Board keeps itself abreast of the responsibilities delegated to each Board Committee, and matters deliberated at each Board Committee meeting through the minutes of the Board Committee meetings and reports from the respective Board Committee chairmen, which are presented to the Board during Board meetings at the appropriate regular intervals.

#### **Activities of the NC**

During the FYE 2018, the NC held one (1) meeting to undertake the following activities in the discharge of its duties and responsibilities:-

- (i) reviewed and confirmed the Minutes of the NC meetings held;
- (ii) reviewed the profile of the new Directors and recommended the same to the Board for approval;
- (iii) examined the composition of the Board;
- (iv) reviewed the required mix of skills, experience and other qualities of the Board;
- (v) reviewed the contribution and performance of each individual director to assess the character, experience, integrity, and competence to effectively discharge their role as a Director through a comprehensive assessment system;
- (vi) conducted evaluation to assess the effectiveness of the Board as a whole and the Board Committees;
- (vii) Reviewed the redesignation of the Directors;
- (viii) reviewed the term of office of the AC and assessed its effectiveness as a whole;
- (ix) reviewed the independence of the Independent Directors and assessed their ability to bring independent and objective judgement to Board deliberations; and
- (x) recommended the re-election of the directors who are to retire by rotation at the Twelfth Annual General Meeting ("AGM").

During the FYE 2018, the Board had convened a total of eight (8) Board of Directors' meetings for the purposes of deliberating on the Company's quarterly financial results and discussing other strategic and important matters. During the Board of Directors' meetings, the Board reviewed the operations and performance of the Group and other strategic issues that may affect the Group's business. Relevant senior management members were invited to attend some of the Board of Directors' meetings to provide the Board with their views and clarifications on issues raised by the Directors.

The NC has reviewed the attendance of the Directors at Board and/or Board Committee Meetings, and noted the Directors, to the best of their ability, have devoted sufficient time and effort to attend the Board and/or Board Committee meetings held in the FYE 2018.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

The attendance of Directors who are members of Board Committees during the FYE 2018 is set out below:-

Directors	Directorship	Board	AC	BRMC	NC	RC
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	INED	7/8	5/5	Not member	Not member	Not member
Abdul Rahim bin Abdul Hamid	Senior INED	8/8	5/5	4/4	1/1	3/3
Ng Ing Peng	INED	8/8	– <sup>(1)</sup>	Not member	– <sup>(1)</sup>	– <sup>(1)</sup>
Gian Carlo Maccagno	Non-Independent Non-Executive Director (“NINED”)	8/8	5/5	4/4	1/1 <sup>(2)</sup>	3/3
Dato’ Anthony @ Firdaus bin Bujang	ED/GCEO	8/8	Not member	Not member	Not member	Not member
Ahmadi bin Yusoff	ED	7/8	Not member	Not member	Not member	Not member
Simon Ong	ED	7/7 <sup>(3)</sup>	4/4 <sup>(3)</sup>	3/3 <sup>(3)</sup>	– <sup>(3)</sup>	2/2 <sup>(3)</sup>
Dato’ Mohamad Nizam bin Abdul Razak <sup>a</sup>	NINED	4/5 <sup>(4)</sup>	– <sup>(4)</sup>	Not member	– <sup>(4)</sup>	– <sup>(4)</sup>

<sup>(1)</sup> Appointed as a member of the AC and RC and the Chairman of NC on 2 January 2019 subsequent to her redesignation from NINED to INED on the same date.

<sup>(2)</sup> Ceased as a member of the NC on 6 April 2018.

<sup>(3)</sup> Appointed as a member of the AC, RC and BRMC and the Chairman of the NC on 22 February 2018 respectively following his appointment as a Director of the Company on the same date. Thereafter, he ceased as a member of the AC following his redesignation from INED to ED on 4 December 2018, and subsequently resigned from his positions in NC and RC on 2 January 2019 respectively.

<sup>(4)</sup> Appointed as a member of the NC and RC on 22 February 2018 respectively following his appointment as a Director of the Company on the same date, and thereafter, appointed as a member of the AC on 24 May 2018. Subsequently, he ceased as the member of the AC, NC and RC after his resignation as a Director of the Company on 24 September 2018.

In order for the Group to remain competitive, the Board ensures that the Directors continuously enhance their skills and expand their knowledge to meet the challenges of the Board.

The Board has cultivated the following best practices:-

- All newly appointed Directors are to attend the Mandatory Accreditation Programme as prescribed by the MainLR within the stipulated timeframe;
- All Directors are encouraged to attend talks, training programmes and seminars to update their knowledge on the latest regulatory and business environment; and
- The Directors are briefed by the Company Secretaries on updates by Bursa Securities periodically.

Upon assessing the training needs of the Directors, the Board recognised that continuing education would be the way forward in ensuring its members are continually equipped with the necessary skills and knowledge to meet the challenges ahead.

During the FYE 2018, the Board members had participated in the following trainings and/or courses:-

Name of Directors	Date	Description of Training Programmes
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	12 March 2018	Annual Report - Navigating Best Practices Compliance
Abdul Rahim bin Abdul Hamid	(1) 19 March 2018 (2) 15 June 2018 (3) 16 June 2018 (4) 5 September 2018 (5) 17 December 2018	(1) Breakfast Round Table, AC Institute (2) Regulatory Framework in relation to the Post Listing and Transactions and Related Party Transactions Rules (3) Key Disclosures in relation to the Obligations of a Listed Company and Dealings in Listed Securities, Closed Period and Insider Trading (4) Case Study Workshop for the Rethinking of Independent Directors - Board Best Practices (5) Power Talk, Institute of Company Directors Malaysia
Ng Ing Peng	14 March 2019	Bursa Malaysia Berhad's Ring the Bell for Gender Equality
Gian Carlo Maccagno	(1) 25 January 2018 (2) 2 December 2018	(1) Market Outlook Dinner Seminar, Credit Suisse (2) Design Driven Innovation, ESSEC Business School
Dato' Anthony @ Firdaus bin Bujang	(1) 24 January 2018 - 25 January 2018 (2) 20 March 2018 - 23 March 2018 (3) 3 August 2018 (4) 7 August 2018 (5) 25 September 2018 (6) 30 October 2018 (7) 18 December 2018	(1) Asia Pacific Energy Assembly 2018 (2) Offshore Technology Conference Asia (OTC) 2018 (3) AC Institute Breakfast Roundtable 2018 (4) The latest updates on M-REITs Seminar 2018 (5) Safety Day 2018 (6) Anti-Corruption Summit 2018 (7) Celebration of the 30% Club Board Mentoring Scheme
Ahmadi bin Yusoff	(1) 31 July 2018 (2) 20 March 2018 - 23 March 2018	(1) Practical Approach and Guideline for Risk Management and Internal Control (2) Offshore Technology Conference Asia (OTC) 2018
Simon Ong	19 May 2018	Board Composition: Nominating Committee's Role to Achieve Effective Stewardship

### Intended Outcome 3.0

**The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.**

**The Board, Management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Company.**

- 3.1 The Company had adopted the Code of Ethics issued by the Companies Commission of Malaysia that are applicable to all Directors of the Group. The Code of Ethics provides guidance for proper standards of conduct with sound and prudent practices as well as standards of ethical and behaviour for director, in line with the Company's core values which emphasise on behavioural ethics when dealing with third parties and employees. Directors are expected to conduct themselves with the highest ethical standards and corporate governance.

The Company had also adopted the Code of Conduct, which governs the professional conduct of its employees and outlines their responsibilities to the Group in performing their duties.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

- 3.2 The Board has put in place a Whistleblower Policy to facilitate the whistleblower to report or disclose through established channels about instances of unethical behaviors, actual or suspected fraud, dishonesty, violations or wrongdoings they may observe in the Group without fear of retaliation should they act in good faith when reporting such concerns. The Whistleblower Policy of the Company provides guidance on the appropriate procedures and feedback channels to facilitate whistleblowing.

The Whistleblower Policy is available on the Company's website at [www.petraenergy.com.my](http://www.petraenergy.com.my) and would be reviewed by the Board as and when necessary to ensure relevance and effectiveness.

### II. BOARD COMPOSITION

#### Intended Outcome 4.0

**Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights.**

- 4.1 The Board currently comprises two (2) INEDs, one (1) Senior INED, one (1) NINED and three (3) EDs.

Although less than half of the Board comprises Independent Directors, the Board views the number of its INEDs as adequate to provide the necessary check and balance to the Board's decision-making process. Further, as the Chairman of the Board is independent, the Chairman of the Board provides the strong leadership necessary to marshal the Board's priorities objectively.

- 4.2 The NC had assessed the performance and independence of Encik Abdul Rahim bin Abdul Hamid ("**Encik Rahim**"), who will reach the cumulative period of nine (9) year from 13 July 2019 onwards.

The Board, being satisfied with the justifications and criteria based on the recommendation of NC, shall be seeking the shareholders' approval at this forthcoming Thirteenth AGM of the Company on the retention of his directorate as Independent Director.

- 4.3 The Board has not adopted a policy which limits the tenure of its Independent Directors to nine (9) years.

- 4.4 The Board is judicious of the gender diversity recommendation promoted by the MCCG in order to offer greater depth and breadth to board discussions and constructive debates at senior management level.

The Board practices no discrimination in term of appointment of Directors as well as hiring employees wherein the Directors and senior management are recruited based on their merit, skills and experience and not driven by age, cultural background and gender.

Currently, the Company consists of one (1) female Director on the Board and two (2) female members in the senior management team.

- 4.5 Currently, the Board does not have any formalised board diversity policy or gender diversity policy.

However, more women representation on the Board and senior management will be taken into consideration when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aims of selecting the best candidate to support the achievement of the Company's strategic objectives.

- 4.6 During the FYE 2018, there was appointment of the two (2) new Directors, who were also appointed as the member of the respective Board Committee, namely Mr. Simon Ong and Dato' Mohamed Nizam bin Abdul Razak (who has resigned as a Director and member of Board Committee of the Company on 24 September 2018). The nomination process has been carried appropriately based on the steps set out in the Company's Board Charter.

The Board is aware of the guidance to utilise independent sources for future appointments and to disclose how a Board member is sourced in the Company's annual report.

- 4.7 The NC is chaired by a Senior INED. Encik Rahim had led the annual review of Board effectiveness, ensuring that the performance of each individual director is independently assessed and will lead the appointment of future board members, including the future Chairman and GCEO.

#### **Intended Outcome 5.0**

**Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual Directors.**

- 5.1 During the FYE 2018, the Board, through the NC, has conducted the following annual assessments to determine the effectiveness of the Board, its Committees and each individual Director in the financial year ended 31 December 2017 ("FYE 2017"):-

- (i) Directors' self-assessment;
- (ii) Evaluation on the effectiveness of the Board as a whole and Board Committees;
- (iii) Assessment of Independent Directors; and
- (iv) Review of the term of office and performance of the AC and each of its members.

Based on the aforesaid evaluations conducted during the FYE 2018, the NC and the Board were satisfied with the performance of the Board as a whole, AC, NC and individual Board member in the FYE 2017.

### **III. REMUNERATION**

#### **Intended Outcome 6.0**

**The level and composition of remuneration of Directors and senior management take into account the Company's desire to attract and retain the right talent in the board and senior management to drive the Company's long-term objectives.**

**Remuneration policies and decisions are made through a transparent and independent process.**

- 6.1 Currently, the Board does not have any formalised remuneration policy for Directors and senior management. The remuneration policy that sets out the criteria to be used in recommending remuneration packages for the EDs/ GCEO and any senior management personnel is currently being drafted and shall be adopted for implementation upon the Board's approval.
- 6.2 The Board has a RC that assists the Board in reviewing and recommending the proposed remuneration package of the ED's including Directors of subsidiary companies, and senior management to ensure that the EDs and senior management are fairly rewarded for their contribution to overall performance and that the compensation is reasonable in light of the Group's objectives, which rewards contribution to the long-term success of the Company in promoting business stability and growth.

During the FYE 2018, there was a change in the composition of the RC. Currently, the RC comprises exclusively of Non-EDs and majority of them are Independent Directors, which is in line with the MCCG.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of Directors and senior management is commensurate with their individual performance, taking into consideration the Company's performance.

7.1 The breakdown of the remuneration of each individual Director for the FYE 2017 and FYE 2018 is as follows:-

#### (i) Company Level

Name of Director	Salaries and Compensation (RM)	Directors' Fees (RM)	Defined Contributions Plan (RM)	Other Emoluments (Including Benefit-In-Kind) (RM)
<b>EDs</b>				
<b>2018</b>				
Dato' Anthony @ Firdaus bin Bujang	1,181,250	-	225,295	242,152
Ahmadi bin Yusoff	687,487	-	116,878	52,869
Simon Ong*	296,967	-	6,237	5,000
<b>Total</b>	<b>2,165,704</b>	<b>-</b>	<b>348,410</b>	<b>300,021</b>
<b>2017</b>				
Dato' Anthony @ Firdaus bin Bujang	1,422,750	-	227,716	204,831
Ahmadi bin Yusoff	828,037	-	140,771	41,266
<b>Total</b>	<b>2,250,787</b>	<b>-</b>	<b>368,487</b>	<b>246,097</b>
<b>Non-EDs</b>				
<b>2018</b>				
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	-	127,650	-	10,400
Abdul Rahim bin Abdul Hamid	-	161,675	-	17,472
Gian Carlo Maccagno	-	91,157	-	16,800
Ng Ing Peng	-	55,500	-	7,200
Simon Ong*	-	86,625	-	12,000
Dato' Mohamed Nizam bin Abdul Razak <sup>#</sup>	-	43,887	-	800
<b>Total</b>	<b>-</b>	<b>566,494</b>	<b>-</b>	<b>64,672</b>
<b>2017</b>				
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	-	130,500	-	8,800
Abdul Rahim bin Abdul Hamid	-	181,260	-	22,048
Gian Carlo Maccagno	-	105,000	-	19,200
Ng Ing Peng	-	60,000	-	7,200
Ahmad Azra bin Salleh (Retired on 18 May 2017)	-	61,250	-	11,200
<b>Total</b>	<b>-</b>	<b>538,010</b>	<b>-</b>	<b>68,448</b>

## (ii) Group Level

Name of Director	Salaries and Compensation (RM)	Directors' Fees (RM)	Defined Contributions Plan (RM)	Other Emoluments (Including Benefit-In-Kind) (RM)
<b>EDs</b>				
<b>2018</b>				
Dato' Anthony @ Firdaus bin Bujang	1,181,250	-	225,295	242,152
Ahmadi bin Yusoff	687,487	-	116,878	52,869
Simon Ong*	296,967	-	6,237	5,000
<b>Total</b>	<b>2,165,704</b>	<b>-</b>	<b>348,410</b>	<b>300,021</b>
<b>2017</b>				
Dato' Anthony @ Firdaus bin Bujang	1,422,750	-	227,716	204,831
Ahmadi bin Yusoff	828,037	-	140,771	41,266
<b>Total</b>	<b>2,250,787</b>	<b>-</b>	<b>368,487</b>	<b>246,097</b>
<b>Non-EDs</b>				
<b>2018</b>				
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	-	127,650	-	10,400
Abdul Rahim bin Abdul Hamid	-	161,675	-	17,472
Gian Carlo Maccagno	-	91,157	-	16,800
Ng Ing Peng	-	55,500	-	7,200
Simon Ong*	-	86,625	-	12,000
Dato' Mohamed Nizam bin Abdul Razak <sup>#</sup>	-	43,887	-	800
<b>Total</b>	<b>-</b>	<b>566,494</b>	<b>-</b>	<b>64,672</b>
<b>2017</b>				
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	-	130,500	-	8,800
Abdul Rahim bin Abdul Hamid	-	181,260	-	22,048
Gian Carlo Maccagno	-	105,000	-	19,200
Ng Ing Peng	-	60,000	-	7,200
Ahmad Azra bin Salleh (Retired on 18 May 2017)	-	61,250	-	11,200
<b>Total</b>	<b>-</b>	<b>538,010</b>	<b>-</b>	<b>68,448</b>

\* Appointed as INED of the Company on 22 February 2018, and was subsequently redesignated as ED on 4 December 2018.

