KENCANA PETROLEUM BERHAD

Company No. 667490-M
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUARTERLY REPORT	:	FINANCIAL YEAR ENDED 31 JULY 2011
PERIOD	:	1 MAY 2011 TO 31 JULY 2011
QUARTER	:	4TH QUARTER
FINANCIAL YEAR END	:	31 JULY 2011
FIGURES	:	UNAUDITED

KENCANA PETROLEUM BERHAD (667490-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2011

	4th Quarter		Cumulative Quarter	
	01.05.2011 to 31.07.2011 RM'000	01.05.2010 to 31.07.2010 RM'000	01.08.2010 to 31.07.2011 RM'000	01.08.2009 to 31.07.2010 RM'000
Revenue	493,722	278,184	1,561,003	1,090,090
Contract costs	(384,592)	(207,150)	(1,185,845)	(850,293)
Gross profit	109,130	71,034	375,158	239,797
Depreciation and amortisation	(7,886)	(4,875)	(25,701)	(23,351)
Operating expenses	(24,876)	(13,983)	(85,996)	(49,186)
Other operating income	3,281	811	26,975	11,732
Profit from operations	79,649	52,987	290,436	178,992
Interest expense	(11,911)	(1,901)	(26,641)	(11,476)
Interest income	4,976	1,161	9,027	5,154
Share of results of associates	397	(1,010)	147	(845)
Share of results of jointly controlled entities	-	(2)	(2)	(5)
Profit before taxation	73,111	51,235	272,967	171,820
Taxation	(9,313)	(9,665)	(49,781)	(35,622)
Net profit	63,798	41,570	223,186	136,198
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(4,389)	-	(20,183)	-
Total comprehensive income	59,409	41,570	203,003	136,198
Net profit attributable to :				
- Owners of the Company	63,722	41,477	223,110	136,166
- Non-controlling interests	76	93	76	32
Net profit	63,798	41,570	223,186	136,198
Total comprehensive income attributable to:				
- Owners of the Company	59,333	41,570	202,927	136,166
- Non-controlling interests	76	-	76	32
Total comprehensive income	59,409	41,570	203,003	136,198
Earnings per share :				
- basic (sen)	3.41	2.50	12.71	10.72
- diluted (sen)	3.40	2.49	12.68	10.66

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 July 2010 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011

	As at 31.07.2011 Unaudited RM'000	As at 31.07.2010 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,502,547	485,891
Goodwill	333,948	37,335
Investments in associates	2,155	53,857
Investments in jointly controlled entities	2	4
Investment in redeemable preference shares	-	1,352
Other investment	1	1
Deferred tax asset	2,113	74
	1,840,766	578,514
Current assets		
Inventory	24,343	27,311
Receivables, deposits and prepayments	538,115	537,345
Current tax assets	9,973	5,763
Cash and cash equivalents	827,809	222,390
Assets held for sale	6,470	3,773
	1,406,710	796,582
Total assets	3,247,476	1,375,096
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	198,777	165,797
Share premium	973,488	197,544
Other reserves	(18,758)	2,561
Retained profits	602,363	387,588
	1,755,870	753,490
Non-controlling interests	587	1,895
Total equity	1,756,457	755,385
Non-current liabilities		
Long term borrowings	555,928	43,033
Deferred tax liability	36,310	26,414
	592,238	69,447
Current liabilities		
Short term borrowings	332,074	182,843
Payables and accruals	556,192	362,685
Liabilities held for sale	4,348	-
Tax liabilities	6,167	4,736
Total current liabilities	898,781	550,264
Total liabilities	1,491,019	619,711
Total equity and liabilities	3,247,476	1,375,096
Net assets per share (RM)	0.88	0.46

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 July 2010 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2011

