

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2003

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/9/2003 RM'000	Preceding year corresponding quarter 30/9/2002 RM'000	Nine months to 30/9/2003 RM'000	Nine months to 30/9/2002 RM'000
1. (a) Revenue	132,351	168,394	468,792	454,739
(b) Operating expenses	(136,329)	(193,113)	(488,770)	(473,663)
(c) Other operating income	2,408	1,154	3,643	1,721
(d) Loss from operations	(1,570)	(23,565)	(16,335)	(17,203)
(e) Finance cost	(1,231)	(397)	(3,632)	(1,169)
(f) Loss before share of associates and jointly controlled entities' results	(2,801)	(23,962)	(19,967)	(18,372)
(g) Share of profits of associated companies and jointly controlled entities	5,580	7,728	18,765	20,518
(h) Profit /(Loss) before taxation and minority interests	2,779	(16,234)	(1,202)	2,146
(i) Taxation	(2,826)	(13,417)	(9,458)	(20,788)
(j) Loss after taxation and before minority interests	(47)	(29,651)	(10,660)	(18,642)
(k) Minority interests	730	1,196	1,232	1,280
(l) Net profit /(loss) attributable to members of the company	683	(28,455)	(9,428)	(17,362)
2. Earnings per share (sen) based on 1(l) above and 75,778,200 (2002 : 75,778,200) ordinary shares	0.90	(37.55)	(12.44)	(22.91)

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

CREST PETROLEUM BHD
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II. CONDENSED CONSOLIDATED BALANCE SHEET

	UNAUDITED As at end of current quarter 30/9/2003 RM'000	AUDITED As at preceding financial year end 31/12/2002 RM'000
1. Property, plant and equipment	173,594	176,464
2. Investment in associated companies	118,775	106,620
3. Jointly controlled entities	1,394	2,232
4. Deferred expenditure	6,280	5,465
	<u>300,043</u>	<u>290,781</u>
5. CURRENT ASSETS		
Inventories	2,634	315
Trade & other receivables	169,151	201,886
Amount due from jointly controlled entities	75	-
Dividends receivable from jointly controlled entity	-	1,208
Deposits with licensed financial institutions	60,704	23,121
Cash and bank balances	34,095	46,745
	<u>266,659</u>	<u>273,275</u>
6. CURRENT LIABILITIES		
Trade & other payables	217,203	177,098
Amount due to associated company	19,455	22,811
Amount due to jointly controlled entities	-	7
Short term borrowings	46,090	56,488
Taxation	10,371	19,575
	<u>293,119</u>	<u>275,979</u>
7. Net current liabilities	(26,460)	(2,704)
	<u>273,583</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	295	180
Accumulated loss	(67,934)	(58,506)
Total reserves	<u>149,551</u>	<u>158,864</u>
	<u>225,329</u>	<u>234,642</u>
9. Minority interests	4,771	5,938
10. Long term borrowings	20,310	21,570
11. Hire purchase and lease creditors	3,144	4,928
12. Deferred taxation	20,029	20,999
	<u>273,583</u>	<u>288,077</u>
13. Net tangible assets per share	<u>2.89</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

CREST PETROLEUM BHD
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III. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Nine months to 30/9/2003 RM'000	Audited Twelve months to 31/12/2002 RM'000
Loss before taxation	(1,202)	(89,004)
Adjustments:		
Depreciation and amortisation	18,681	24,322
Interest expenses	3,632	2,599
Interest income	(484)	(1,401)
Share of profit of associated companies and jointly controlled entities	(18,765)	(29,619)
Impairment of property, plant and equipment	-	116,625
Provision for doubtful debts	-	4,950
Write back of provision for doubtful debts	(2,198)	(200)
Impairment of other investment	-	500
Non-operating items	15	(110)
Operating (loss) / profit before working capital changes	(321)	28,662
Changes in working capital		
Net change in current assets	36,956	5,973
Net change in current liabilities	34,074	(42,428)
Cash generated from / (used in) operations	70,709	(7,793)
Interest expenses	(3,632)	(2,599)
Taxation paid	(14,570)	(12,117)
Tax refund	-	1,550
Net cash generated from / (used in) operating activities	52,507	(20,959)
Investing Activities		
Dividend from jointly controlled entities	675	100
Purchase of property, plant and equipment	(13,582)	(106,827)
Deferred expenditure incurred	(3,276)	(2,025)
Distribution proceeds from subsidiary company under voluntary liquidation	-	45
Others	679	2,086
Net cash used in investing activities	(15,504)	(106,621)
Financing Activities		
Net increase in fixed deposits pledged	(1,938)	(385)
Net drawdown of term loans	(13,206)	28,228
Repayment of hire purchase and lease creditors	(571)	(2,444)
Net changes in short term borrowings	1,426	33,946
Dividend paid	-	(2,728)
Net cash (used in) / generated from financing activities	(14,289)	56,617
Net changes in Cash and Cash Equivalent	22,714	(70,963)
Cash and Cash Equivalents at beginning of year	58,182	129,020
Effect of exchange rate translation	160	125
Cash and Cash Equivalents at end of period / year	81,056	58,182
Note:		
Cash and cash equivalents comprise of the following balance sheet amounts:		
Deposits with licensed financial institutions	60,704	23,121
Cash and bank balances	34,095	46,745
Bank overdrafts	(2,368)	(2,247)
	92,431	67,619
Less: Fixed deposits pledged	(11,375)	(9,437)
	81,056	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.