<sup>#</sup> Appointed as INED of the Company on 22 February 2018, and resigned as a Director on 24 September 2018.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

7.2 The Board is of the view that it is inappropriate to disclose the remuneration of senior management staff on a named basis, for the best interest of the Group in mind, and taking into consideration the sensitivity, security, and issue of staff morale.

The top five (5) senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.00, are as follows:-

Range Remuneration per annum	Number of Senior Management
RM650,001 – RM700,000	1
RM550,001 – RM600,000	0
RM500,001 – RM550,000	0
RM450,001 – RM500,000	3
RM300,001 – RM350,000	1

7.3 The detailed remuneration of each member of senior management on a named basis will not be disclosed for confidentiality purposes.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AC

##### Intended Outcome 8.0

**There is an effective and independent AC.**

**The Board is able to objectively review the AC's findings and recommendations. The Company's financial statement is a reliable source of information.**

8.1 The AC is chaired by Encik Rahim, the Senior INED, which is a separate person from the chair of the Board. He is responsible to ensure the overall effectiveness and independence of the AC.

8.2 The AC has not adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

Nonetheless, none of the AC members were former key audit partners and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of the AC.

8.3 The AC was of the view that PricewaterhouseCoopers PLT ("**PwC**") is suitable, objective and independent to be re-appointed based on the following justifications:-

- PwC's active communication with the AC.
- Presentation of a comprehensive audit plan and audit findings report.
- PwC had provided the necessary quality of services required.
- PwC had sufficient resources to carry out the audit.
- PwC's independence policies i.e., declaration of independence in accordance with the By-Laws of the Malaysian Institute of Accountants (on Professional Ethics, Conduct and Practice) are in order.

During the FYE 2018, the Board noted that the external auditors had expressed their willingness to continue in office for the ensuing year and having reviewed the suitability, objectivity and independence of the external auditors, the Board has in turn, recommended the same for shareholders' approval at the Twelfth AGM of the Company.

- 8.4 The AC comprises only a majority of Independent Directors, which is in compliance with the MainLR.
- 8.5 The Board ensured that the AC as a whole is financially literate and are able to understand the Company's business and matters under the purview of the AC including the financial reporting process. They have continuously applied a critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenged the Management's assertions on the Company's financials. Any inconsistencies or irregularities in the financial and operational reports would be questioned to ascertain that the quarterly report and the annual audited financial statements taken as a whole provide a true and fair view of the Company's financial position and performance.

All members of the AC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

## II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

### Intended Outcome 9.0

**Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.**

**The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.**

- 9.1 The Board is committed to determine the Company's level of risk tolerance and to actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets by monitoring the internal controls in place with the assistance of the BRMC, AC, the external auditors and the internal auditors, who will report on the effectiveness and efficiency of the internal control processes and procedures periodically to ensure that the system is viable and robust.

The Board is supported by the BRMC which 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. The framework serves as a reference for the BRMC to identify, evaluate, monitor and manage the significant risks and internal control of the Company in order to safeguard shareholders' investment and the assets of the Group.

The BRMC is chaired by the Senior INED and supported by the Risk Management Steering Committee and Risk Management Working Committee ("GRM"). The head of GRM presents the risk management activities report to the AC quarterly for discussion and to deliberate the risk issues faced by the Company and the necessary actions to be taken before report to the Board for notation.

- 9.2 The Board, through the BRMC, monitors risks and internal control via the Group's Risk Management Framework, which is a comprehensive report tabling the current status, action taken and conclusion of the key risks identified, every quarter.
- 9.3 There is a BRMC, although it does not comprise a majority of Independent Directors, to oversee the company's risk management framework and policies.

### Intended Outcome 10.0

**Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.**

- 10.1 The internal audit function of the Company is carried out by the in-house Group Internal Audit Department ("GIA") that assists the AC and the Board in managing risks by providing an independent assessment on the adequacy, efficiency and effectiveness of the Company's risk management and internal control system and processes. GIA reports directly to the AC.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

GIA had and would continue to keep abreast with developments in the profession, relevant industry and regulations.

The internal audit function is independent of the operations of the Company and provides reasonable assurance that the Company's system of internal control is satisfactory and operating effectively.

During the FYE 2018, the AC had reviewed and assessed the adequacy of the scope, functions, competency and resources of the GIA in the FYE 2017 and that they have the necessary authority to carry out their work.

10.2 The internal audit function is supported by the in-house GIA and headed by Encik Khairul Ridzwan bin Azizan, who is a member of Association of Chartered Certified Accountants ("ACCA") and also ACCA's Certified Accounting Technician.

All the GIA staff involved in the internal audit reviews possess professional qualifications and/or a university degree. They are also free from any relationships or conflict of interest, which could impair their objectivity and independence.

The internal audit reviews were conducted using a risk based approach and was guided by the International Professional Practice Framework (IPPF).

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. COMMUNICATION WITH STAKEHOLDERS

##### Intended Outcome 11.0

**There is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.**

**Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.**

11.1 The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value. The Board, in its best efforts, always keeps the shareholders and various stakeholders informed of the Group's business, operations and financial performance and ensure that the communication with them is accurate, timely, factual, informative, consistent, transparent and timely.

The Board ensures that there is effective, transparent and regular communication with its stakeholders through a variety of communication channels as follow:-

(a) Announcements to Bursa Securities

Material information, updates and periodic financial reports are published on a timely basis through announcements to Bursa Securities.

Shareholders and Investors can obtain the Company's latest announcements such as quarterly financial results in the dedicated website of Bursa Securities at [www.petraenergy.com.my](http://www.petraenergy.com.my).

(b) Annual reports

The Company's annual reports to the shareholders remain the central means of communicating to the shareholders, amongst others, the Company's operations, activities and performance for the past financial year end as well as the status of compliance with applicable rules and regulations.

(c) AGM/general meetings

The AGM/general meetings which are used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company.

(d) Corporate website

The Company's corporate website provides a myriad of relevant information on the Company and is accessible by the public.

(e) Investor relations

Shareholders and other interested parties are welcome to contact the Company should they have any comments, questions or concerns, by writing in, via telephone or facsimile to the Company's general email address.

11.2 The Company is not categorised as a "Large Company" and hence, has not adopted integrated reporting based on a globally recognised framework.

## II. CONDUCT OF GENERAL MEETINGS

### Intended Outcome 12.0

**Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at general meetings.**

12.1 The Annual Report, which contains the Notice of Twelfth AGM, was sent to shareholders at least twenty-eight (28) days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM. The Notice of AGM, which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.

The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.

12.2 All the Directors of the Company attended the Twelfth AGM of the Company held on 24 May 2018, save and except for Dato' Mohamed Nizam bin Abdul Razak ("**Dato' Nizam**") (who has resigned as a Director of the Company on 24 September 2018). Dato' Nizam is not a chair of the AC, NC, RC or BRMC.

All the Directors of the Company will endeavour to attend all future General Meetings and the Chair of the AC, NC, RC and BRMC will provide meaningful responses to questions addressed to them.

12.3 In line with the MainLR on the requirement for poll voting for any resolution set out in the notice of general meetings, during the Twelfth AGM held on 24 May 2018, the resolutions tabled at the Twelfth AGM were all voted by poll.

Depending on the cost effectiveness, the Board will consider and explore the suitability and feasibility of adopting electronic poll voting in coming years to facilitate greater shareholders participation at general meeting.

Prior to implementing the voting in absentia and remote shareholders' participation at general meeting(s), the Board noted several factors/conditions need to be fulfilled prior to making such consideration:-

- Relevant amendments to the Articles of Association of the Company to outline the procedures for enabling such voting/participation;
- Availability of technology and infrastructure;
- Affordability of the technology and infrastructure;
- Sufficient number of shareholders residing/locating at particular remote location(s); and
- Age profile of the shareholders.

In view thereof, the Board will not be recommending the adoption of such voting/participation at the forthcoming AGM of the Company.

The Corporate Governance Overview Statement and the Corporate Governance Report are made in accordance with a resolution of the Board of Directors passed on 2 April 2019.

# ADDITIONAL COMPLIANCE INFORMATION

## UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposal during the financial year ended 31 December 2018.

## AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2018, the amounts of audit and non-audit fees paid or payable by the Company and the Group to the external auditors are as follows:-

Item	Company (RM)	Group (RM)
Statutory Audit services rendered	56,700	366,700
Other audit related services rendered	-	174,000
Non-audit services rendered		
1. Consultancy and professional services rendered such as taxation and financial reporting consultancies	36,650	363,000
<b>Total</b>	<b>93,350</b>	<b>903,700</b>

## MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts of the Company and its subsidiaries involving Directors' and major shareholders' interests, either still subsisting as the end of the financial year ended 31 December 2018, or entered into since the end of the previous financial year ended 31 December 2017.

# STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required to take reasonable steps in ensuring that the financial statements of the Group are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of its results and the cash flows of the Group for the year then ended.

The Directors consider that in preparing the financial statements for the financial year ended 31 December 2018:-

- the Group has used appropriate accounting policies and are consistently applied;
- 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 which enable them to ensure that the financial statements comply with the Companies Act 2016. The Statement by the Directors pursuant to Section 251(2) of the Companies Act 2016 is set out in the section headed "Statement by Directors" of the Directors' Report enclosed with the Group's consolidated audited financial statements for the financial year ended 31 December 2018.

The Directors have ensured that the quarterly reports and annual audited financial statements of the Group are released to Bursa Malaysia Securities Berhad in a timely manner in order to keep our investing public informed of the Group's latest performance and developments.

The Directors also have general responsibilities for taking such steps that appropriate systems are reasonably available to them to safeguard the assets of the Group, 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

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# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Directors hereby submit their annual report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are provision of integrated brownfield services for the upstream oil and gas industry.

The principal activities of the subsidiaries are disclosed in Note 17 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
Net loss for the financial year	(20,919)	(6,455)

## 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 in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Datuk Seri Panglima Sulong bin Matjeraie

Dato' Anthony @ Firdauz bin Bujang

Ahmadi Bin Yusoff

Abdul Rahim bin Abdul Hamid

Gian Carlo Maccagno

Ng Ing Peng

Simon Ong

Dato' Mohamed Nizam bin Abdul Razak

(resigned on 24.09.2018)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## **DIRECTORS' REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### **DIRECTORS' BENEFITS (cont'd)**

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Directors and Officers of the Group and the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM23,940.

### **DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year.

### **DIVIDENDS**

No dividend has been declared and paid by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the current financial year.

### **DIRECTORS' REMUNERATION**

The details of remuneration received and receivable by Directors of the Company during the financial year are as disclosed in Note 9 to the financial statements.

### **OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### OTHER STATUTORY INFORMATION (cont'd)

- (c) At the date of this report:
- (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability of any company in the Group 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 Company and its subsidiaries to meet their obligations when they fall due.
- (e) 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 of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) 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 and of the Company for the financial year in which this report is made.

### SUBSIDIARIES

Details of subsidiaries are set out in Note 17 to the financial statements.

### AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

### AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 2 April 2019. Signed on behalf of the Board of Directors:

**DATO' ANTHONY @ FIRDAUZ BIN BUJANG**  
DIRECTOR

**ABDUL RAHIM BIN ABDUL HAMID**  
DIRECTOR

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Anthony @ Firdauz Bin Bujang and Abdul Rahim Bin Abdul Hamid, two of the Directors of Petra Energy Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 92 to 175 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2018 and financial performance of the Group and of the Company for the financial year ended 31 December 2018 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 2 April 2019.

**DATO' ANTHONY @ FIRDAUZ BIN BUJANG**  
DIRECTOR

**ABDUL RAHIM BIN ABDUL HAMID**  
DIRECTOR

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Khairul Anwar Bin Mohamad, being the officer primarily responsible for the financial management of Petra Energy Bhd., do solemnly and sincerely declare that the financial statements set out on pages 92 to 175 are, to the best of my knowledge and belief, 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.

**KHAIRUL ANWAR BIN MOHAMAD**  
(MIA No. 40303)

Subscribed and solemnly declared by the above named Khairul Anwar Bin Mohamad, at Kuala Lumpur in Malaysia on 2 April 2019, before me.