	------------------------ Attributable to owners of the Company				-------------------------			
		------------- Non-distributable	-------------		Distributable			
	Share Capital RM'000	Share premium RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
At 1 August 2009	**90,296**	**79,682**	**2,971**	**-**	**255,968**	**428,917**	**-**	**428,917**
Total comprehensive income	-	-	-	-	136,166	**136,166**	32	**136,198**
Share-based payment	-	-	2,388	-	-	**2,388**	-	**2,388**
Share options exercised	848	10,398	-	-	-	**11,246**	-	**11,246**
Share options lapsed	-	-	(4)	-	4	**-**	-	**-**
Transfer to share premium for share options exercised	-	2,794	(2,794)	-	-	**-**	-	**-**
Share issue expenses	-	(2,758)	-	-	-	**(2,758)**	-	**(2,758)**
Renounceable rights issue	36,416	145,665	-	-	-	**182,081**	-	**182,081**
Bonus issue	38,237	(38,237)	-	-	-	**-**	-	**-**
Dividend paid	-	-	-	-	(4,550)	**(4,550)**	-	**(4,550)**
Issuance of preference shares of a subsidiary	-	-	-	-	-	**-**	1,863	**1,863**
At 31 July 2010	**165,797**	**197,544**	**2,561**	**-**	**387,588**	**753,490**	**1,895**	**755,385**
At 1 August 2010	**165,797**	**197,544**	**2,561**	**-**	**387,588**	**753,490**	**1,895**	**755,385**
Total comprehensive income	-	-	-	(20,183)	223,110	**202,927**	76	**203,003**
Shares issued pursuant to private placement	16,670	380,071	-	-	-	**396,741**	-	**396,741**
Shares issued pursuant to the acquisition of a subsidiary	14,925	385,075	-	-	-	**400,000**	-	**400,000**
Share-based payment	-	-	2,709	-	-	**2,709**	-	**2,709**
Share options exercised	1,385	10,929	-	-	-	**12,314**	-	**12,314**
Transfer to share premium for share options exercised	-	3,845	(3,845)	-	-	**-**	-	**-**
Acquisition of minority interest	-	-	-	-	-	**-**	(1,384)	**(1,384)**
Share issue expenses	-	(3,976)	-	-	-	**(3,976)**	-	**(3,976)**
Dividend paid	-	-	-	-	(8,335)	**(8,335)**	-	**(8,335)**
At 31 July 2011	**198,777**	**973,488**	**1,425**	**(20,183)**	**602,363**	**1,755,870**	**587**	**1,756,457**

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 July 2010 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2011

	Current Year-to-date 01.08.2010 to 31.07.2011 RM'000	Preceding Year-to-date 01.08.2009 to 31.07.2010 RM'000
Net cash generated from operating activities	378,007	64,072
Net cash used in investing activities	(820,302)	(290,077)
Net cash generated from financing activities	977,443	191,228
Net increase in cash and cash equivalents	535,148	(34,777)
Effect of exchange rate fluctuations on cash held	(20,183)	-
Cash and cash equivalents at 1 August	194,744	229,521
Cash and cash equivalents at 31 July	709,709	194,744

Cash and cash equivalents at end of the financial year comprise the following:

Cash and bank balances	455,380	149,604
Short term deposits	372,429	72,786
Bank overdraft	(95,047)	(2,013)
	732,762	220,377
Deposits pledged	(23,053)	(25,633)
	709,709	194,744

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 July 2010 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134 : Interim Financial Reporting and disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 July 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 July 2010 except for the adoption of new FRSs, amendments and IC Interpretations that are mandatory for the Group for the financial year beginning 1 August 2010.

The adoption of the above FRSs, amendments and interpretations do not have a material impact on the interim financial information of the Group except for the adoption of the following FRSs as set out below:

FRS 3, Business Combinations (revised)
The adoption of FRS 3 (revised) had resulted in the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

FRS 3 (revised) will be applied prospectively in accordance with the transitional provisions.

FRS 101, Presentation of Financial Statements (revised)
The adoption of FRS 101 (revised) has resulted in a change in the presentation of financial statements. The income statements have been re-presented as statement of comprehensive income.

FRS 101 (revised) also requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (comprehensive income) are required to be presented in one statement of comprehensive income. Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

This is a disclosure standard with no impact on the financial position or financial performance of the Group.