CREST PETROLEUM BHD
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Incorporated in Malaysia

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
Nine months to 30 Sept 2003 (unaudited)				
Balance at beginning of year	75,778	217,370	(58,506)	234,642
Loss for the period	-	-	(9,428)	(9,428)
Currency translation differences	-	115	-	115
Balance at end of period	<u>75,778</u>	<u>217,485</u>	<u>(67,934)</u>	<u>225,329</u>
Nine months to 30 Sept 2002 (unaudited)				
Balance at beginning of year	75,778	217,356	59,184	352,318
Profit for the period	-	-	(17,362)	(17,362)
Currency translation differences	-	38	-	38
Dividend 5.0 sen per share less tax	-	-	(2,728)	(2,728)
Balance at end of period	<u>75,778</u>	<u>217,394</u>	<u>39,094</u>	<u>332,266</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.

CREST PETROLEUM BHD
(45631 - D)
Incorporated in Malaysia

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 amounts 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 September 2003.
7. Segment information for the current financial period ended 30 September 2003 is as follows:

	RM'000	RM'000
	Revenue	Segment profit / (loss)
Core Operating Activities		
Offshore installation & construction	268,804	(11,232)
Offshore drilling	131,838	30,538
Marine services	68,150	(3,102)
	468,792	16,204
Other Activities		
Teknik Hidayat Refurbishment	-	(14,474)
Others	-	(2,932)
Consolidated revenue / results	468,792	(1,202)

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 September 2003 to the date of this announcement other than those disclosed in Note 15.
10. For the current quarter and financial period ended 30 September 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 the following :

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 RM200.0 million. As at 30 September 2003, an amount of RM103.3 million was utilised by certain subsidiary companies under several facilities granted by financial institutions.

CREST PETROLEUM BHD
(45631 - D)
Incorporated in Malaysia

12. Taxation comprises:

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/09/03 RM'000	Preceding year corresponding quarter 30/09/02 RM'000	9 months to 30/09/03 RM'000	9 months to 30/09/02 RM'000
Malaysian Taxation				
- current taxation	590	2,809	3,656	6,281
- under provision in respect of prior years		8,000		8,000
- deferred taxation	-	-	(970)	-
- share of taxation of associated companies / jointly controlled entities	2,236	2,608	6,772	6,507
	<u>2,826</u>	<u>13,417</u>	<u>9,458</u>	<u>20,788</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 disposals of unquoted investments and/or properties during the current quarter and financial period ended 30 September 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 Bhd 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. There were no acquisitions and disposals of quoted securities for the current quarter and financial period ended 30 September 2003 and there were no investments in quoted securities as at 30 September 2003.

15. Corporate proposals announced but not completed as at the date of this announcement are as follows:

a) *Proposed Acquisition of 100% Equity Interest in Sapura Energy Sdn Bhd*

- Proposed acquisition of 3,000,000 ordinary shares of RM1.00 each ("SESB shares"), 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 Crest Petroleum Bhd ("Crest" or "Company") to pay SHSB RM36,500,000 for Crest to replace SHSB in respect of the Shareholders' Advances ("Proposed SESB acquisition");
- Proposed renounceable rights issue of up to 100,000,000 new ordinary shares of RM1.00 each in Crest ("rights shares") at an issue price of RM1.50 per rights share on the basis of approximately 5.278 rights shares for every four (4) existing ordinary shares of RM1.00 each in Crest ("Crest Shares") held on a date to be determined later together with 50,000,000 new free detachable warrants ("warrants") on the basis of one (1) warrant for every two (2) rights shares subscribed ("proposed rights issue");

