

CREST PETROLEUM BHD
(Company No : 45631-D)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2003

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/6/2003 RM'000	Preceding year corresponding quarter 30/6/2002 RM'000	Six months to 30/6/2003 RM'000	Six months to 30/6/2002 RM'000
1. (a) Revenue	238,461	188,759	336,441	286,345
(b) Operating expenses	(237,958)	(183,475)	(352,441)	(280,551)
(c) Other operating income	1,095	320	1,235	568
(d) Profit/(Loss) from operations	<u>1,598</u>	<u>5,604</u>	<u>(14,765)</u>	<u>6,362</u>
(e) Finance cost	<u>(1,075)</u>	<u>(391)</u>	<u>(2,401)</u>	<u>(772)</u>
(f) Profit/(Loss) before share of associates and jointly controlled entities' results	523	5,213	(17,166)	5,590
(g) Share of profits of associated companies and jointly controlled entities	6,016	7,670	13,185	12,790
(h) Profit/(Loss) before taxation and minority interests	6,539	12,883	(3,981)	18,380
(i) Taxation	(2,775)	(5,033)	(6,632)	(7,371)
(j) Profit/(Loss) after taxation and before minority interests	3,764	7,850	(10,613)	11,009
(k) Minority interests	(168)	(381)	502	84
(l) Net profit/(Loss) attributable to members of the company	<u>3,596</u>	<u>7,469</u>	<u>(10,111)</u>	<u>11,093</u>
 2. Earnings per share (sen) based on 1(l) above and 75,778,200 (2001 : 75,778,200) ordinary shares	 <u>4.75</u>	 <u>9.86</u>	 <u>(13.34)</u>	 <u>14.64</u>

The condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002

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II. CONDENSED CONSOLIDATED BALANCE SHEET

	UNAUDITED As at end of current quarter 30/6/2003 RM'000	AUDITED As at preceding financial year end 31/12/2002 RM'000
1. Property, plant and equipment	175,061	176,464
2. Investment in associated companies	115,365	106,620
3. Jointly controlled entities	1,461	2,232
4. Deferred expenditure	7,115	5,465
	<u>299,002</u>	<u>290,781</u>
5. CURRENT ASSETS		
Inventories	1,175	315
Trade & other receivables	271,088	201,886
Dividends receivable from jointly controlled entity	-	1,208
Deposits with licensed financial institutions	18,853	23,121
Cash and bank balances	20,449	46,745
	<u>311,565</u>	<u>273,275</u>
6. CURRENT LIABILITIES		
Trade & other payables	251,870	177,098
Amount due to associated company	20,805	22,811
Amount due to jointly controlled entities	4	7
Short term borrowings	52,672	56,488
Taxation	10,759	19,575
	<u>336,110</u>	<u>275,979</u>
7. Net current liabilities	(24,545)	(2,704)
	<u>274,457</u>	<u>288,077</u>
8. Shareholders' funds		
Share capital	75,778	75,778
Reserves		
Share premium	134,251	134,251
Revaluation reserve	7,678	7,678
Capital reserve	3,519	3,519
Merger reserve	51,989	51,989
Reserve on consolidation	19,753	19,753
Exchange reserve	377	180
Accumulated loss	(68,617)	(58,506)
Total reserves	<u>148,950</u>	<u>158,864</u>
	<u>224,728</u>	<u>234,642</u>
9. Minority interests	5,520	5,938
10. Long term borrowings	20,730	21,570
11. Hire purchase and lease creditors	3,450	4,928
12. Deferred taxation	20,029	20,999
	<u>274,457</u>	<u>288,077</u>
13. Net tangible assets per share	<u>2.87</u>	<u>3.02</u>

The condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002

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III. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months to 30/6/2003 RM'000	Audited Twelve months to 31/12/2002 RM'000
Loss before taxation	(3,981)	(89,004)
Adjustments:		
Depreciation and amortisation	12,937	24,322
Interest expenses	2,401	2,599
Interest income	(324)	(1,401)
Share of profit of associated companies and jointly controlled entities	(13,185)	(29,619)
Impairment of property, plant and equipment	-	116,625
Provision for doubtful debts	-	4,950
Write back of provision for doubtful debts	-	(200)
Impairment of other investment	-	500
Non-operating items	382	(110)
Operating (loss) / profit before working capital changes	(1,770)	28,662
Changes in working capital		
Net change in current assets	(69,707)	5,973
Net change in current liabilities	72,576	(42,428)
Cash generated form / (used in) operations	1,099	(7,793)
Interest expenses	(2,401)	(2,599)
Taxation paid	(11,596)	(12,117)
Tax refund	-	1,550
Net cash used in operating activities	(12,898)	(20,959)
Investing Activities		
Dividend from jointly controlled entities	675	100
Purchase of property, plant and equipment	(9,952)	(106,827)
Deferred expenditure incurred	(3,519)	(2,025)
Distribution proceeds from subsidiary company under voluntary liquidation	-	45
Others	383	2,086
Net cash used in investing activities	(12,413)	(106,621)
Financing Activities		
Net increase in fixed deposits pledged	(1,396)	(385)
Net drawdown of term loans	(3,836)	28,228
Repayment of hire purchase and lease creditors	(738)	(2,444)
Net changes in short term borrowings	1,426	33,946
Dividend paid	-	(2,728)
Net cash (used in) / generated from financing activities	(4,544)	56,617
Net changes in Cash and Cash Equivalent	(29,855)	(70,963)
Cash and Cash Equivalents at beginning of year	58,182	129,020
Effect of exchange rate translation	142	125
Cash and Cash Equivalents at end of period / year	28,469	58,182
Note:		
Cash and cash equivalents comprise of the following balance sheet amounts:		
Deposits with licensed financial institutions	18,853	23,121
Cash and bank balances	20,449	46,745
Bank overdrafts	-	(2,247)
	39,302	67,619
Less: Fixed deposits pledged	(10,833)	(9,437)
	28,469	58,182

The condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Capital Reserves	(Accumulated loss)/Retained Profit	Total
	RM'000	RM'000	RM'000	RM'000
Six months to 30 June 2003 (unaudited)				
Balance at beginning of year	75,778	217,370	(58,506)	234,642
Loss for the period	-	-	(10,111)	(10,111)
Currency translation differences	-	197	-	197
Balance at end of period	<u>75,778</u>	<u>217,567</u>	<u>(68,617)</u>	<u>224,728</u>
Six months to 30 June 2002 (unaudited)				
Balance at beginning of year	75,778	217,356	59,184	352,318
Profit for the period	-	-	11,093	11,093
Currency translation differences	-	155	-	155
Dividend 5.0 sen per share less tax	-	-	(2,728)	(2,728)
Balance at end of period	<u>75,778</u>	<u>217,511</u>	<u>67,549</u>	<u>360,838</u>

The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002.

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V. Notes to the Financial Statements

- 1 The unaudited condensed consolidated financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group and in accordance with MASB 26, Interim Financial Reporting.
- 2 The audit report on the Group's financial statements for the financial year 2002 was not qualified.
- 3 The Group's operations are not materially subject to any seasonal or cyclical factors.
- 4 There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group other than that disclosed in Note 18.
- 5 There were no changes to the estimates of amount reported in prior financial years.
- 6 The Group and the Company did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period ended 30 June 2003.
- 7 Segment information for the current financial period ended 30 June 2003 is as follows:

	6 months to 30/6/2003		3 months to 31/3/2003 (as re-stated)	
	Revenue RM'000	Segment profit/(loss) RM'000	Revenue RM'000	Segment profit/(loss) RM'000
Core Operating activities				
Offshore installation & construction	197,105	(13,994)	37,029	(12,556)
Offshore drilling	89,130	20,596	44,452	11,402
Marine services	50,206	222	16,499	(5,017)
	<u>336,441</u>	<u>6,824</u>	<u>97,980</u>	<u>(6,171)</u>
Other Activities				
Teknik Hidayat Refurbishment	-	(8,556)	-	(3,296)
Others	-	(2,249)	-	(1,053)
Consolidated revenue / results	<u>672,882</u>	<u>(3,981)</u>	<u>97,980</u>	<u>(10,520)</u>

Certain expenses have been reclassified for segmental information purposes.

- 8 The valuations of property, plant and equipment have been brought forward without amendment from previous annual financial statements.
- 9 There were no material events subsequent to 30 June 2003 to the date of this announcement other than those disclosed in Note 15.
- 10 For the current quarter and financial period ended 30 June 2003, there were no changes in the composition of the Group including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations.
- 11 There were no changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2002 other than that disclosed below :

The Company provided performance guarantees to ensure performance of contracts by certain subsidiary companies and corporate guarantees to secure credit and guarantee facilities of certain subsidiary companies amounting to RM199.5 million. As at 30 June 2003, an amount of RM133.8 million was utilised by certain subsidiary companies under several facilities granted by financial institutions.

- 12 Taxation consists of :

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/6/2003 RM'000	Preceding year corresponding quarter 30/6/2002 RM'000	6 months to 30/6/2003 RM'000	6 months to 30/6/2002 RM'000
Malaysian taxation				
- current taxation	1,465	2,777	3,066	3,472
- deferred taxation	(970)	-	(970)	-
- share of taxation of associated companies / jointly controlled entities	2,280	2,256	4,536	3,899
	<u>2,775</u>	<u>5,033</u>	<u>6,632</u>	<u>7,371</u>

The effective tax rates for the current quarter and current year vary from the statutory tax rate due to certain disallowable expenses for tax purposes and the absence of Group relief for losses suffered by certain subsidiary companies.

13 There were no disposal of unquoted investment during the current quarter and financial period ended 30 June 2003 except for the following:

On 28 May 2003, the Company's wholly-owned subsidiary company, Probadi Sdn Bhd ("Probadi"), entered into a Share Sale Agreement with Renong Berhad for the disposal of Probadi's 1.11% interest (500,000 ordinary shares of RM1.00 each) in Renong Overseas Corporation Sdn Bhd for a cash consideration of RM1.00.