COMMISSIONER FOR OATHS

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRA ENERGY BERHAD (Incorporated in Malaysia)  
(Company No.718388-H)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Petra Energy Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their 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 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 175.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRA ENERGY BERHAD (Incorporated in Malaysia)  
(Company No.718388-H) (cont'd)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue recognition (Group)</b></p> <p>(Refer to Note 2.21, Note 2.2(a), Note 3.1(a) and Note 4)</p> <p>Effective 1 January 2018, the Group had adopted MFRS 15 "Revenue from Contract with Customers" ('MFRS 15') using the modified retrospective method resulting in certain reclassifications and changes to its accounting policies as disclosed in Note 2.2(a) in the financial statements. Management exercised judgement and estimates on the areas below arising from the adoption of MFRS15 as disclosed in Note 3.1(a) in the financial statements:</p> <p>i) Significant management judgement was applied in identifying the distinct performance obligations given the multiple deliverables in Hook-up, Commissioning and Engineering contracts, the satisfaction of performance obligations as either point in time or over time and the treatment of contract modifications. Given the unique nature of each separate project and contract, management performed a contract analysis on a case-by-case basis to determine the applicable accounting for revenues from projects under MFRS 15.</p> <p>Services rendered under the Hook-up, Commissioning and Engineering projects are complex, involving significant management estimates in using the input method of determining the measure of progress towards complete satisfaction of performance obligations including the assessment of remaining risks and contingencies. The key estimates involved in estimating costs to complete are man days, materials cost and marine workboat days. Any significant changes to the estimated costs to complete due to delays, re-work and service quality issues will materially impact the estimated cost to complete and therefore the revenue recognised for the year.</p>	<p>Our audit procedures over adoption of MFRS15 by management include:</p> <ul style="list-style-type: none"> <li>Obtained management's assessment on the identification of separate performance obligations over material customer contracts with bundling arrangements and sighted to the customer contracts on sampling basis;</li> <li>Reviewed management's analysis in determining satisfaction of performance obligation as over time or point in time. Checked to the underlying service delivery as to whether the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs (over time) or whether the control has been transferred to the customer of the promised asset at point in time (point in time);</li> <li>In addition, we examined modifications of contracts such as various claims and variation orders between the Group and its customers.</li> </ul> <p>Our audit procedures to address the risk of material misstatement relating to the input method of measuring progress include:</p> <ul style="list-style-type: none"> <li>Testing the effectiveness of controls over the approval of contracts, approval of contract budgets and computation of revenue based on the input method of measuring progress to complete satisfaction of performance obligation;</li> <li>We examined project documentation and challenged the status, progress and forecasts of cost to complete with project managers of the subsidiary company. We corroborated the outcome of these discussions by performing procedures such as evaluation of forecasts and recalculation of the progress towards complete satisfaction of the performance obligation;</li> </ul>

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRA ENERGY BERHAD (Incorporated in Malaysia)  
(Company No.718388-H) (cont'd)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

#### Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue recognition (Group) (cont'd)</b></p> <p>As the application of MFRS15 is complex and involve significant judgement and estimates, we considered this area to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We also performed test of details over cost incurred to date, such as vouching of invoices and hours incurred to assess the status of the project; and</li> <li>• We examined non-standard journal entries and other material adjustments related to revenue accounts.</li> </ul> <p>We also assessed the adequacy of the related (MFRS 15) disclosures in the financial statements.</p> <p>We did not identify any material exception from performing the procedures above.</p>
<p><b>Impairment review of carrying value of vessels and dry docking costs (Group)</b></p> <p>(Refer to Note 2.6, Note 2.7, Note 3.1(d) and Note 12)</p> <p>As at 31 December 2018, the carrying value of vessels and dry docking costs recorded within Property, Plant and Equipment in the Group's statement of financial position amounted to RM236.2 million.</p> <p>Despite the increase in utilisation rates and resulting revenue from charter hire, there remains a risk of impairment of the Group's vessels and dry docking costs due to continued losses incurred by the Group.</p> <p>An assessment whether there is an indication of impairment was carried out by the Group by considering key indicators including comparing the higher of Value In Use ("VIU") and Fair value less costs of disposal of the vessel and dry docking costs which requires significant assumptions about market demand and future developments ("trigger assessment").</p> <p>Fair value less costs of disposal was determined based on independent valuations performed by third party valuers on all vessels. VIU was determined by management based on discounted cash flow method.</p> <p>Given the inherent uncertainty and subjectivity involved in forecasting and discounting cash flows used in the impairment assessment, we considered this area to be a key audit matter.</p>	<p>Our audit procedures in assessing the recoverable amounts of the vessels and dry docking costs include:</p> <ul style="list-style-type: none"> <li>• Evaluated the independent external valuers' competence, capabilities and objectivity;</li> <li>• Tested, on a sample basis, the accuracy and relevance of key input data (age of vessels, open market value of similar vessels and current market demand) used by the valuers to estimate fair values of the vessels by comparing the data to independent sources;</li> <li>• Checked reasonableness of assumptions used by management in determining the VIU comprising future utilisation rates, daily charge rates and discount rate by comparing with market data and historical experiences;</li> <li>• Assessed the adequacy of disclosures in the financial statements; and</li> <li>• Performed independent sensitivity analysis of the key assumptions to the difference between the recoverable amount and the carrying amount of the assets.</li> </ul> <p>We did not identify any material exception from performing the procedures above.</p>

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRA ENERGY BERHAD (Incorporated in Malaysia)  
(Company No.718388-H) (cont'd)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
<p><b>Accounting for revenue under dispute between a significant associate company, Coastal Energy KBM Sdn. Bhd. ("CEKBM") and its key customer (Group)</b></p> <p>(Refer to Note 2.4, 3.1(b), Note 18)</p> <p>CEKBM is an associate company of the Group whereby the Group owns 30% of equity voting rights and accordingly, exercises significant influence over the investee.</p> <p>The Group's investment in CEKBM is accounted for using the equity method of accounting which amounted to RM53.3 million as at the year end.</p> <p>The Group did not recognise an amount of RM81 million within the share of results of the associate since it was subject of an ongoing dispute between CEKBM and its key customer. Further, the Group assessed that any additional costs to settle the dispute is remote.</p> <p>We considered this area to be a key audit matter since significant judgement is involved in assessing whether the conditions to recognise revenue is met in accordance with MFRS 15, Revenue From Contracts with Customers and assessing whether any additional costs is probable in accordance with MFRS 137. Provisions, Contingent Liabilities and Contingent Assets.</p>	<p>Our audit procedures to address the risk of material misstatement in accounting for the share of results of CEKBM included:</p> <ul style="list-style-type: none"> <li>• Obtained an Inter-firm audit report from the auditor of CEKBM;</li> <li>• Reviewed component auditors' audit documentation and held discussions with the auditors' of CEKBM relating to the judgements taken in revenue recognition and outflow of additional resources to settle the dispute, if any;</li> <li>• Independently tested supporting audit evidence relating to the judgements involved;</li> <li>• Tested the Group's accounting for the share of results of the associated company; and</li> <li>• Assessed the adequacy of the disclosures made in the financial statements.</li> </ul> <p>We did not identify any material exception from performing the procedures above.</p>

There are no key audit matters to report for the Company

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRA ENERGY BERHAD (Incorporated in Malaysia)  
(Company No.718388-H) (cont'd)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

#### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Financial Highlights, Chairman's Statement and Management Discussion and Analysis, Audit Committee Report, Statement on Risk Management and Internal Control, Statement on Corporate Governance, and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRA ENERGY BERHAD (Incorporated in Malaysia)  
(Company No.718388-H) (cont'd)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

#### Auditors' responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF PETRA ENERGY BERHAD (Incorporated in Malaysia)  
(Company No.718388-H) (cont'd)

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)**

#### **OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **PRICEWATERHOUSECOOPERS PLT**

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur

2 April 2019

#### **SUBATHRA A/P GANESAN**

03020/08/2020 J

Chartered Accountant

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	4	<b>467,424</b>	460,230	<b>6,856</b>	8,597
Cost of sales		<b>(461,357)</b>	(510,027)	<b>(6,232)</b>	(7,816)
Gross profit/(loss)		<b>6,067</b>	(49,797)	<b>624</b>	781
Other income/(expense)	5	<b>19,168</b>	13,755	<b>151</b>	(714)
Administrative expenses		<b>(34,895)</b>	(38,952)	<b>(6,966)</b>	(7,600)
Impairment loss on amount due from subsidiaries		-	-	-	(11,353)
Impairment loss on property, plant and equipment		-	(9,811)	-	-
Impairment loss on receivables		<b>(1,641)</b>	(4,515)	-	-
Loss from operations		<b>(11,301)</b>	(89,320)	<b>(6,191)</b>	(18,886)
Finance income	6	<b>2,040</b>	4,250	<b>258</b>	1,135
Finance costs	6	<b>(10,298)</b>	(12,425)	<b>(522)</b>	(159)
Share of results of associate	18	<b>1,051</b>	51,283	-	-
Loss before tax	7	<b>(18,508)</b>	(46,212)	<b>(6,455)</b>	(17,910)
Income tax (expense)/credit	10	<b>(2,411)</b>	179	-	177
Loss for the financial year		<b>(20,919)</b>	(46,033)	<b>(6,455)</b>	(17,733)
Other comprehensive expense: Items that may be subsequently reclassified to profit or loss					
- Share of other comprehensive income/ (expense) of an associate	18	<b>832</b>	(12,079)	-	-
Other comprehensive income/(expense) for the financial year, net of tax		<b>832</b>	(12,079)	-	-
Total comprehensive expense for the financial year		<b>(20,087)</b>	(58,112)	<b>(6,455)</b>	(17,733)
Loss per share attributable to the owners of the Company (sen per share) Basic/Diluted	11	<b>(6.52)</b>	(14.34)		

The notes set out on pages 100 to 175 form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	<b>265,818</b>	287,655	<b>411</b>	897
Amount due from subsidiaries	15	-	-	<b>132,077</b>	91,974
Investments in subsidiaries	17	-	-	<b>187,921</b>	187,921
Investment in an associate	18	<b>54,776</b>	150,058	-	-
Investment in a joint venture	19	-	-	-	-
		<b>320,594</b>	437,713	<b>320,409</b>	280,792
<b>CURRENT ASSETS</b>					
Inventories	21	<b>5,023</b>	8,609	-	-
Trade and other receivables	14	<b>35,995</b>	208,940	<b>1,305</b>	1,272
Amount due from subsidiaries	15	-	-	<b>5,023</b>	15,852
Amount due from an associate	15	<b>60</b>	60	<b>60</b>	60
Contract assets	16	<b>181,488</b>	-	-	-
Amounts due from customer on contract	22	-	5,102	-	-
Tax recoverable		<b>11,249</b>	13,612	<b>2,436</b>	2,167
Cash and bank balances	23	<b>94,368</b>	145,260	<b>1,817</b>	37,736
		<b>328,183</b>	381,583	<b>10,641</b>	57,087
Assets held for sale	13	-	15,339	-	-
		<b>328,183</b>	396,922	<b>10,641</b>	57,087
Total assets		<b>648,777</b>	834,635	<b>331,050</b>	337,879
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Share capital	24	<b>299,809</b>	299,809	<b>299,809</b>	299,809
Share premium	24	-	-	-	-
Treasury shares	25	<b>(840)</b>	(840)	<b>(840)</b>	(840)
Merger reserve	26	<b>(31,000)</b>	(31,000)	-	-
Currency translation reserve		<b>10,357</b>	9,525	-	-
Retained earnings		<b>55,032</b>	75,562	<b>30,048</b>	36,503
Total equity		<b>333,358</b>	353,056	<b>329,017</b>	335,472

The notes set out on pages 100 to 175 form an integral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (cont'd)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	27	-	1,600	-	-
Hire purchase liabilities	28	412	585	-	-
Deferred tax liabilities	20	-	-	-	-
Amount due to an associate	29	19,024	91,685	-	-
		<b>19,436</b>	93,870	-	-
<b>CURRENT LIABILITIES</b>					
Borrowings	27	123,522	196,606	-	-
Hire purchase liabilities	28	180	172	-	-
Trade and other payables	29	166,707	190,917	2,033	2,407
Amount due to customers on contracts	22	-	14	-	-
Contract liabilities	16	5,574	-	-	-
		<b>295,983</b>	387,709	<b>2,033</b>	2,407
Total liabilities		<b>315,419</b>	481,579	<b>2,033</b>	2,407
Total equity and liabilities		<b>648,777</b>	834,635	<b>331,050</b>	337,879

The notes set out on pages 100 to 175 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Attributable to Owners of the Company						Total RM'000
		Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Treasury shares RM'000	Currency translation reserve RM'000	Retained earnings RM'000	
<u>2018</u>								
At 31 December 2017		<b>299,809</b>	-	<b>(31,000)</b>	<b>(840)</b>	<b>9,525</b>	<b>75,562</b>	<b>353,056</b>
Impact of adoption of MFRS 15		-	-	-	-	-	389	389
At 1 January 2018 (restated)		<b>299,809</b>	-	<b>(31,000)</b>	<b>(840)</b>	<b>9,525</b>	<b>75,951</b>	<b>353,445</b>
Loss for the financial year		-	-	-	-	-	<b>(20,919)</b>	<b>(20,919)</b>
Other comprehensive expense for the financial year		-	-	-	-	<b>832</b>	-	<b>832</b>
Total comprehensive expense for the financial year		-	-	-	-	<b>832</b>	<b>(20,919)</b>	<b>(20,087)</b>
<u>Transactions with owners</u>								
Purchase of treasury shares	25	-	-	-	-	-	-	-
Interim dividend in respect of the financial year ended 31 December 2016	36	-	-	-	-	-	-	-
At 31 December 2018		<b>299,809</b>	-	<b>(31,000)</b>	<b>(840)</b>	<b>10,357</b>	<b>55,032</b>	<b>333,358</b>

The notes set out on pages 100 to 175 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

	Note	Attributable to Owners of the Company						Total RM'000
		Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Treasury shares RM'000	Currency translation reserve RM'000	Retained earnings RM'000	
<u>2017</u>								
At 1 January 2017		160,875	138,934	(31,000)	(836)	21,604	128,014	417,591
Transition to no-par value regime on 31 January 2017*		138,934	(138,934)	-	-	-	-	-
Loss for the financial year		-	-	-	-	-	(46,033)	(46,033)
Other comprehensive expense for the financial year		-	-	-	-	(12,079)	-	(12,079)
Total comprehensive expense for the financial year		-	-	-	-	(12,079)	(46,033)	(58,112)
<u>Transactions with owners:</u>								
Purchase of treasury shares	25	-	-	-	(4)	-	-	(4)
Interim dividend in respect of the financial year ended 31 December 2016	36	-	-	-	-	-	(6,419)	(6,419)
At 31 December 2017		299,809	-	(31,000)	(840)	9,525	75,562	353,056

\* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM138,934,000 for purpose as at out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The notes set out on pages 100 to 175 form an integral part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Non-distributable			Distributable	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	
<u>2018</u>						
At 1 January 2018		<b>299,809</b>	-	<b>(840)</b>	<b>36,503</b>	<b>335,472</b>
Total comprehensive expense for the financial year		-	-	-	<b>(6,455)</b>	<b>(6,455)</b>
At 31 December 2018		<b>299,809</b>	-	<b>(840)</b>	<b>30,048</b>	<b>329,017</b>
<u>2017</u>						
At 1 January 2017		160,875	138,934	(836)	60,655	359,628
Transition to no-par value regime on 31 January 2017*		138,934	(138,934)	-	-	-
Total comprehensive expense for the financial year		-	-	-	(17,733)	(17,733)
<u>Transactions with owners:</u>						
Purchase of treasury shares	25	-	-	(4)	-	(4)
Interim dividend in respect of the financial year ended 31 December 2016	36	-	-	-	(6,419)	(6,419)
At 31 December 2017		299,809	-	(840)	36,503	335,472

\* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM138,934,000 for purpose as at out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The notes set out on pages 100 to 175 form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax	<b>(18,508)</b>	(46,212)	<b>(6,455)</b>	(17,910)
Adjustments for:				
Finance income	<b>(2,040)</b>	(4,250)	<b>(258)</b>	(1,135)
Finance costs	<b>10,298</b>	12,425	<b>522</b>	159
Unrealised foreign exchange loss/(gain)	<b>246</b>	(849)	<b>115</b>	(714)
Property, plant and equipment:				
– Depreciation charge	<b>25,985</b>	30,040	<b>532</b>	1,184
– Impairment loss	<b>–</b>	9,811	<b>–</b>	–
– Gain on disposal	<b>(13,246)</b>	(55)	<b>–</b>	–
Net impairment (reversal)/loss on:				
– Trade receivables	<b>(2,391)</b>	4,515	<b>–</b>	–
– Amount due from subsidiaries	<b>–</b>	–	<b>–</b>	11,353
Share of results of an associate	<b>(1,051)</b>	(51,283)	<b>–</b>	–
Inventories written down	<b>–</b>	–	<b>–</b>	–
Reversal of discounting	<b>(431)</b>	–	<b>–</b>	–
	<b>(1,138)</b>	(45,858)	<b>(5,544)</b>	(7,063)
Changes in working capital:				
Inventories	<b>431</b>	(606)	<b>–</b>	–
Trade and other receivables	<b>(2,686)</b>	(105,787)	<b>(29,422)</b>	(16,204)
Amount due from customers on contracts	<b>5,088</b>	6,571	<b>–</b>	–
Trade and other payables	<b>(18,288)</b>	69,974	<b>(374)</b>	(9,530)
Cash flows used in operating activities	<b>(16,593)</b>	(75,706)	<b>(35,340)</b>	(32,797)
Taxation paid	<b>(48)</b>	(2,274)	<b>(269)</b>	(329)
Net cash flows used in operating activities	<b>(16,641)</b>	(77,980)	<b>(35,609)</b>	(33,126)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	<b>(4,964)</b>	(2,273)	<b>(46)</b>	(404)
Proceeds from disposal of property, plant and equipment	<b>29,402</b>	251	<b>–</b>	–
Transactions with an associate:				
– Reimbursement from an associate	<b>23,735</b>	71,359	<b>–</b>	–
– Cash call to an associate	<b>–</b>	(26,116)	<b>–</b>	–
– Interest income from an associate	<b>1,410</b>	990	<b>–</b>	–
Repayment of advances from subsidiaries	<b>–</b>	–	<b>–</b>	12,619
Interest received	<b>631</b>	3,260	<b>258</b>	1,135
Net cash flows generated from investing activities	<b>50,214</b>	47,471	<b>212</b>	13,350

The notes set out on pages 100 to 175 form an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid on ordinary shares	36	-	(6,419)	-	(6,419)
Share buy back	25	-	(4)	-	(4)
Repayments of borrowings		(291,749)	(326,330)	-	-
Proceeds from borrowings		217,065	288,771	-	-
Repayments of obligations under hire purchase		(165)	(139)	-	-
Repayments of bank overdrafts		-	(713)	-	-
Interest paid		(10,298)	(12,425)	(522)	(159)
Net (increase)/decrease in debt reserve accounts		(3,533)	129,283	-	-
Net decrease in deposits pledged		7,383	19,550	-	-
Net cash flows (used in)/generated from financing activities		(81,297)	91,574	(522)	(6,582)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(47,724)</b>	61,065	<b>(35,919)</b>	(26,358)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<b>135,682</b>	79,625	<b>37,736</b>	64,094
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>		<b>682</b>	(5,008)	-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	23(ii)	<b>88,640</b>	135,682	<b>1,817</b>	37,736
Non-cash investing activity during the financial year:					
Acquisition of plant and equipment by means of hire purchase		-	485	-	-

	Non-cash changes					
	At 1.1.2018 RM	Cash flows RM	PPE RM	Foreign exchange movement RM	Interest on borrowings RM	At 31.12.2018 RM
Borrowings	198,206	(84,982)	-	-	10,298	123,522
Hire purchase	757	(165)	-	-	-	592
	<b>198,963</b>	<b>(85,147)</b>	-	-	10,298	<b>124,114</b>

	Non-cash changes					
	At 1.1.2017 RM	Cash flows RM	PPE RM	Foreign exchange movement RM	Interest on borrowings RM	At 31.12.2017 RM
Borrowings	237,705	(51,411)	-	(513)	12,425	198,206
Hire purchase	411	(139)	485	-	-	757
	238,116	(51,550)	-	(513)	12,425	198,963

The notes set out on pages 100 to 175 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Group are disclosed in Note 17. There have been no significant changes in the nature of the principal activities during the financial year.

Petra Energy Berhad 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 2018 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 2 April 2019.

## 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 financial 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 2016 in Malaysia.

The financial statements have been prepared on the the historical cost convention.

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 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 Basis of preparation (cont'd)

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 2 'Share-based Payment – Classification and Measurement of Share-based Payment Transactions'
- Amendments to MFRS 140 'Investment Property – Transfers of Investment Property' IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in changes in accounting policies.

#### **MFRS 15: Modified retrospective transition method**

The Group has applied MFRS 15 with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as adjustments to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

#### **MFRS 9: Comparative information not restated**

The Group has applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as adjustments to the opening balance of retained earnings as at 1 January 2018.

The detailed impact of change in accounting policies are set out in Note 2.2.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 Basis of preparation (cont'd)

- (b) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2018. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in MFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at the reporting date, the Group has non-cancellable operating lease commitments of RM61,681,209 see Note 31 (a). Of these commitments, approximately RM49,819,062 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RM10,771,589 on 1 January 2019, lease liabilities of RM10,771,589.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 Basis of preparation (cont'd)

(b) Standards and amendments that have been issued but not yet effective (cont'd)

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
  - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 Basis of preparation (cont'd)

(b) Standards and amendments that have been issued but not yet effective (cont'd)

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
- Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.
- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Changes in accounting policy

As disclosed in Note 2.1 (a), the Group has adopted MFRS 9 and MFRS 15, which resulted in changes in accounting policies and adjustments to the financial position at 1 January 2018. The impact of MFRS 9 on the Group's financial position is immaterial. The main changes of MFRS 15 are as follows:

(a) *Reclassification of amount due from and to customers and inventories*

For contracts in progress accounted for in accordance with MFRS 111, the Group presented for each contract, the net amount of costs incurred plus recognised profits (less recognised losses) exceed progress billings as 'amount due from customers'. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the net amount was presented the 'amount due to customers'.

Under MFRS 15, 'amount due from customers' of such contracts represents unbilled revenue and accordingly the Group reclassified a balance of RM175,298,000 as at 1 January 2018 as 'contract asset'. Similarly, 'amount due to customers' of RM3,806,000 as at 1 January 2018 represents obligation to transfer services to customers and accordingly is reclassified as 'contract liability'.

The impact of MFRS 15 on the Group's financial position as at 1 January 2018 is as follows:

	Note	MFRS 118 carrying amounts 31.12.2017 RM'000	Adjustments* RM'000	MFRS 15 carrying amounts 1.1.2018 RM'000
<b>NON-CURRENT ASSETS</b>		437,713		<b>437,713</b>
<b>CURRENT ASSETS</b>				
Inventories	21	8,609	(3,084)	<b>5,525</b>
Trade and other receivables	14	208,940	(164,057)	<b>44,883</b>
Amount due from an associate	15	60	-	<b>60</b>
Contract assets	16	-	175,298	<b>175,298</b>
Amounts due from customer on contract	22	5,102	(5,102)	<b>-</b>
Tax recoverable		13,612		<b>13,612</b>
Cash and bank balances	23	145,260		<b>145,260</b>
		381,583		<b>384,638</b>
Assets held for sale	13	15,339		<b>15,339</b>
		396,922		<b>399,977</b>
Total assets		834,635		<b>837,690</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Changes in accounting policy (cont'd)

	Note	MFRS 118 carrying amounts 31.12.2017 RM'000	Adjustments* RM'000	MFRS 15 carrying amounts 1.1.2018 RM'000
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	24	299,809	-	<b>299,809</b>
Share premium	24	-	-	-
Treasury shares	25	(840)	-	<b>(840)</b>
Merger reserve	26	(31,000)	-	<b>(31,000)</b>
Currency translation reserve		9,525	-	<b>9,525</b>
Retained earnings		75,562	389	<b>75,951</b>
Total equity		353,056		<b>353,445</b>
<b>NON CURRENT LIABILITIES</b>		93,870		<b>93,870</b>
<b>CURRENT LIABILITIES</b>				
Borrowings	27	196,606	-	<b>196,606</b>
Hire purchase liabilities	28	172	-	<b>172</b>
Trade and other payables	29	190,917	(1,126)	<b>189,791</b>
Amounts due to customers on contracts	22	14	(14)	-
Contract liabilities		-	3,806	<b>3,806</b>
		387,709		<b>390,375</b>
Total liabilities		481,579		<b>484,245</b>
Total equity and liabilities		834,635		<b>837,690</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Changes in accounting policy (cont'd)

The impact of MFRS 15 on the Group's financial position as at 1 January 2018 is as follows (cont'd):

	2018* RM'000
Opening retained earnings as at 1 January	75,562
Impact of adoption of MFRS 15 (net of tax effects):	
Adjustment to retained earnings from adoption of MFRS 15	389
Restated retained earnings as at 1 January	75,951

As disclosed above, the adoption of MFRS 15 and MFRS 9 in 2018 resulted in changes in the following accounting policies:

- (a) Revenue recognition, contract assets and contract liabilities
- (b) Impairment of financial assets

Had the Group continued to apply the previous accounting policies in accordance with MFRS 118 and MFRS 111 on these transactions, the impact on each financial statement line items in 2018 would be as follows:

	Note	31.12.18 As reported RM'000	Adjustments* RM'000	31.12.18 Balances without adoption of MFRS 15 RM'000
<b>NON-CURRENT ASSETS</b>		<b>320,594</b>		<b>320,594</b>
<b>CURRENT ASSETS</b>				
Inventories	21	5,023	3,155	8,178
Trade and other receivables	14	35,995	172,640	208,635
Amount due from an associate	15	60	-	60
Contract assets	16	181,488	(181,488)	-
Amounts due from customer on contract	22	-	1,888	1,888
Tax recoverable		11,249	-	11,249
Cash and bank balances	23	94,368	-	94,368
		<b>328,183</b>		<b>324,378</b>
Total assets		<b>648,777</b>		<b>644,972</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Changes in accounting policy (cont'd)

	Note	31.12.18 As reported RM'000	Adjustments* RM'000	31.12.18 Balances without adoption of MFRS 15 RM'000
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
		<b>333,358</b>		<b>333,358</b>
<b>NON-CURRENT LIABILITIES</b>				
		<b>19,436</b>		<b>19,436</b>
Borrowings	27	<b>123,522</b>	–	<b>123,522</b>
Hire purchase liabilities	28	<b>180</b>	–	<b>180</b>
Trade and other payable	29	<b>166,707</b>	1,769	<b>168,476</b>
Contract liabilities	16	<b>5,574</b>	(5,574)	<b>–</b>
		<b>295,983</b>		<b>292,178</b>
Total liabilities		<b>315,419</b>		<b>311,614</b>
Total equity and liabilities		<b>648,777</b>		<b>644,972</b>

#### 2.3 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 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Basis of consolidation (cont'd)

##### (a) Subsidiaries (cont'd)

In applying the 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.

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 9 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 the predecessor accounting 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.

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 predecessor accounting method.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Basis of consolidation (cont'd)

##### (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.

#### 2.4 Investment in an associate and a joint venture

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group investments in an associates and a joint venture 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 or a joint venture are 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 and joint venture 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.5 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.

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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.6 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 instalment over the period of the respective leases. The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	50 - 99 years
Leasehold buildings	50 years
Vessels and dry docking	4% - 20%
Other marine assets	20%
Plant and machinery	10%
Cabin, field and workshop equipment	10% - 20%
Motor vehicles	20%
Furniture, fittings and office equipment	20% - 33.3%
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.

#### 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 of disposal 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")).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.7 Impairment of non-financial assets (cont'd)

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 exceed 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.

#### 2.8 Financial assets

##### Accounting policies applied from 1 January 2018

##### (a) Classification

From 1 January 2018, the Group classifies its financial assets to be measured at amortised cost.

##### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

The Group classifies its debt instruments at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.8 Financial assets (cont'd)

##### Accounting policies applied from 1 January 2018 (cont'd)

##### (d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Group assesses on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has three types of financial instruments that are subject to the ECL model:

- Trade receivables
- Loans to subsidiaries
- Contract assets

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables and financial guarantee contracts issued

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 14 sets out the measurement details of ECL.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.8 Financial assets (cont'd)

##### Accounting policies applied from 1 January 2018 (cont'd)

##### (d) Subsequent measurement – Impairment (cont'd)

- (ii) Simplified approach for trade receivables, contract assets and lease receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 14 sets out the measurement details of ECL.

##### Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 130 days past due in making a contractual payment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.8 Financial assets (cont'd)

##### Accounting policies applied from 1 January 2018 (cont'd)

##### (d) Subsequent measurement – Impairment (cont'd)

###### Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

###### Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 130 days of when they fall due.

###### Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

###### Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually.

Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

###### Write-off

##### (i) Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.8 Financial assets (cont'd)

##### Accounting policies applied from 1 January 2018 (cont'd)

##### (d) Subsequent measurement – Impairment (cont'd)

##### Write-off (cont'd)

##### (ii) Other receivables

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the financial year was RM nil. Subsequent recoveries of amounts previously written off will result in impairment gains.

##### Accounting policies applied until 31 December 2017

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.8 Financial assets (cont'd)

##### Accounting policies applied until 31 December 2017 (cont'd)

##### 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.

#### 2.9 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.

#### 2.10 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See accounting policy Note 2.8 on impairment of financial assets.

#### 2.12 Loans to subsidiaries

Loans to subsidiaries are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

Loans to subsidiaries are subsequently measured at amortised cost using the effective interest method, less loss allowance. Details on the Company's impairment policies of loans to subsidiaries are provided in Note 14.

#### 2.13 Construction contracts

##### Accounting policy until 31 December 2017

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.13 Construction contracts (cont'd)

##### Accounting policy until 31 December 2017 (cont'd)

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'.

#### 2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

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.

#### 2.15 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.16 Financial liabilities

##### Accounting policy until 31 December 2017

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.

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.

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.

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.

#### 2.17 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.18 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.

#### 2.19 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.

##### Accounting policies applied from 1 January 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

##### Accounting policies applied until 31 December 2017

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

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.

Financial guarantee contracts are subsequently measured 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.20 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 2.21(g).

#### 2.21 Revenue

##### Accounting policies applied from 1 January 2018

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

The Group sells a range of equipment to its customers in the oil and gas market. Sales are recognised when control of the equipment has transferred, being when the equipment are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the equipment. Delivery occurs when the equipment have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the equipment in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.21 Revenue (cont'd)

##### Accounting policies applied from 1 January 2018 (cont'd)

##### (a) Sale of goods (cont'd)

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognised when the equipments are delivered and the customers has accepted the equipment in accordance with the sales contract as this is the point in time that the Group have objective evidence that all criteria for acceptance have been satisfied.

##### (b) Rendering of services

The Group renders hook-up and commissioning as well as engineering services. Revenue from providing services is recognised over the period in which the services are rendered. For fixed-price contracts, revenue is recognised by measuring progress towards completion of services. Progress is measured using the input method based on the actual costs relative to the total costs of the contract.