<u>Amendment to FRS 117, Leases</u>
Prior to the adoption of the Amendment to FRS 117, leasehold lands were treated as operating lease and the considerations paid were classified and presented as prepaid lease payments. With the adoption of the Amendment to FRS 117, leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment.

This change in accounting policy will be applied retrospectively in accordance with the transition provisions.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 31 July 2010 were not subject to any qualification.

4. SEGMENTAL INFORMATION

Operating segments

The Group has five reportable segments, as described below, which represent the Group's strategic business units. The strategic business units offer different services and are managed separately because they require different technical expertise and marketing strategies:

- Investment holding
- Engineering, procurement, construction (fabrication), installation and commissioning ("EPCIC"), marine engineering, design engineering and project management
- Offshore drilling and provision of marine transportation and support services including hook-up and commissioning ("HUC") and subsea engineering
- Development and production of petroleum resources

Geographical segments

The Group mainly operates in Malaysia. Accordingly information by geographical segment is not presented.

Segmental analysis for the current financial year-to-date is as follows:

Business segments	External revenue RM'000	Inter-segment revenue RM'000	Segment results RM'000	Segment assets RM'000
Investment holding	-	11,498	(9,660)	1,301,615
EPCIC, marine engineering, design engineering & project management	1,172,648	254,698	156,763	1,177,065
Offshore drilling & provision of marine transportation & support services including HUC	388,355	367	72,985	1,405,331
Development and production of petroleum resources	-	-	(499)	136,777
Total	1,561,003	266,563	219,589	4,020,788
Elimination	-	(266,563)	3,521	(773,312)
Consolidated	1,561,003	-	223,110	3,247,476

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial year-to-date.

6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

7. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance is not affected by any seasonal or cyclical factors except for severe weather conditions.

8. DIVIDENDS PAID

The first and final single tier dividend of 5% per ordinary share of 10 sen each in respect of the financial year ended 31 July 2010, amounting to RM8.33 million, was paid on 18 February 2011.

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment in the current quarter and financial year-to-date.

10. DEBT AND EQUITY SECURITIES

During the financial year ended 31 July 2011, the Company issued: -

(a) 166,698,000 new ordinary shares of RM0.10 each for cash arising from the private placement at an issue price of RM2.38 per ordinary share;

(b) 149,253,731 new ordinary shares of RM0.10 each to satisfy the purchase consideration for the acquisition of 100% equity interest in Allied Marine & Equipment Sdn Bhd ("AME") at an issue price of RM2.68 per ordinary share;

(c) 1,704,855 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM0.81 per ordinary share;

(d) 10,503,200 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM0.84 per ordinary share;

(e) 66,857 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM0.96 per ordinary share;

(f) 500,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.27 per ordinary share;

(g) 810,714 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.30 per ordinary share;

(h) 110,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.36 per ordinary share; and

(i) 150,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.38 per ordinary share.

Save as disclosed above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and financial year-to-date.

11. CHANGES IN COMPOSITION OF THE GROUP

(a) Reorganisation of structure

On 1 August 2010, the Company reorganised the shareholding of its indirect subsidiary, Kencana Torsco Sdn Bhd ("KTC"). The entire equity interest of KTC comprising 10,000,000 ordinary shares of RM1.00 each had been transferred to the Company from Kencana HL Sdn Bhd ("KHL"), a direct wholly-owned subsidiary of the Company. As a result of the transfer, KTC has become a direct wholly-owned subsidiary of the Company.

(b) Acquisition of subsidiaries

(i) The Company had on 18 November 2010 acquired the entire issued and paid-up share capital of Finest Glory Sdn Bhd ("FGSB") comprising 2 ordinary shares of RM1.00 each fully paid at par, making it a wholly-owned subsidiary of the Company.

FGSB was incorporated on 13 October 2010 and its intended principal activities are investment holding and management services. FGSB has subsequently changed its name to Kencana Energy Sdn Bhd ("Kencana Energy") on 29 November 2010.