The disposal has no impact on the Group's earnings and net tangible assets for the financial year ending 31 December 2003 as impairment loss on the investment was fully provided in the preceding financial year ended 31 December 2002.

14 (a) There were no acquisitions and disposals of quoted securities for the current quarter and financial period ended 30 June 2003.

(b) There were no investments in quoted securities as at 30 June 2003.

15 Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this announcement.

1. Proposed acquisition of 3,000,000 ordinary shares of RM1.00 each, representing 100% equity interest in Sapura Energy Sdn Bhd ("SESB") from Sapura Holdings Sdn Bhd ("SHSB") for a purchase consideration of RM135,500,000 together with a deferred contingent consideration of up to RM14,300,000 and the obligation by the Company to pay SHSB RM36,500,000 for the Company to replace SHSB in respect of the Shareholders' Advances (Proposed SESB Acquisition);

2. Proposed renounceable rights issue of up to 100,000,000 new ordinary shares of RM1.00 each in the Company ("right shares") together with up to 50,000,000 new free detachable warrants ("warrants") on the basis of one (1) warrant for every two(2) right shares subscribed to raise approximately RM150million of which the basis, price and number of shares and warrants to be issued shall be determined later; and

3. Proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 490,000,000 ordinary shares of RM1.00 each and 100,000,000 redeemable convertible preference shares of RM0.10 each.

On 29 July 2003, the Company has entered into a conditional Sale and Purchase Agreement with SHSB for the Proposed SESB Acquisition above.

16 Details of Group borrowings as at 30 June 2003 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Borrowings						
Domestic Banks	4,620	-	4,620	1,680	36,673	38,353
Offshore Bank (USD8,007,674.03)	16,110	-	16,110	14,319	-	14,319
TOTAL	20,730	-	20,730	15,999	36,673	52,672

17 There were no financial instruments with off-balance sheet risks as at the date of this announcement.

18 On 20 February 2003 Central Time USA, a Warrant To Seize A Vessel was issued against the rig Teknik Hidayat (in rem), Crest and two of its wholly-owned subsidiaries, Sasaran Perdana Sdn Bhd ("SP") and Crest Hidayat (L) Ltd ("CHLL") (in personam) following a Complaint filed by Newpark Shipbuilding-Pelican Island, Inc ("Plaintiff") for failure to pay necessities provided to the Teknik Hidayat by the Plaintiff in the form of repairs and refurbishment amounting to USD 8,612,194.95, plus wharfage, additional repair services performed, attorneys' fees, court costs and additional accrued interest.

On 5 May 2003, the United States District Court for the Southern District of Texas, Galveston Division, had granted CHLL's Motion to Compel Arbitration and Stay Proceedings and denied as moot the Plaintiff's Motion for Partial Summary Judgment. Accordingly, the District Court has stayed and administratively closed this case until the Parties to this action initiate and complete the dispute resolution process by way of Arbitration. The District Court further ordered within thirty (30) days of the completion of the Arbitration, either Party may move to reopen this case and that each Party is to bear its own taxable costs and expenses incurred therein to date.

The Plaintiff's demand for arbitration was filed with the American Arbitration Association in May 2003. The hearing dates for the arbitration has been set for 20 to 22 January 2004.

19 The Group's revenue of RM238.5 million for the current quarter is 143.4% higher than that of the immediate preceding quarter due to increased activities in the offshore installation and construction and marine services divisions. The Group registered a profit before taxation of RM6.5 million for the current quarter as compared to a loss before taxation of RM10.5 million in the immediate preceding quarter due to improved performance by the offshore installation and construction and marine services divisions.

20 Review of Performance for the Current Quarter and Year

The Group's revenue of RM238.5 million for the current quarter is 26.3% higher than that of the corresponding period in the preceding year due to higher contract revenue registered by the offshore installation and construction division. The Group however, registered a lower profit before taxation of RM6.5 million as compared to profit before taxation of RM12.9 million in the corresponding quarter of the preceding year, mainly due to losses registered by a subsidiary company involved in the rig refurbishment project which is currently under suspension.

The Group's revenue of RM336.4 million for the current year to date is 17.5% higher than that of the corresponding period in the preceding year due to higher contract revenue registered by the offshore installation and construction division. The Group however, registered a loss before taxation of RM3.9 million as compared to a profit before taxation of RM18.4 million for the corresponding period in the preceding year mainly due to higher losses incurred in the offshore installation and construction division, decreased performance in marine services division and losses registered by a subsidiary company involved in the rig refurbishment project which is currently under suspension.

21 In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen from 30 June 2003 to the date of this announcement and which would substantially affect the financial results of the Group and of the Company for the six months ended 30 June 2003.

22 Prospects for Year 2003

Barring any unforeseen circumstances, the Directors expect the Group to achieve satisfactory operating results for the financial year ending 31 December 2003.

23 The Board of Directors does not recommend the payment of an interim dividend for the current period ended 30 June 2003. (2002: Nil)

By Order of the Board

**KUALA LUMPUR
27 August 2003**

**Sabrina Albakri Abu Bakar
Tasneem Mohd Dahalan
Company Secretaries**