The contracts include multiple deliverables such as the provision for manpower, tools, equipment, consumables, engineering, project materials, marine spread, specialised services and final documentation for offshore hook-up and commissioning for the project and all technical clarification for onshore and offshore work. In most cases, the multiple deliverables are integrated service which will be performed by one party except in case of marine spread and procurement of tools and equipment and reimbursables. It is therefore accounted for as one separate performance obligation. In this case, the transaction price will be allocated based on work orders issued as it approximates the stand-alone selling prices. Revenue from such services are recognised over time over the contract period. See 2.21(c) for marine spread and 2.21(a) for procurement of tools and equipment. Reimbursable revenue is recognised upon completion of services by third party vendors on cost-plus basis.

Due to the nature of the services performed, variation orders and claims are commonly billed to clients in the normal course of business. The variation orders and claims are modifications of contracts that are usually not distinct and are therefore normally considered as part of the existing performance obligation. The Company recognises revenue related to the variation orders and claims only once they are formally approved in writing.

Estimates of costs are revised if circumstances change. Any resulting increase or decrease in revenue and costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

In some cases, the contract includes a fee based on time and materials. Revenue is recognised in the amount to which the Group has a right to invoice based on approved time spend recorded on the timesheet and material acceptance records from the customers. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.21 Revenue (cont'd)

##### Accounting policies applied from 1 January 2018 (cont'd)

##### (c) Charter hire of vessel

The Group provides vessels on hire, crew services, catering and other services to its customers either individually or as part of other service offerings. Revenue from such services are recognised over time as benefits are consumed by customer as in when services are rendered.

##### (d) Interest income

Interest income is recognised using the effective interest method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

##### (e) Dividend income

From 1 January 2018 onward, dividends that clearly represents a recovery of part of the cost of an investment is recognised in OCI if it relates to an investment in equity instruments measured at FVOCI.

##### Accounting policies applied until 31 December 2017

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.

##### (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 contract costs incurred to date as a percentage of total estimated contract costs 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.21 Revenue (cont'd)

##### Accounting policies applied until 31 December 2017 (cont'd)

##### (d) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.13.

##### (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) 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.

#### 2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

Government grants relating to the purchase of assets are presented as a reduction of the carrying amount of the related assets. The government grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

#### 2.23 Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.23 Income taxes (cont'd)

##### (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 and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

#### 2.25 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 shares are deducted against share premium account.

#### 2.26 Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from equity attributable to owners of the Company. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to owners of the Company.

An amount equivalent to the original purchase cost of the treasury shares will be deducted from retained earnings upon the distribution of any treasury shares as share dividends.

#### 2.27 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and the Company's financial statements requires management to make judgments, 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) Revenue from contracts with customers

Some contracts include multiple deliverables such as provision for manpower, tools, equipment, consumables, engineering, project materials, marine spread, specialised services and final documentation for offshore hook-up and commissioning for the project and all technical clarification for onshore and offshore work. The group assesses the level of integration between different deliverables and the ability of deliverables to be performed by another party and based on the assessment the group concluded the multiple obligations are under one or multiple obligations.

Revenue is recognised when or as the control of the asset is transferred to the customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress, based on input method.

Significant judgement is required in determining the progress based on actual costs incurred to-date over the estimated total costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, man days, materials required and marine workboat spreads due to delays, re-work and service quality issues. In making these judgements, management relies on past experience.

The Group recognised revenue from construction projects of RM260.5 million for the the financial year ended 31 December 2018. Refer to Note 4 for further details.

##### (b) Share of result of an associate

The Group investment in an associate, CEKBM is accounted for using the equity method of accounting. There is an ongoing dispute presently under discussion with its key customer that effected the results of the associate for the year ended 31 December 2018. The Group has decided not to account for the revenue under dispute consequently resulting in the share of results of associate being lower for the year ended 31 December 2018. Further, the Group assess that any additional cost to settle the dispute is remote.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 5 OTHER INCOME/(EXPENSE)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other gain/(losses):				
– foreign exchange – unrealised	(246)	849	115	(714)
– foreign exchange – realised	(362)	1,133	–	–
– disposal of property, plant and equipment	13,246	55	–	–
Insurance claims	56	8,055	36	–
Others	6,474	3,663	–	–
	<b>19,168</b>	13,755	<b>151</b>	(714)

### 6 FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance income from:				
– Short term bank deposits	2,040	4,250	258	1,135
Interest expense on:				
– Term loans	(860)	(3,213)	–	–
– Obligations under hire purchase	(38)	(13)	–	–
– Revolving credits	(6,811)	(7,823)	–	–
– Other borrowings	(1)	(8)	–	–
Other finance charges	(2,588)	(1,368)	(522)	(159)
Total finance costs	<b>(10,298)</b>	(12,425)	<b>(522)</b>	(159)
Net finance (costs)/income	<b>(8,258)</b>	(8,175)	<b>(264)</b>	976

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 7 LOSS BEFORE TAX

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:				
– statutory audit	367	367	57	57
– audit related services	174	–	–	–
– non-audit fees	363	115	37	37
Employee costs (Note 8)	127,896	138,371	9,614	10,521
Non-executive Directors' remuneration (Note 9)	631	606	631	606
Property, plant and equipment:				
– Depreciation charge	25,985	30,040	532	1,184
– Impairment loss	–	9,811	–	–
– Gain on disposal	(13,246)	(55)	–	–
Net impairment (reversal)/loss on:				
– Trade receivables	(2,391)	4,515	–	–
– Amount due from subsidiaries	–	–	–	11,353
Operating lease:				
– charter hire of vessels	69,450	111,300	–	–
– rental of equipment	17,457	21,800	38	38
– rental of land and buildings	3,466	6,699	749	764

### 8 EMPLOYEE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	86,706	95,821	7,423	7,873
Social security contributions	979	1,029	30	31
Contributions to defined contribution plan	11,091	11,632	954	1,065
Other benefits	29,120	29,889	1,209	1,552
	127,896	138,371	9,616	10,521

Included in employee costs of the Group and the Company are Executive Directors' remuneration as disclosed in Note 9 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 9 DIRECTORS' REMUNERATION

The details of remuneration received and receivable by Directors of the Group and the Company during the financial year are as follows:

	Group and Company	
	2018 RM'000	2017 RM'000
<b>Executive:</b>		
Salaries, allowances and compensation	2,166	2,251
Defined contribution plan	348	368
Other emoluments*	300	246
Total executive Directors' remuneration	2,814	2,865
<b>Non-Executive:</b>		
Fees and emoluments*	631	606
Total Directors' remuneration	3,445	3,471

\* Included in directors' emoluments are benefits-in-kind (based on estimated monetary value) receivable from the Group and the Company is RM364,693 (2017: RM303,345).

### 10 INCOME TAX EXPENSE/(CREDIT)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax				
- Malaysian income tax	2,411	(106)	-	-
- Deferred tax (Note 20)	-	(73)	-	(177)
	2,411	(179)	-	(177)
Current tax				
- Current financial year	19	61	-	-
- Under/(Over) accrual in prior financial year	2,392	(167)	-	-
	2,411	(106)	-	-
Deferred tax (Note 20)				
- Origination and reversal of temporary differences	-	(73)	-	(177)
Total income tax [expense]/credit	2,411	(179)	-	(177)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 10 INCOME TAX EXPENSE/(CREDIT) (cont'd)

The explanation of the relationship between income tax credit and loss before taxation is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss before tax	<b>(18,508)</b>	(46,212)	<b>(6,455)</b>	(17,910)
Tax calculated at the applicable Malaysian tax rate of 24% (2017: 24%)	<b>(4,442)</b>	(11,091)	<b>(1,549)</b>	(4,298)
Tax effects of:				
– Effect of tax rate in other jurisdiction	<b>1,087</b>	142	–	–
– Income not subject to tax	<b>(3,225)</b>	–	–	–
– Expenses not deductible for tax purposes	<b>3,378</b>	6,332	<b>379</b>	568
– Deferred tax assets not recognised	<b>3,473</b>	16,913	<b>1,170</b>	3,730
– Under/(over) accrual in prior financial year	<b>2,392</b>	(167)	–	(177)
– Share of results of an associate	<b>(252)</b>	(12,308)	–	–
	<b>2,411</b>	(179)	–	(177)

### 11 LOSS PER SHARE

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018 RM'000	2017 RM'000
Loss attributable to owners of the Company (RM'000)	<b>(20,919)</b>	(46,033)
Weighted average number of shares in issue ('000)	<b>320,942*</b>	320,942*
Basic/Diluted EPS (sen)	<b>(6.52)</b>	(14.34)

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.

\* Net of treasury shares

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Leasehold buildings RM'000	Vessels and dry docking RM'000	Other Marine Assets 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
<u>Group</u>										
<u>2018</u>										
Cost	9,777	9,826	448,333	11,542	1,790	17,110	2,306	2,740	11,098	514,522
Accumulated depreciation and accumulated impairment losses	(691)	(1,777)	(212,130)	(9,189)	(805)	(10,802)	(1,483)	(2,353)	(9,474)	(248,704)
Net book value	9,086	8,049	236,203	2,353	985	6,308	823	387	1,624	265,818
<u>2017</u>										
Cost	9,777	9,924	454,310	26,934	9,668	50,033	3,697	4,793	17,430	586,566
Accumulated depreciation and accumulated impairment losses	(651)	(1,678)	(198,048)	(22,580)	(8,445)	(44,929)	(2,628)	(4,278)	(15,674)	(298,911)
Net book value	9,126	8,246	256,262	4,354	1,223	5,104	1,069	515	1,756	287,655

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold land RM'000	Leasehold buildings RM'000	Vessels and dry docking RM'000	Other Marine Assets 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
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#### Group

##### Net book value

At 1 January 2018	9,126	8,246	256,262	4,354	1,223	5,104	1,069	515	1,756	287,655
Additions	-	-	-	417	-	3,501	43	128	875	4,964
Disposal	-	-	(3)	(557)	(56)	(32)	(43)	(41)	(84)	(816)
Depreciation charge	(40)	(197)	(20,056)	(1,861)	(182)	(2,265)	(246)	(215)	(923)	(25,985)
At 31 December 2018	9,086	8,049	236,203	2,353	985	6,308	823	387	1,624	265,818

##### Net book value

At 1 January 2017	14,703	10,762	293,445	8,986	1,513	7,206	649	568	2,451	340,283
Additions	-	-	3	581	-	330	591	271	982	2,758
Disposal	-	-	(3)	(170)	(4)	(8)	(1)	(2)	(8)	(196)
Depreciation charge	(205)	(310)	(19,611)	(5,043)	(286)	(2,424)	(170)	(322)	(1,669)	(30,040)
Impairment loss	-	-	(9,811)	-	-	-	-	-	-	(9,811)
Transfer to Assets held for sale	(5,372)	(2,206)	(7,761)	-	-	-	-	-	-	(15,339)
At 31 December 2017	9,126	8,246	256,262	4,354	1,223	5,104	1,069	515	1,756	287,655

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Air-conditioner, computer, signboard, renovation and electrical installation RM'000	Total RM'000
<u>Company</u>				
<u>2018</u>				
Cost	5	950	7,927	8,882
Accumulated depreciation	(5)	(938)	(7,528)	(8,471)
Net book value	-	12	399	411
<u>2017</u>				
Cost	5	950	7,881	8,836
Accumulated depreciation	(5)	(911)	(7,023)	(7,939)
Net book value	-	39	858	897
<u>Net book value</u>				
At 1 January 2018	-	39	858	897
Additions	-	-	46	46
Depreciation charge	-	(27)	(505)	(532)
At 31 December 2018	-	12	399	411
<u>Net book value</u>				
At 1 January 2017	1	102	1,574	1,677
Additions	-	7	397	404
Depreciation charge	(1)	(70)	(1,113)	(1,184)
At 31 December 2017	-	39	858	897

The Group's vessels, leasehold land and leasehold buildings with a carrying amount of RM Nil (2017: RM148,848,000) and RM15,415,219 (2017: RM15,587,000) respectively are pledged to secure the Group's borrowings (Note 27).

In prior year, as a result of the declining crude oil price and continued decline in vessels utilisation rates, the Group had recognised an impairment loss of RM9,811,000 on certain vessels under marine assets segment during the financial year based on total recoverable amount RM181,165,200, determined based on fair value less cost of disposal. The Group considered each vessel as a cash-generating unit. They are grouped together for disclosure purpose.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The fair values of the vessels have been assessed by independent professional valuers. The valuation of the vessels was performed by the independent valuers using the market approach, including consideration of the recent market transaction of vessels of similar type and age. The assessment is based on the assumption that it is at a willing buyer and willing seller basis. The fair value reflects management's expectations based on past experience with disposal of assets and industry benchmarks.

The fair values are within Level 2 of the fair value hierarchy.

### 13 ASSETS HELD FOR SALE

On 14 September 2017, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement to sell its leasehold land and leasehold building for a consideration of RM20,000,000. The decision is consistent with the Group's strategy to focus on its core business and to divest its minor fabrication business which has been under-performing for the last five years. This transaction was completed on 28 February 2018.

Separately, on 29 December 2017, another wholly-owned subsidiary of the Group entered into a sale and purchase agreement to sell a vessel for a consideration of USD1,690,000, reflecting the fair value of the vessel based on the latest desktop valuation performed. This transaction was completed on 12 November 2018.

Statement of financial position disclosures:

	Group	
	2018 RM'000	2017 RM'000
Assets:		
Leasehold land and leasehold building	-	7,578
Vessel	-	7,761
Assets held for sale	-	15,339

Statement of comprehensive income:

	Group	
	2018 RM'000	2017 RM'000
Gain on disposal of assets held for sale	12,109	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 13 ASSETS HELD FOR SALE (cont'd)

Statement of cash flow:

	Group	
	2018 RM'000	2017 RM'000
Cash proceed from disposal	27,448	-

### 14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Current</b>				
<u>Trade receivables:</u>				
Third parties	53,791	65,759	-	-
Accrued revenue	-	167,052	-	-
Associate	3,743	2,277	-	-
Gross trade receivables	57,534	235,088	-	-
Less: Allowance for impairment				
- Third parties	(30,622)	(33,141)	-	-
- Associate	(158)	(158)	-	-
	26,754	201,789	-	-
<u>Other receivables:</u>				
Deposits	2,675	2,127	1,165	1,178
Prepayments	3,936	3,561	77	81
Sundry receivables	3,571	2,404	63	13
Gross other receivables	10,182	8,092	1,305	1,272
Less: Allowance for impairment				
- sundry receivables	(941)	(941)	-	-
	9,241	7,151	1,305	1,272
Total current receivables, net	35,995	208,940	1,305	1,272

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 14 TRADE AND OTHER RECEIVABLES (cont'd)

#### (a) Trade receivables

##### Ageing analysis of trade receivables

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

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	16,164	180,231
1 to 30 days past due not impaired	5,313	11,591
31 to 60 days past due not impaired	913	4,813
61 to 90 days past due not impaired	2,450	1,347
More than 91 days past due not impaired	1,914	3,807
Total – Past due not impaired	10,590	21,558
More than 91 days – impaired	30,780	33,299
Gross trade receivables	57,534	235,088

##### 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 (2017: 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.