Kencana Energy had, on 31 January 2011, entered into the following contracts to jointly develop and operate the Berantai oil and gas field:

- A Risk Service Contract ("RSC") between Petroliam Nasional Berhad ("Petronas'') and Kencana Energy, Sapura Energy Ventures Sdn Bhd (''Sapura Energy Ventures") and Petrofac Energy Developments Sdn Bhd ("PED") (Kencana Energy, Sapura Energy Ventures and PED are collectively referred to as "Operating Parties") for the Operating Parties to carry out the development and production of petroleum resources from Berantai field.
- A Joint Operating Agreement ("JOA") between Kencana Energy, Sapura Energy Ventures and PED for the Operating Parties to jointly develop and produce petroleum resources from the Berantai field as provided in the RSC.

(ii) The Company via its wholly-owned subsidiary, Kencana Nautilus Sdn Bhd ("KNSB"), had on 24 January 2011 acquired the entire issued and paid-up share capital of Dhow Offshore Sdn Bhd ("DOSB") comprising 100,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,000,000, making it a wholly-owned subsidiary of the Company.

DOSB was incorporated on 11 November 2008 and its principal activities are provision of ship brokering services, offshore support and marine services.

(iii) On 13 May 2011 the Company has executed a sale and purchase agreement for the acquisition of 100% equity interest in AME for a purchase consideration of RM400.0 million, which was satisfied by the issuance of 149,253,731 new ordinary shares of RM0.10 each in the Company ("Kencana Petroleum Shares") at an issue price of RM2.68 per Kencana Petroleum Share.

The acquisition was completed on 13 July 2011 following the issuance and allotment of the shares to the AME's vendors.

AME's principal activities are provision of offshore diving and underwater related services for inspection, repair and maintenance of structures, pipelines and risers and for the construction of underwater facilities for the oil and gas industry.

(iv) Acquisition of a subsidiary

On 4 July 2011 the Company via KTC has entered into an agreement to acquire 60% equity interest in King Hang Engineering Company Limited ("KHE") comprising 3,450,000 ordinary shares of HK$1.00 each for a purchase consideration of HK$30,000,000 (equivalent to approximately RM11.9 million). The acquisition was completed on 5 September 2011. KHE is principally involved in engineering works.

(c) Incorporation of subsidiaries

(i) On 31 January 2011 the Company had via KNSB incorporated a wholly-owned subsidiary under the name of Redang (Labuan) Pte Ltd ("Redang Labuan") in the Federal Territory of Labuan, with a paid up capital of USD1.00.

The principle activities of Redang Labuan are ownership of vessel and to conduct vessel leasing business.

(ii) On 21 April 2011 the Company had via KTC incorporated a wholly-owned subsidiary under the name of Kencana Torsco (Hong Kong) Private Limited ("KTHK") under the laws of Hong Kong Special Administrative Region of the People's Republic of China, with a paid up capital of HK$1.00.

The intended activity of KTHK is to support the Group's future expansion in the fabrication business in the region.

(iii) On 18 July 2011 the Company had via its wholly-owned subsidiary, Kencana Petroleum Ventures Sdn Bhd, incorporated two (2) subsidiaries under the name of Kencana Marine Rig 2 (Labuan) Pte Ltd ("KMRL 2") and Kencana Marine Rig 3 (Labuan) Pte Ltd ("KMRL 3") with a paid up capital of USD1.00 respectively.

The intended principal activity of KMRL 2 and KMRL 3 is to be a rig owner and provision of bareboat charter service.

Save as disclosed above, there were no changes in the composition of the Group during the current quarter and financial year-to-date.

12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Kencana Bestwide Sdn Bhd ("KBW"), a wholly-owned subsidiary of the Company, filed a suit on 15.10.2003 against one of its customers for the sum of RM1,071,899.02 plus interest, being outstanding payment owing to KBW for work done and services rendered by KBW. The Defendant in return, filed a counter-claim for the sum of RM2,122,573.08 plus interest, for damages allegedly suffered. On 29.1.2010, the Court entered judgment against the Defendant as well as dismissing the Defendant's counter claim against KBW with costs. The Defendant filed a notice of appeal to the Court of Appeal on 19.2.2010. On 24.9.2010, KBW filed into Court for writ of seizure and sale and the Court fixed 29.9.2010 for execution of the said writ on the Defendant's property.