CREST PETROLEUM BHD
(45631 - D)
Incorporated in Malaysia

- Proposed increase in the authorised share capital of Crest 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 cumulative convertible preference shares of RM0.10 each (“proposed capital increase”); and
- Proposed amendments to the memorandum and articles of association of Crest (“proposed amendments”)

An extraordinary general meeting (“EGM”) will be held on 3 December 2003 to seek shareholders’ approval for the above proposals. A circular, including the notice of EGM, in relation to the above proposals was dispatched to shareholders on 10 November 2003.

b) *Proposed acquisition of drilling rigs by Varia Perdana Sdn Bhd (“Varia Perdana”), a company which is owned 51% by Crest (through Probadi Sdn Bhd, a wholly-owned subsidiary company) and 49% by Smedvig Asia Limited*

- Proposed acquisition of a drilling rig, the Teknik Berkat by Varia Perdana, from Petro-Plus Sdn Bhd, a wholly-owned subsidiary of Crest, for a total cash consideration of USD 25 million.
- Proposed acquisition of a drilling rig, the T-9 by Varia Perdana from Smedvig Rig AS, a wholly-owned subsidiary of Smedvig Asia Limited or such other entity within the Smedvig Group of Companies for a total cash consideration of USD 70 million.

The above proposed acquisitions was announced on 8 October 2003. Sale & Purchase Agreements have not yet been executed as at the date of this announcement.

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

	<u>Long term borrowings</u>			<u>Short term borrowings</u>		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Domestic Banks	4,200	-	4,200	1,680	39,041	40,721
Offshore Banks	16,110	-	16,110	5,369	-	5,369
	20,310	-	20,310	7,049	39,041	46,090

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), the Company 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 (“the Plaintiff”) for failure to pay necessities provided to the Teknik Hidayat by the Plaintiff in the form of repairs and refurbishment, amounting to USD8,612,194.95, plus wharfage, additional repair services performed, attorney’s fees, courts cost and additional accrued interest.

On 5 May 2003, the United States District Court for the Southern District of Texas, Galveston Division, has 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.

CREST PETROLEUM BHD
(45631 - D)
Incorporated in Malaysia

The Plaintiff's demand for arbitration was filed with the American Arbitration Association ("AAA") in May 2003. On 28 August 2003, the Plaintiff filed its first amended claim with the AAA, amending the amount claimed to USD10,040,023.99. In addition, the Plaintiff is seeking wharfage and miscellaneous third party and custodial expenses and attorneys' fees, all of which are continuing to accrue. The hearing of this matter is scheduled for 23 to 25 February 2004.

19. The Group's revenue of RM132.4 million for the current quarter is 44.5% lower than that of the immediate preceding quarter due to decreased activities in the offshore installation and construction, offshore drilling and marine services divisions. The Group registered a profit before taxation of RM2.8 million for the current quarter as compared to a profit before taxation of RM6.5 million in the immediate preceding quarter due to decreased performance by marine services division and losses attributable to the Teknik Hidayat rig refurbishment project which is currently under suspension.

20. Review of Performance for the Current Quarter

The Group's revenue of RM132.4 million for the current quarter is 21.4% lower than that of the corresponding period in the preceding year due to decreased activities in the offshore installation and construction, offshore drilling and marine services divisions. The Group registered a profit before taxation of RM2.8 million as compared to loss before taxation of RM16.2 million in the corresponding quarter of the preceding year, mainly due to improved performance in offshore installation and construction division.

The Group's revenue of RM468.8 for the current year to date is 3.1% 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 RM1.2 million as compared to a profit before taxation of RM2.1 million for the corresponding period in the preceding year mainly due to decreased performance in marine services division, completion of a contract in the offshore drilling division and losses attributable to the Teknik Hidayat rig refurbishment project which is currently under suspension.

21. As announced on 9 October 2003, Crest Petroleum Bhd entered into a Joint Venture Agreement with Scomi Group Berhad in relation to the incorporation of a joint venture company to provide complementary marine vessel transportation services to the oil and gas industry.

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

23. 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.

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

By Order of the Board

Kuala Lumpur
14 November 2003

Sabrina Albakri Abu Bakar
Tasneem Mohd Dahalan
Company Secretaries