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

##### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM10,590,000 (2017: RM21,558,000) that are past due at the reporting date but not impaired. These balances are unsecured in nature.

Trade receivables that were past due but not impaired relate to customers that have a track record with the Group and Company. Based on past experience and no adverse information to date, the Directors of the Group and Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 14 TRADE AND OTHER RECEIVABLES (cont'd)

#### (a) Trade receivables (cont'd)

##### 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	
	2018 RM'000	2017 RM'000
Trade receivables	30,780	33,299
Less: Impairment of receivables	(30,780)	(33,299)
At 31 December	-	-

Movement in allowance for impairment:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	33,299	28,784
Impairment loss recognised	1,641	4,599
Impairment loss reversed	(4,032)	(84)
Impairment loss written off	(128)	-
At 31 December	30,780	33,299

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

The carrying amounts of trade receivables balances are denominated in the following currencies:

	Group	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	24,102	197,232
United States Dollar	1,987	2,838
Brunei Dollar	27	1,719
Euro	362	-
Singapore Dollar	19	-
British Pound	257	-
	26,754	201,789

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 14 TRADE AND OTHER RECEIVABLES (cont'd)

#### (c) Other receivables

Other receivables are unsecured and short-term in nature. Other receivables are with creditworthy parties and are neither past due nor impaired.

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

	Group	
	2018 RM'000	2017 RM'000
At 1 January/31 December	941	941

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

The carrying amounts of other receivable balances are denominated in the following currencies:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	9,241	7,151	1,305	1,272

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 15 AMOUNT DUE FROM SUBSIDIARIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Current</b>				
Amounts due from:				
– Subsidiaries	–	–	<b>5,023</b>	15,852
– Associate	<b>60</b>	60	<b>60</b>	60
Total current	<b>60</b>	60	<b>5,083</b>	15,912
<b>Non-current</b>				
Amounts due from subsidiaries	–	–	<b>143,430</b>	103,327
Less: Allowance for impairment	–	–	<b>(11,353)</b>	(11,353)
Total non-current, net	–	–	<b>132,077</b>	91,974

The amounts due from subsidiaries are non-trade in nature, unsecured and interest free. Based on the financial capabilities of the subsidiaries, there are no additional impairment required during the financial year. The Company is embarking on an internal corporate restructuring exercise to restructure the Group's intercompany debts. This includes the conversion of amounts owed to the Company as capital contribution by the subsidiaries. The restructuring has no impact on the Company's cash flows.

Amount due from an associate is unsecured, bears interest at 2.30% per annum (2017: 2.30%) 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:

	Company	
	2018 RM'000	2017 RM'000
At 1 January	<b>11,353</b>	–
Impairment loss recognised	–	11,353
At 31 December	<b>11,353</b>	11,353

The carrying amounts of amount due from subsidiaries and associate balances are denominated in the following currencies:

	Company	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	<b>130,710</b>	101,045
United States Dollar	<b>6,390</b>	6,781
	<b>137,100</b>	107,826

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 16. CONTRACT BALANCES

	31.12.2018 RM'000	1.1.2018 RM'000
<u>Receivables</u>		
Contract assets	181,488	175,298
<u>Liabilities</u>		
Contract liabilities	5,574	3,806

	31.12.2018 RM'000
<u>Contract assets</u>	
Balance at the beginning of year	175,298
Transfer to receivables	(164,109)
Increases as a result of changes in the measure of progress	170,299
Balance at the end of the year	181,488
<u>Contract liabilities</u>	
Balance at the beginning of year	3,806
Revenue recognised that was included in the contract liability – Rendering of services	(3,806)
Increases as a result of changes in the measure of progress	5,574
Balance at the end of the year	5,574

#### Unsatisfied long-term services

The following table shows unsatisfied performance obligations from fixed-price long-term contracts.

	31.12.2018 RM'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at 31 December	52,163

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 16. CONTRACT BALANCES (cont'd)

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue in the following year. The amount disclosed above does not include variable consideration which is constrained.

The Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

### 17 INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
<u>Unquoted shares, at cost</u>		
Ordinary shares	1,100	1,100
Redeemable convertible preference shares ("RCPS")	171,180	171,180
Advances to subsidiaries treated as quasi-investment	15,641	15,641
	<b>187,921</b>	187,921

The RCPS are redeemable at the option of the issuer of the RCPS.

Name	Effective interest		Principal activities
	2018 %	2017 %	
<u>Incorporated in Malaysia</u>			
Petra Energy Services Sdn. Bhd.	100	100	Investment holding
Petra Energy Capital Sdn. Bhd.	100	100	Investment holding
Petra Energy Development Sdn. Bhd.	100	100	Investment holding
Petra Energy Solution Sdn. Bhd.	100	-	Investment holding
<u>Held through Petra Energy Services Sdn. Bhd.:</u>			
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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 17 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name	Effective interest		Principal activities
	2018 %	2017 %	
<u>Held through Petra Energy Services Sdn. Bhd.:</u> (cont'd)			
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
<u>Held through Petra Resources Sdn. Bhd.:</u>			
PE Resources Ltd	100	100	Investment holding
<u>Held through Petra Fabricators Sdn. Bhd.:</u>			
PE Industrial Resources Sdn. Bhd.	100	100	Design, fabrication, supply and installation of industrial boilers and ancillary equipment
<u>Held through Petra Marine Sdn. Bhd.:</u>			
PE Ship Management Sdn. Bhd.	100	100	Provision of marine support services for oil and gas industry
<u>Held through Petra Energy Capital Sdn. Bhd.:</u>			
PE Challenger Ltd	100	100	To facilitate the leasing of transaction of an accommodation work barge vessel
PE Marine One Ltd	100	100	Carry on offshore leasing business
PE Marine Ltd	100	100	To facilitate the leasing of transaction of an accommodation work barge vessel
<u>Held through Petra Energy Development Sdn. Bhd.:</u>			
PE Development Ltd	100	100	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 18 INVESTMENT IN AN ASSOCIATE

	Group	
	2018 RM'000	2017 RM'000
Unquoted shares at cost	6,000	6,000
Share of results of associate	48,776	144,058
Share of net assets	54,776	150,058

The details of the associate are as follows:

Name	Country of incorporation	Group's effective interest	
		2018 %	2017 %
Coastal Energy KBM Sdn. Bhd.	Malaysia	30	30

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. 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 17 January 2013, Petra Energy Development Sdn. Bhd. ("PEDSB") had provided parental guarantee to PETRONAS to ensure performance of SFRSC by CEKSB. PEDSB 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 PEDSB's proportionate interest in CEKSB.

As part of the Composite Shareholder Agreement, the Group and Company have the obligation to ensure that CEKSB has sufficient working capital to meet its business needs and obligations under the SFRSC. This includes providing cash-call to CEKSB on a quarterly basis based on CEKSB working capital requirement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 18 INVESTMENT IN ASSOCIATE (cont'd)

(i) The summarised statements of comprehensive income are as follows:

	CEKSB	
	2018 RM'000	2017 RM'000
Revenue	219,562	374,264
Cost of sales	(199,361)	(152,956)
Profit before tax	5,190	217,892
Profit for the financial year	3,503	170,943
Other comprehensive income	2,773	(40,262)
Total comprehensive income	6,276	130,681
Group's share of total comprehensive income	1,883	39,204

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

	CEKSB	
	2018 RM'000	2017 RM'000
Non-current assets	1,385	2,840
Current assets	208,563	548,366
Current liabilities	(30,768)	(54,419)
Net assets	179,180	496,787

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 18 INVESTMENT IN ASSOCIATE (cont'd)

(iii) Reconciliation of the summarised financial information presented to the carrying amount of its interest in associate:

	Group	
	2018 RM'000	2017 RM'000
Summarised financial information		
Opening net assets	149,036	109,832
Profit for the financial year	1,051	51,283
Effects of movements in foreign currency	832	(12,079)
Dividend	(97,165)	-
	<b>53,754</b>	149,036
Goodwill	1,022	1,022
	<b>54,776</b>	150,058
Carrying amount	<b>54,776</b>	150,058

### 19 INVESTMENT IN A JOINT VENTURE

The Group has a 50% interest in Khausar Energy Sdn. Bhd, a RM 2 Company set up to undertake business development activities focusing on building portfolio of Production & Development segment within the Group. The Group's interest in this joint venture is accounted for using the equity method in the consolidated financial statements.

The share of results and net assets of the joint venture is not material to the group.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 20 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 statements of financial position:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax liabilities (net):				
- to be recovered within 12 months	-	-	-	-
At start of financial year	-	(73)	-	(177)
Credited/(Charged) to profit or loss (Note 10):				
- Unabsorbed capital allowances and property, plant and equipment	(582)	(839)	-	-
- Unutilised business losses	1,256	(1,693)	-	-
- Others	(674)	2,605	-	177
	-	73	-	177
At end of financial year	-	-	-	-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subject to income tax:				
<u>Deferred tax assets</u>				
Unabsorbed capital allowances	-	(4,706)	-	-
Unutilised business losses	1,256	-	-	-
Others	7,804	8,478	-	-
Before offsetting	9,060	3,772	-	-
Offsetting	(9,060)	(3,772)	-	-
After offsetting	-	-	-	-
<u>Deferred tax liabilities</u>				
Property, plant and equipment	(9,060)	(3,772)	-	(177)
Offsetting	9,060	3,772	-	177
After offsetting	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 20 DEFERRED TAXATION (cont'd)

The amount of deductible temporary differences, unabsorbed capital allowances and unutilised business losses (all of which have no expiry date except for unutilised business loss) for which no deferred tax asset is recognised in the statements of financial position due to no foreseeable profit in the near future to be offset against deferred tax asset are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deductible temporary differences	17,184	12,669	18,011	13,907
Unabsorbed capital allowances	51,545	63,995	1,017	446
Unutilised business losses	186,999	164,570	11,386	11,198
	<b>255,728</b>	241,234	<b>30,414</b>	25,551

### 21 INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
<u>Cost:</u>		
Consumables	172	905
Work in progress	4,851	7,704
	<b>5,023</b>	8,609

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM 86,039,266 (2017: RM 72,117,634).

During the financial year, no inventories were written down (2017: RM Nil) as disclosed in Note 7.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 22 AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2018 RM'000	2017 RM'000
Construction contract costs incurred to date	-	46,652
Attributable profits less accumulated losses	-	9,354
	-	56,006
Less: Progress billings	-	(50,918)
	-	5,088
Presented as:		
Amount due from customers on contracts	-	5,102
Amount due to customers on contracts	-	(14)
	-	5,088

The carrying amounts of amounts due from customers on contracts balances are denominated in the following currencies:

	2018 RM'000	2017 RM'000
Ringgit Malaysia	-	1,895
United States Dollar	-	237
Brunei Dollar	-	1,299
Euro	-	1,671
	-	5,102

### 23 CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term deposits with licensed banks	20,999	58,217	-	34,498
Cash at bank	73,291	86,955	1,808	3,231
Cash on hand	78	88	9	7
	94,368	145,260	1,817	37,736

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 23 CASH AND BANK BALANCES (cont'd)

- (i) Deposits of the Group and Company at the end of the financial year have a maturity period of 1 (one) day to 1 (one) month (2017: 1 (one) day to 1 (one) month). The weighted average effective interest rates as at 31 December 2018 for the Group was 2.81% (2017: 2.82%) per annum and for the Company was nil. (2017: 2.8%).

Included in cash at bank is an amount held in Debts Service Reserve Account ("DSRA") of RM4,496,066 (2017: RM963,193) and included in short term deposit is deposits pledged of RM1,232,000 (2017: RM8,615,356) 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 27.

(ii)	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and cash equivalents	94,368	145,260	1,817	37,736
Less:				
- DSRA	(4,496)	(963)	-	-
- Deposits pledged	(1,232)	(8,615)	-	-
Net cash and cash equivalents	88,640	135,682	1,817	37,736

- (iii) The credit quality of bank balances can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Counterparties with external credit rating:				
- AAA	94,270	145,172	1,808	37,729

The credit quality of the above deposits and bank balances (excluding cash balances) are assessed by reference to RAM Services Berhad.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 23 CASH AND BANK BALANCES (cont'd)

The carrying amounts of cash and bank balances are denominated in the following currencies:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	<b>81,901</b>	132,771	<b>1,817</b>	37,736
United States Dollar	<b>12,467</b>	12,489	-	-
	<b>94,368</b>	145,260	<b>1,817</b>	37,736

### 24 SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	Number of shares of RM0.50 each		Amount	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000

Issued and fully paid:

At 1 January	<b>321,750</b>	321,750	<b>299,809</b>	160,875
Transition to no-par value Regime (Note (a))	-	-	-	138,934
At 31 December	<b>321,750</b>	321,750	<b>299,809</b>	299,809

Share Premium

	Group and Company	
	2018 RM'000	2017 RM'000
At 1 January	-	138,934
Transition to no-par value Regime (Note (a))	-	(138,934)
At 31 December	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 24 SHARE CAPITAL AND SHARE PREMIUM (cont'd)

- (a) The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM138,934,000 for purposes as set out in Sections 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

### 25 TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance. In previous financial year, the Company acquired 5,000 shares in the Company through purchases on the Bursa Malaysia Securities Berhad. The total paid to acquire the shares was RM4,203 and this was presented as a component within shareholder's equity. For the financial year ended 31 December 2015, the Company repurchased 802,800 of its issued share capital through purchases on the Bursa Malaysia Securities Berhad and total paid to acquired the shares was RM836,000.

The share repurchased are being held as treasury shares as allowed under Section 127 of the Companies Act 2016. The Company has the right to issue these shares at a later date. As treasury shares, the voting rights attached as to voting, dividends and participation in other distribution are suspended. None of the treasury shares purchased had been sold as at 31 December 2018.

There are no shares repurchased during the financial year.

	Average price RM	Highest price RM	Lowest price RM	Number of treasury shares	Total consideration paid RM
<u>2018 &amp; 2017</u>					
Purchased date:					
December 2017	0.83	0.83	0.83	5,000	4,203
August 2015	0.95	1.01	0.89	602,800	563,406
September 2015	1.05	1.05	1.04	50,000	52,702
November 2015	1.45	1.47	1.43	150,000	219,804
	1.04			807,800	840,115

### 26 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 had 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 2018 (cont'd)

### 27 BORROWINGS

	Group	
	2018 RM'000	2017 RM'000
<b>Current</b>		
Secured:		
Invoice financing	89,022	136,841
Term loans	1,600	23,520
	<b>90,622</b>	160,361
Unsecured:		
Revolving credits	32,900	34,900
Bankers' acceptances and trust receipts	-	1,345
	<b>32,900</b>	36,245
Total current borrowings	<b>123,522</b>	196,606
<b>Non-current</b>		
Secured:		
Term loans	-	1,600
Total non-current borrowings	-	1,600
Total borrowings	<b>123,522</b>	198,206

Borrowings are secured by the following:

#### Invoice financing

- First ranking Charge and Assignment of DSRA and deposits pledged (Note 23); and
- Corporate guarantees by the Company.