On 29.9.2010, KBW proceeded with the execution by way of seizure and sale on the Defendant's property and subsequently the Defendant made payment to KBW on the same day in the sum of RM1,688,373.10 being the judgment sum together with interest. The Defendant's appeal to the Court of Appeal against the judgment has yet to be heard as no hearing date has been fixed by the Court of Appeal to date.

(b) Allied Support Corporation ("ASC"), an indirect wholly-owned subsidiary of the Company, received an arbitration claim on 31 July 2009 on its failure to take delivery of a pre-ordered crane at a cost of EURO1.25 million. The estimated potential cash outlay, should the award be in favour of the claimant, would be EURO1.125 million plus interest at the rate of 8% per annum together with any costs incurred thereof. A deposit of EURO125,000.00 had been paid by ASC to the claimant and currently held by a broker in an escrow account. ASC made a counter claim against the claimant on the basis of loss and damage suffered by ASC due to the unsuitability of the crane delivered. The matter is yet to go through the arbitration proceeding.

Save as disclosed above, there were no material contingent liabilities that may, upon materialisation, have a material effect on the Group's financial results or position.

13. CAPITAL COMMITMENTS

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim condensed financial statements as at 31 July 2011 were as follows:

	As at 31.07.2011 RM'000
Approved and contracted for	
Property, plant and equipment	906,939

14. SUBSEQUENT EVENTS

(a) Employees Share Options Scheme ("ESOS")

Subsequent to 31 July 2011, the Company issued:

(i) 104,979 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM0.84 per ordinary share;

(ii) 70,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.30 per ordinary share; and

(iii) 90,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.36 per ordinary share.

(b) Proposed Merger

On 11 July 2011 the Company received an offer from Integral Key Berhad ("IKB") to acquire the entire business and undertakings of the Company as carried on by the Company, including all its assets and liabilities as at the completion date of the disposal ("Kencana Petroleum Business") for a total consideration of RM5,979,564,078, equivalent to RM3.00 per Kencana Petroleum Share multiplied by the assumed enlarged Kencana Petroleum Shares of 1,993,188,026.

Simultaneously IKB has made an offer to acquire SapuraCrest Petroleum Berhad ("SapuraCrest")'s entire business and undertakings as carried on by SapuraCrest, including all its assets and liabilities as at the completion date ("SapuraCrest Business") for a total consideration of RM5,872,923,260, equivalent to RM4.60 per ordinary share in SapuraCrest ("SapuraCrest Share") multiplied by SapuraCrest Shares of 1,276,722,448 as at 8 July 2011.

The Proposed Merger of the Kencana Petroleum Business and the SapuraCrest Business will collectively form the merged entity under IKB.

On 5 August 2011 the Company has accepted the offer by IKB subject to the terms and conditions of the offer which include obtaining all the requisite approvals.

(c) Disposal of a subsidiary

On 29 August 2011 the Company via AME has entered into a share sale agreement to dispose of 100% equity interest in Merit Technologies Sdn Bhd ("MTSB") for a total consideration of RM7,000,000. MTSB is principally involved in the trading and supply of protective coating systems.

Upon disposal, MTSB ceased to be a subsidiary of AME and thereon Kencana Petroleum.

Save as disclosed above, there were no other material events subsequent to the end of the current quarter.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. PERFORMANCE REVIEW

For the current quarter under review, the Group recorded revenue of RM493.7 million and profit before taxation of RM73.1 million. Compared to the corresponding quarter ended 31 July 2010 of RM278.2 million and RM51.2 million, revenue and profit before tax had increased by approximately 77% and 43% respectively in the current quarter. This is mainly due to higher progress achieved for contracts in hand on the back of bigger order book and better management of relevant costs, contribution from drilling services as well as maiden contribution from offshore diving support services.

16. MATERIAL CHANGE IN QUARTERLY RESULTS AS COMPARED TO THE IMMEDIATE PRECEDING QUARTER

Profit before tax for the current quarter under review had gone up marginally by 4.8% at RM73.1 million, as compared to the immediate preceding quarter of RM69.8 million.