#### Term loan

- First ranking statutory mortgages over certain vessels (Note 12);
- First party legal charge over properties located at Kampung Sg. Keling, Wilayah Persekutuan Labuan (Note 12);
- Assignment of all risk insurance in respect of the mortgaged vessels with the Banks and a financial institution named as the mortgagees and loss payees;
- First ranking assignments executed by certain subsidiaries to assign all of the subsidiaries' rights, title, interest and benefits in and to all proceeds arising from the Designated Agreements;
- First ranking Charge and Assignment of DSRA and deposits pledged (Note 23); and
- Corporate guarantees by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 27 BORROWINGS (cont'd)

The carrying amounts of borrowings are denominated in the following currencies:

	Group	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	123,522	193,098
United States Dollar	-	5,108
	<b>123,522</b>	<b>198,206</b>

### 28 HIRE PURCHASE LIABILITIES

	Group	
	2018 RM'000	2017 RM'000
Secured:		
Current	180	172
Non-current	412	585
	<b>592</b>	<b>757</b>

Hire purchase liabilities are payable as follows:

	Group	
	2018 RM'000	2017 RM'000
Gross finance lease (liabilities) – minimum lease payment		
Not later than 1 year	206	206
More than 1 year and less than 5 years	442	637
More than 5 years	-	4
Present value of hire purchase liabilities	648	847
Less: Interest in suspense	(56)	(90)
Present value of hire purchase liabilities	<b>592</b>	<b>757</b>
The present value of the hire purchase liabilities is as follows:		
Not later than 1 year	180	172
More than 1 year and less than 5 years	412	581
More than 5 years	-	4
	<b>592</b>	<b>757</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 29 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Current</b>				
<u>Trade payables:</u>				
Third parties	14,637	27,343	-	-
Advance billings	-	418	-	-
Contract related accruals	109,385	133,195	-	-
	<b>124,022</b>	160,956	-	-
<u>Other payables:</u>				
Statutory liabilities and accrued expenses	42,663	29,939	1,109	1,391
Dividend payable	22	22	-	22
Amounts due to subsidiaries	-	-	924	994
	<b>42,685</b>	29,961	<b>2,033</b>	2,407
Total trade and other payables	<b>166,707</b>	190,917	<b>2,033</b>	2,407
<b>Non-current</b>				
<u>Other payables:</u>				
Amounts due to associate	19,024	91,685	-	-

Trade payables and other payables are non-interest bearing and have credit terms ranging from 30 days to 60 days (2017: 30 days to 60 days). Amounts due to associate is non-trade in nature, unsecured, bear interest 2.30% per annum and repayable on demand. Non-current amounts due to associate comprising intragroup deposit by the associate are unsecured and subject to a variable annual interest of 1-month LIBOR flat. The weighted average effective interest rate as at 31 December 2018 for the deposits was 5.80% (2017: 0.92%) per annum.

Included in the Group's other payables and accrued expenses are amounts totalling RM nil (2017: RM93,540) which are due to parties related to a corporate shareholder. The amounts are unsecured, interest free and repayable within the next twelve months.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 29 TRADE AND OTHER PAYABLES (cont'd)

The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	163,138	189,031	2,033	2,407
United States Dollar	21,989	93,198	-	-
Euro	419	154	-	-
Singapore Dollar	185	146	-	-
Australia Dollar	-	73	-	-
	<b>185,731</b>	282,602	<b>2,033</b>	2,407

### 30 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 during the financial year:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Transactions with related parties of corporate shareholders with significant influence over the Company:				
- Rental paid	(1,861)	(1,741)	(504)	(504)
Transactions with an associate:				
- Interest income received	1,410	990	-	-
- Income from secondment fee to an associate	3,434	3,319	-	-
- Reimbursement of cash call from an associate	22,315	71,359	-	-
- Payment of cash call to an associate	-	(26,116)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 30 SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

#### (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 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 received and receivable by key management of the Group and the Company during the financial year are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	5,704	6,718	4,104	4,411
Defined contribution plan	857	784	666	526
Other employee benefits	763	919	392	653
Fees and emoluments	631	606	631	606
	<b>7,955</b>	9,027	<b>5,793</b>	6,196

Included in the above is the Executive and Non-Executive Directors' compensation which is disclosed in Note 9 to the financial statements.

### 31 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Not later than 1 year	49,819	36,966	145	388
More than 1 year and less than 5 years	11,862	40,515	20	553
	<b>61,681</b>	77,481	<b>165</b>	941

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 31 COMMITMENTS (cont'd)

#### (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 2017 RM'000
Not later than 1 year	14,364

#### (c) Capital commitments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment Approved but not contracted for	20,580	24,170	1,110	1,200

### 32 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.

#### Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group and the Company determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving at fair value.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Financial instruments that are disclosed in the statements of financial position at fair value are disclosed by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

### 33 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Loans and receivables as per statements of financial position</u>				
Trade and other receivables (excluding prepayments)	<b>31,536</b>	205,439	<b>1,228</b>	1,191
Amounts due from customers on contract	-	5,102	-	-
Cash and bank balances	<b>94,368</b>	145,260	<b>1,817</b>	37,736
	<b>125,904*</b>	355,801	<b>3,045</b>	38,927
<u>Other financial liabilities at amortised cost as per statements of financial position</u>				
Trade and other payables (excluding statutory liabilities and advance billings)	<b>158,433</b>	274,481	<b>1,819</b>	2,059
Borrowings	<b>123,522</b>	198,206	-	-
Hire purchase liabilities	<b>592</b>	757	-	-
	<b>282,547</b>	473,444	<b>1,819</b>	2,059

\* excludes contract assets of RM181,488,000 which are within the scope of MFRS 15. Refer to Note 16 Contract Balances for further details.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 34 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 and the Company are exposed to transactional currency risk primarily through sales, purchases, borrowings and advances 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 Dollar ("USD").

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	1,987	2,838	-	-
Amount due from contract customers	-	237	-	-
Amount due from a subsidiary	-	-	6,390	6,781
Amount due to an associate	(19,024)	(91,685)	60	60
Cash and bank balances	12,467	12,489	-	-
Borrowings	-	(5,108)	-	-
Trade and other payables (excluding amount due to an associate)	2,965	(1,513)	-	-
	<b>(1,605)</b>	<b>(82,742)</b>	<b>6,450</b>	<b>6,841</b>

The other financial assets and financial liabilities are primarily denominated in Ringgit Malaysia with the portion denominated by other foreign currencies to be insignificant.

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

	Profit/(Loss) before tax			
	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD/RM – strengthen 17% [2017: 3%]	(273)	(2,482)	1,097	203
– weaken 17% [2017: 3%]	273	2,482	(1,097)	(203)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### (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, certain payables and deposits placed with licensed banks and financial institutions.

As at reporting date, 100% (2017: 100%) of the Group's borrowings 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 RM121,547 (2017: RM236,490) 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	More than 5 years RM'000	Total RM'000
<u>Group</u>						
<u>At 31 December 2018</u>						
<u>Financial assets</u>						
Short term deposits with licensed banks	23	2.81%	20,999	-	-	20,999
<u>Financial liabilities</u>						
Term loans	27	6.22%	1,600	-	-	1,600
Revolving credits	27	5.78%	32,900	-	-	32,900
Invoice financing	27	5.97%	89,022	-	-	89,022
Amount due to an associate	29	5.80%	-	19,024	-	19,024

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### (b) Interest rate risk (cont'd)

	Note	WAEIR %	1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<u>Group</u>						
<u>At 31 December 2017</u>						
<u>Financial assets</u>						
Short term deposits with licensed banks	23	2.87%	58,217	-	-	58,217
<u>Financial liabilities</u>						
Term loans	27	5.21%	24,623	1,648	-	26,271
Revolving credits	27	5.26%	35,318	-	-	35,318
Invoice financing	27	5.45%	140,056	-	-	140,056
Bankers' acceptances and trust receipts	27	4.92%	1,376	-	-	1,376
Amount due to an associate	29	0.92%	-	91,685	-	91,685

	Note	WAEIR %	1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
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#### Company

#### At 31 December 2018

#### Financial assets

Short term deposits with licensed banks	23	-	-	-	-	-
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#### At 31 December 2017

#### Financial assets

Short term deposits with licensed banks	23	2.80%	34,498	-	-	34,498
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Amounts due from an associate and hire purchase liabilities are carried at fixed interest rate. Hence, it is not exposed to cash flows interest rate risk.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### (c) Credit risk

##### (i) Receivables 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.

The group applies the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses ("ECL"), trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The allowance for impairment represents the Group's estimate of losses in respect of trade debtors. The allowance related to credit risk for significant trade debtors is built on specific expected loss components that relate to individual exposures. The Group categorises its customers between National International Oil companies and other private oil and gas customers. The Group uses a historical credit loss experience, coupled with known changes in credit risk to determine an expected credit loss rate to individually large customers. Accordingly the Group has assessed the credit loss rate to be immaterial for National and International oil and gas companies. The historical loss experience of more than 90% for receivables aged more than 365 days relate to private oil and gas customers with whom the Group has no current transactions.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for both trade receivables and contract assets:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	More than 360 days past due	Total
<u>1 January 2018</u>							
Expected loss rate	0.0%	0.0%	0.0%	0.0%	15.2%	93.2%	
Gross carrying amount	191,472	11,591	6,160	272	1,332	35,502	246,329
Loss allowance	-	-	-	-	201	33,098	33,299

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### (c) Credit risk (cont'd)

- (i) Receivables and other financial assets (cont'd)

Exposure to credit risk (cont'd)

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	More than 360 days past due	Total
<u>31 December 2018</u>							
Expected loss rate	0.0%	0.0%	0.0%	0.0%	67.3%	99.5%	
Gross carrying amount	197,612	5,313	3,363	1,620	446	30,628	238,982
Loss allowance	-	-	-	-	300	30,480	30,780

Credit risk concentration

As at 31 December 2018, the Group has significant concentration of credit risk in the form of outstanding balance due from one customer (2017: one) which is major player in the oil and gas industry, representing approximately 88% (2017: 84%) 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 RM123,522,000 (2017: RM198,206,000) 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.

#### (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 depends on available credit lines to meet its liquidity requirements while ensuring an effective working capital management. Unutilised amount of credit lines as at 31 December 2018 amounted to RM56 million.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### (d) Liquidity and cash flow risk (cont'd)

##### 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	Carrying value RM'000	Contractual undiscounted cash flows			
			Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<u>Group</u>						
<u>At 31 December 2018</u>						
Financial liabilities:						
Trade and other payables (excluding statutory liabilities and advance billings)	29	<b>180,318</b>	<b>161,294</b>	<b>19,024</b>	-	<b>180,318</b>
Borrowings	27	<b>123,522</b>	<b>127,445</b>	-	-	<b>127,445</b>
Hire purchase liabilities	28	<b>592</b>	<b>206</b>	<b>442</b>	-	<b>648</b>
		<b>304,432</b>	<b>288,945</b>	<b>19,466</b>	-	<b>308,411</b>
<u>At 31 December 2017</u>						
Financial liabilities:						
Trade and other payables (excluding statutory liabilities and advance billings)	29	274,481	182,796	91,685	-	274,481
Borrowings	27	198,206	201,374	1,648	-	203,022
Hire purchase liabilities	28	757	206	637	4	847
		473,444	384,376	93,970	4	478,350

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### (d) Liquidity and cash flow risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Note	Carrying value RM'000	Contractual undiscounted cash flows			
			Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<u>Company</u>						
<u>At 31 December 2018</u>						
Financial liabilities						
Trade and other payables (excluding statutory liabilities and advance billings)	29	1,819	1,819	-	-	1,819
Financial guarantee contracts		-	127,445	-	-	127,445
		<b>1,819</b>	<b>129,264</b>	<b>-</b>	<b>-</b>	<b>129,264</b>
<u>At 31 December 2017</u>						
Financial liabilities						
Trade and other payables (excluding statutory liabilities and advance billings)	29	2,059	2,059	-	-	2,059
Financial guarantee contracts		-	203,022	-	-	203,022
		<b>2,059</b>	<b>205,081</b>	<b>-</b>	<b>-</b>	<b>205,081</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### (e) Capital management

The Group's and Company's primary objectives in managing capital are to maximise the Group's and the Company's value by optimising their capital structure and enhancing capital efficiency while maintaining a sufficient level of liquidity. In order to maintain the capital structure, the Company may adjust dividend paid to shareholders, issue new shares or sell its assets. The Group and the Company managed shareholders' fund as capital.

As required by the terms of the borrowing by a subsidiary, the Group needs to cap its leverage ratio at or below 1.5 times. Leverage ratio is derived by dividing total debts by total shareholders' fund. Total debts are the sum of all borrowings and hire purchase. Shareholders' fund includes equity attributable to owners of the Company less merger reserve, as disclosed in the statements of financial position.

The leverage ratio is as follows:

	Group	
	2018 RM'000	2017 RM'000
Total borrowings (Note 27)	123,522	196,606
Cash and bank balances (Note 23)	(94,368)	(145,260)
Net debt	29,154	51,346
Total equity	333,358	353,056
Total capital	362,512	404,402
Gearing ratio (%)	0.37	0.56

No changes were made in the objectives, policies or processes in regards to the Group's and Company's management of their capital structure during the financial years ended 31 December 2018 and 31 December 2017.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 35 SEGMENT INFORMATION

Segment information is presented in respect of the Group's segmentation of core activities. The segment information results are prepared based on the Group's management reporting structure.

Definition of the Group's segments are as follows:

(a) Services Segment

Encapsulates the Group's core activities in the area of providing services such as Hook-up Commissioning, Topside Major Maintenance, vessels management and time chartering, fabrication, subsea and underwater, as well as trading and engineering services.

(b) Marine Assets Segment

Comprise of subsidiaries which own the Group's marine assets and hold license to carry on leasing business in Labuan. Major business activity is bareboat chartering of vessel internally within the Group and to third party vessel management companies.