17. COMMENTARY ON PROSPECTS

PETRONAS has recently made major oil and gas discoveries offshore Sarawak. These discoveries support Malaysian Government's strategy to intensify exploration activities in Malaysia as evidenced by the focus by the Malaysian Government to improve Malaysia's oil and gas production as set out in the Economic Transformation Programme.

In the near term, more exploration wells are expected to be drilled offshore Malaysia by PETRONAS and its production sharing contractors (PSC). These activities, especially if they result in discoveries, are expected to spur business opportunities in the oil and gas industry and will promote upstream investment in the country.

Therefore, the Board of Directors believes that capital spending in the upstream oil and gas sector is expected to remain relatively strong. This also includes enhancing recovery from existing fields and development of small and marginal fields.

The Board of Directors is also encouraged by the recent announcement released by the Malaysian Government on the support given to the downstream oil and gas activities.

Based on this expectation and the Group's historical good track records, the Group expects the demand for its core business of engineering and fabrication of oil and gas production facilities and other oilfield services to remain encouraging. In addition, the Group's expansion in offshore services is expected to expand the earnings base and profit margin of the Group. The Group is also looking towards expanding its fabrication business in the region.

Barring unforeseen circumstances, the Board of Directors is reasonably confident that the prospect of the Group remains positive.

18. PROFIT FORECAST

The Group has not issued any profit forecast for the current financial year and therefore no comparison is available.

19. TAXATION

	4th Quarter		Cumulative Quarter	
	01.05.2011 To 31.07.2011 RM'000	**01.05.2010 To 31.07.2010 RM'000**	**01.08.2010 To 31.07.2011 RM'000**	**01.08.2009 To 31.07.2010 RM'000**
Income tax expense	7,794	9,032	44,466	34,129
Deferred tax expense	1,519	633	5,315	1,493
	9,313	9,665	49,781	35,622

The effective tax rate of the Group for the financial year to-date is lower than the statutory tax rate mainly due to the reinvestment allowance and lower tax expense resulting from the offshore leasing activities.

20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and/or properties in the current quarter and financial year-to-date.

21. INVESTMENTS IN QUOTED SECURITIES

There were no dealings by the Group in quoted securities for the current quarter and financial year-to-date.

22. STATUS OF CORPORATE PROPOSALS

(a) The Company has on 3 December 2010 and 9 December 2010 announced that it proposed to undertake the following fundraising proposals:

(i) Proposed issuance of up to RM350 million nominal value of Sukuk Mudharabah ("Sukuk Mudharabah-W") of five (5) years with detachable warrants ("Kencana Petroleum Warrants") on a "bought deal" basis to the primary subscriber ("Proposed Sukuk Mudharabah-W"); and

(ii) Proposed offer for sale of the provisional rights to the allotment of the Kencana Petroleum Warrants by the primary subscriber on a renounceable basis at an issue price to be determined later to the shareholders of the Company on the basis of one (1) Kencana Petroleum Warrant for every five (5) Kencana Petroleum Shares ("Proposed Offer for Sale of Warrants"). The exercise price of the Kencana Petroleum Warrants will be based on 10% premium to the five (5)-days volume weighted average market price up to the price-fixing date.

The Company has obtained all the relevant approvals pertaining to the fundraising proposals.

Nevertheless, pursuant to the Proposed Merger offer received from IKB of which was accepted on 5 August 2011, the Company shall not, without the Integration Committee's prior written approval, permit any change to the capital structure of the Company, other than changes arising from the exercise of ESOS. Pursuant thereto, the Company is not allowed to issue the Kencana Petroleum Warrants.

In view thereof, the Proposed Sukuk Mudharabah-W and the Proposed Offer for Sale of Warrants will be aborted subject to the completion of the Proposed Merger.