(c) Development and Production Segment

This segment categories the Group's business activities in risk-service contracts, rejuvenation of brownfields wells, enhanced oil recovery and production service contract. The Group's current participation in the Kapal, Banang and Meranti Small Field Risk Service Contract ("KBMSFRSC") is defined in this segment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 35 SEGMENT INFORMATION (cont'd)

	Services RM'000	Marine Assets RM'000	Production and Development RM'000	Total RM'000
<u>2018</u>				
Revenue:				
External customers	305,606	161,818	-	467,424
Inter-segment	6,856	100,867	-	107,723
<b>Total revenue</b>	<b>312,462</b>	<b>262,685</b>	<b>-</b>	<b>575,147</b>
Results:				
Finance income	1,018	385	637	2,040
Depreciation	(4,542)	(23,393)	-	(27,935)
Finance costs	(8,654)	(900)	(1,410)	(10,964)
Impairment of inter-companies balances	(1,433)	(10,473)	-	(11,906)
Share result of associate	-	-	1,051	1,051
<b>Segment (loss)/profit</b>	<b>(10,231)</b>	<b>(26,581)</b>	<b>96,545</b>	<b>59,733</b>
<u>Assets and liabilities</u>				
Segment assets	1,181,982	451,007	103,547	1,736,536
Segment liabilities	(809,423)	(507,474)	(37,357)	(1,354,254)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 35 SEGMENT INFORMATION (cont'd)

	Services RM'000	Marine Assets RM'000	Production and Development RM'000	Total RM'000
<u>2017</u>				
Revenue:				
External customers	359,581	100,649	–	460,230
Inter-segment	10,265	111,859	–	122,124
<b>Total revenue</b>	<b>369,846</b>	<b>212,508</b>	<b>–</b>	<b>582,354</b>
Results:				
Finance income	3,152	407	1,753	5,312
Depreciation	(4,707)	(27,558)	–	(32,265)
Finance costs	(8,693)	(2,291)	(2,778)	(13,762)
Impairment loss on PPE	–	(9,811)	–	(9,811)
Impairment of inter-companies balances	(37,050)	(22,769)	(9,276)	(69,095)
Share result of associate	–	–	51,283	51,283
<b>Segment loss</b>	<b>(103,659)</b>	<b>(37,960)</b>	<b>(12,349)</b>	<b>(153,968)</b>
<u>Assets and liabilities</u>				
Segment assets	1,219,852	401,009	91,387	1,712,248
Segment liabilities	(828,120)	(460,273)	(121,743)	(1,410,136)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 35 SEGMENT INFORMATION (cont'd)

	Revenue to external customers RM'000	Revenue to inter-segment RM'000	Finance income RM'000	Depreciation RM'000	Impairment loss RM'000	Finance costs RM'000	Inventories write down RM'000	Segment loss RM'000	Segment assets RM'000	Segment liabilities RM'000
<u>2018</u>										
Total reportable segments	467,424	105,723	2,040	(27,936)	-	(10,964)	-	59,734	1,736,536	(1,354,254)
Elimination of inter-segment transactions or balances	-	(105,723)	-	1,951	-	666	-	(78,242)	(1,087,759)	1,038,835
Consolidated total	467,424	-	2,040	(25,985)	-	(10,298)	-	(18,508)	648,777	(315,419)
<u>2017</u>										
Total reportable segments	460,230	122,124	5,312	(32,265)	(9,811)	(13,762)	-	(153,968)	1,712,248	(1,410,136)
Elimination of inter-segment transactions or balances	-	(122,124)	(1,062)	2,225	-	1,337	-	107,756	(877,613)	928,557
Consolidated total	460,230	-	4,250	(30,040)	(9,811)	(12,425)	-	(46,212)	834,635	(481,579)

#### Geographical information

No geographical segmental reporting has been prepared as the Group's activities involve only one geographical segment, i.e. Malaysia.

#### Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Group	
	2018 RM'000	2017 RM'000
<u>Services segment</u>		
Customer A	222,320	269,074
Customer B	31,944	24,286
	254,264	293,360
<u>Marine assets segment</u>		
Customer A	161,818	82,770

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### 36 DIVIDENDS

	Group and Company	
	2018 RM'000	2017 RM'000
Recognised during the previous financial year:		
- Interim tax single-tier dividend for financial year ended 31 December 2016 at 2.0 sen	-	6,419
	-	6,419

### 37 SUBSEQUENT EVENT

On 2 April 2019, Petra Energy Berhad undertook an internal reorganisation exercise to re-assign its intercompany debts as a capital contribution in the subsidiaries. The restructuring of intercompany debts was done via transfer of assets, novation of intercompany debts, as well as issuance/subsription of an equity instrument. The reorganisation has no impact on the Group's cash flows.

### 38 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 2 April 2019.

# 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	24	18/07/2000	31	1,069
Petra Resources Sdn. Bhd. Lot 1991, Block 4 Miri Concession Land District Piasau Industrial Estate 98000 Miri, Sarawak	Workshop	Leasehold	24	18/07/2000	31	650
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	968	13/02/2012	31	15,415

# ANALYSIS OF SHAREHOLDINGS

AS AT 28 MARCH 2019

Total Number of Issued Shares : 320,942,200 (excluding 807,800 Treasury Shares)  
 Class of Securities : Ordinary Share  
 Total Number of Holders : 2,940  
 Voting Rights : One (1) vote per Ordinary Share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	156	5.31	5,578	0.00
100 – 1,000	802	27.28	451,725	0.14
1,001 – 10,000	1,398	47.55	6,867,884	2.14
10,001 – 100,000	496	16.87	16,371,614	5.10
100,001 – 16,047,109 (*)	84	2.86	62,606,613	19.51
16,047,110 and above (**)	4	0.13	234,638,786	73.11
<b>TOTAL</b>	<b>2,940</b>	<b>100.00</b>	<b>320,942,200</b>	<b>100.00</b>

Remarks: \* Less than 5% of Issued Shares  
 \*\* 5% and above of Issued Shares

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The names of the substantial shareholders of Petra Energy Bhd. and their respective shareholdings as at 28 March 2019 are as follows:

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares Held	%	No. of Shares Held	%
Shorefield Resources Sdn. Bhd.	92,863,000	28.94	–	–
Wasco Energy Ltd.	86,550,000	26.97	–	–
Urusharta Jamaah Sdn. Bhd.	31,707,012	9.88	–	–
Dato' Mohamed Nizam bin Abdul Razak	29,250,000	9.11	–	–
Shorefield Sdn. Bhd.	–	–	92,863,000 <sup>(a)</sup>	28.94
OBYU Holdings Sdn. Bhd.	–	–	92,863,000 <sup>(a)</sup>	28.94
Tan Sri Bustari bin Yusuf	–	–	92,863,000 <sup>(a)</sup>	28.94
Wah Seong Corporation Berhad	–	–	86,550,000 <sup>(b)</sup>	26.97
Wah Seong (Malaya) Trading Co. Sdn. Bhd.	–	–	86,550,000 <sup>(c)</sup>	26.97
Tan Kim Yeow Sendirian Berhad	–	–	86,550,000 <sup>(d)</sup>	26.97
Tony Tan @ Choon Keat	–	–	86,550,000 <sup>(d)</sup>	26.97
Tan Chin Nam Sdn. Bhd.	–	–	86,550,000 <sup>(d)</sup>	26.97
Midvest Asia Sdn. Bhd.	1,437,000	0.45	86,550,000 <sup>(d)</sup>	26.97
Robert Tan Chung Meng	–	–	86,550,000 <sup>(d)</sup>	26.97
Chan Cheu Leong	1,900,800	0.60	86,550,000 <sup>(d)</sup>	26.97
Pauline Tan Suat Ming	–	–	86,550,000 <sup>(d)</sup>	26.97

## ANALYSIS OF SHAREHOLDINGS

AS AT 28 MARCH 2019 (cont'd)

### Notes:

- (a) Deemed interested by virtue of their interests in Shorefield Resources Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 ("Act").
- (b) Deemed interested by virtue of its direct interest in Wasco Energy Ltd pursuant to Section 8 of the Act.
- (c) Deemed interested by virtue of its direct interest in Wah Seong Corporation Berhad pursuant to Section 8 of the Act.
- (d) Deemed interested by virtue of their respective indirect interests in Wah Seong Corporation Berhad pursuant to Section 8 of the Act.

### DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings of Petra Energy Bhd. based on the Register of Directors' Shareholdings of the Company as at 28 March 2019 are as follows:

Directors	Direct Interest		Indirect Interest	
	No. of Shares Held	%	No. of Shares Held	%
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	-	-	-	-
Abdul Rahim bin Abdul Hamid	-	-	-	-
Ng Ing Peng	-	-	-	-
Gian Carlo Maccagno	-	-	-	-
Dato' Anthony @ Firdaus bin Bujang	-	-	-	-
Ahmadi bin Yusoff	-	-	-	-
Simon Ong	-	-	-	-

### THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	(%)
1.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. (PLEGGED SECURITIES ACCOUNT FOR SHOREFIELD RESOURCES SDN. BHD.)	87,131,774	27.15
2.	WASCO ENERGY LTD	86,550,000	26.97
3.	URUSHARTA JAMAAH SDN. BHD.	31,707,012	9.88
4.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. (CIMB BANK FOR MOHAMED NIZAM BIN ABDUL RAZAK)	29,250,000	9.11
5.	HSBC NOMINEES (ASING) SDN. BHD. (EXEMPT AN FOR CREDIT SUISSE)	8,280,950	2.58
6.	HSBC NOMINEES (TEMPATAN) SDN. BHD. (EXEMPT AN FOR CREDIT SUISSE)	7,225,000	2.25
7.	MIDVEST PROPERTIES SDN. BHD.	5,555,100	1.73

No.	Name of Shareholders	No. of Shares	(%)
8.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. (PLEDGED SECURITIES ACCOUNT FOR SHOREFIELD RESOURCES SDN. BHD.)	4,483,000	1.40
9.	YOW KING HONG	4,300,000	1.34
10.	WONG AH KUM	2,837,300	0.88
11.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. (RAKUTEN TRADE SDN. BHD. FOR WONG AH KUM)	2,325,100	0.72
12.	TAI HEE	2,050,000	0.64
13.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. (PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG)	1,625,800	0.51
14.	MIDVEST ASIA SDN. BHD.	1,437,000	0.45
15.	RHB NOMINEES (TEMPATAN) SDN. BHD. (PLEDGED SECURITIES ACCOUNT FOR IBRAHIM BIN BAKI)	1,436,100	0.45
16.	YONG KONG SIM	1,330,000	0.41
17.	SHOREFIELD RESOURCES SDN. BHD.	1,248,226	0.39
18.	HILARY FERNANDEZ	901,500	0.28
19.	PUI CHENG WUI	883,000	0.28
20.	HSBC NOMINEES (ASING) SDN. BHD. (EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.)	825,000	0.26
21.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. (PATRICK SIM YIAW KHENG)	726,400	0.23
22.	PUI CHENG WUI	693,300	0.22
23.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. (PLEDGED SECURITIES ACCOUNT FOR TAN SIEW BOOY)	632,000	0.20
24.	ONG LAM HUAT	504,700	0.16
25.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. (CIMB FOR YOONG KAH YIN)	462,000	0.14
26.	JOHNNY SOON CHOON JEEN	456,900	0.14
27.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. (PLEDGED SECURITIES ACCOUNT FOR LIM AI LING)	400,000	0.12
28.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. (CIMB FOR SHAHRIL BIN SHAMSUDDIN)	390,000	0.12
29.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. (PLEDGED SECURITIES ACCOUNT FOR TAN TZE AW)	380,000	0.12
30.	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. (EXEMPT AN FOR UOB KAY HIAN PTE LTD)	365,700	0.11
<b>TOTAL</b>		<b>286,392,862</b>	<b>89.24</b>

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# FORM OF PROXY



**PETRA**  
**PETRA ENERGY BHD.**  
 (718388-H)

CDS Account No:
No. of Shares held:

\*I/We, \_\_\_\_\_ [full name and NRIC No./Passport No./Company No.]  
 of \_\_\_\_\_ [full address]  
 being a member of the Company, hereby appoint \_\_\_\_\_ [full name and NRIC No./Passport No./Company No.]  
 of \_\_\_\_\_ [full address]  
 \*and/or failing him/her, \_\_\_\_\_ [full name and NRIC No./Passport No./Company No.]  
 of \_\_\_\_\_ [full address]

as \*my/our proxy, to vote for \*me/us on \*my/our behalf at the Thirteenth Annual General Meeting ("AGM") of the Company, to be held at Multi Purpose Hall, Menara OBYU, No. 4 Jalan PJU 8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan on Thursday, 23 May 2019 at 11:00 a.m., and at any adjournment thereof.

No.	Agenda	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon.		
2.	To approve the payment of Directors' fees payable to the Non-Executive Directors amounting to RM443,700 from 24 May 2019 until the next AGM of the Company. (Resolution 1)		
3.	To approve the payment of Directors' benefits up to an amount of RM68,800 from 24 May 2019 until the next AGM of the Company. (Resolution 2)		
4(a).	To re-elect Encik Abdul Rahim bin Abdul Hamid, who is due to retire in accordance with Clause 110 of the Company's Constitution and being eligible, had offered himself for re-election. (Resolution 3)		
4(b).	To re-elect Dato' Anthony @ Firdaus bin Bujang, who is due to retire in accordance with Clause 110 of the Company's Constitution and being eligible, had offered himself for re-election. (Resolution 4)		
5.	To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 5)		
<b>Special Business</b>			
6.	Retention of Encik Abdul Rahim bin Abdul Hamid as an Independent Director. (Resolution 6)		
7.	Authority to Issue Shares pursuant to the Companies Act 2016. (Resolution 7)		
8.	Proposed Renewal of Existing Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. (Resolution 8)		
9.	Proposed Renewal of Authority for the Company to Purchase its own Shares. (Resolution 9)		
10.	Proposed Adoption of a New Constitution of the Company. (Resolution 10)		

(Please indicate with "X" in the appropriate space above on how you wish for your vote to be casted. If no specific direction as to how a vote is to given, the proxy will vote or abstain at his/her discretion)

\* Strike out whichever is not applicable.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2019

For appointment of two (2) proxies, the number of shares and percentage of shareholdings to be represented by each proxy:-		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

\_\_\_\_\_  
 Signature of member

\_\_\_\_\_  
 Common Seal to be affixed here if member is a corporation, if applicable

Notes:-

1. This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements and only requires the Audited Financial Statements to be laid at the Meeting. Therefore, this Agenda item is not put forward for voting.
2. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 May 2019 shall be eligible to attend and vote at the Meeting.
3. A member entitled to attend and vote at the Meeting of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote instead of him. There shall be no restriction as to the qualification of the proxy. The proxy(ies) appointed to attend and vote shall have the same rights as the member to speak at the Meeting.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an Exempt Authorised Nominee which hold ordinary shares in the Company for multiple beneficial owners in one (1) 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. Where a shareholder is an authorised nominee as defined under SICDA, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
7. The completed instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjourned thereof.

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Affix  
Stamp  
Here

**THE COMPANY SECRETARY  
PETRA ENERGY BHD. (Company No. 718388-H)**

c/o Securities Services (Holdings) Sdn. Bhd.  
Level 7, Menara Milenium,  
Jalan Damanlela,  
Pusat Bandar Damansara,  
Damansara Heights,  
50490 Kuala Lumpur,  
Wilayah Persekutuan

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