(b) The utilisation status of proceeds of RM396.74 million raised from the Private Placement as at 14 September 2011 (being a date not earlier than 7 days from the date of issue of the quarterly report) is as follows:

No.	Purpose	Actual Utilisation
		(RM'000)
(i)	Expenses for corporate exercise	10,026
(ii)	Capital expenditure	29,981
(iii)	Working capital	46,000
(iv)	Repayment of bank borrowings	22,300
	Total	108,307

Pursuant to the announcement dated 3 December 2010, the gross proceeds are expected to be utilised for capital expenditure, investment opportunities and business expansion in the oil and gas industry or related industries which have yet to be identified. In addition, the proceeds may also be used for working capital and/or repayment of borrowings as well as to defray estimated expenses in relation to the Fundraising Proposals.

The allocation between the aforesaid purposes cannot be ascertained as at the date of the said announcement.

(c) Proposed Merger

On 11 July 2011 the Company received an offer from IKB to acquire Kencana Petroleum Business for a total consideration of RM5,979,564,078 equivalent to RM3.00 per Kencana Petroleum Share. The consideration shall be satisfied by the issuance of 2,505,437,349 new IKB Shares at an issue price of RM2.00 per IKB Share and a cash payment of RM968,689,380 ("Merger Consideration").

Upon the disposal of the Kencana Petroleum Business, the Company shall, subject to obtaining all requisite approvals, distribute the Merger Consideration to the Company's shareholders.

Thereafter, the Company shall issue 2 Kencana Petroleum Shares to IKB such that the Company will become a wholly-owned subsidiary of IKB. Upon the completion of the distribution of the Merger Consideration and the issuance of Kencana Petroleum Shares to IKB, the Company shall then be delisted from the Main Market of Bursa Securities

Save as disclosed above, there is no other corporate proposal announced but not completed as at 21 September 2011.

23. LOANS AND BORROWINGS

	As at 31.07.2011 RM'000	As at 31.07.2010 RM'000
Short-term borrowings		
Secured:		
Term loans	170,790	108,338
Hire purchase liabilities	16,837	12,492
Unsecured:		
Bankers' acceptance	4,021	-
Bank overdraft	95,047	2,013
Revolving credits	45,379	60,000
	332,074	182,843
Long-term borrowings		
Secured:		
Term loans	540,416	30,223
Hire purchase liabilities	15,512	12,810
	555,928	43,033
Total borrowings	888,002	225,876

The Group borrowings in RM equivalent are denominated in the following currencies:

Ringgit Malaysia	474,458	208,381
US Dollar	413,544	17,495
Total	888,002	225,876

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 21 September 2011.

25. CHANGES IN MATERIAL LITIGATION

As at 21 September 2011, there was no material litigation against the Group.

26. DIVIDEND PROPOSED

No interim dividend has been declared for the current quarter under review.

27. EARNINGS PER SHARE ("EPS")

Basic EPS

Basic EPS is calculated based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue:

	4th Quarter		Cumulative Quarter	
	01.05.2011 To 31.07.2011	**01.05.2010 To 31.07.2010**	**01.08.2010 To 31.07.2011**	**01.08.2009 To 31.07.2010**
Net profit attributable to owners of the Company (RM'000)	63,722	41,477	223,110	136,166
Weighted average number of ordinary shares in issue ('000)	1,868,652	1,657,867	1,755,378	1,270,524
Basic EPS (sen)	3.41	2.50	12.71	10.72

Diluted EPS

Diluted EPS amount is calculated based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue after adjusting for the dilutive effects of all potential ordinary shares to be issued under the ESOS:

	4th Quarter		Cumulative Quarter	
	01.05.2011 To 31.07.2011	**01.05.2010 To 31.07.2010**	**01.08.2010 To 31.07.2011**	**01.08.2009 To 31.07.2010**
Net profit attributable to owners of the Company (RM'000)	63,722	41,477	223,110	136,166
Weighted average number of ordinary shares in issue ('000)	1,868,652	1,657,867	1,755,378	1,270,524
Assumed exercise of ESOS ('000)	3,874	7,439	3,874	7,439
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,872,526	1,665,306	1,759,252	1,277,963
Diluted EPS (sen)	3.40	2.49	12.68	10.66

28. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 21 September 2011.

BY ORDER OF THE BOARD

Ng Heng Hooi
(MAICSA 7048492)
Company Secretary
Kuala Lumpur
21 September 2011