

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2004

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter Four months to 31/1/2004 RM'000	Preceding year* corresponding quarter Three months to 31/12/2002 RM'000	Thirteen months to 31/1/2004 RM'000	Twelve* months to 31/12/2002 RM'000
1. (a) Revenue	165,135	144,930	633,927	599,669
(b) Operating expenses	(183,399)	(129,969)	(672,169)	(602,893)
(c) Other operating income	15,884	2,103	19,527	3,825
(d) Share of profit of associated companies**	13,645	6,610	32,564	26,936
(e) Profit from operations and associated companies	11,265	23,674	13,849	27,537
(f) Finance cost	(5,212)	(691)	(8,844)	(2,599)
(g) Share of (loss) / profit of jointly controlled entities	(11)	2,492	(165)	2,683
(h) Profit before exceptional items	6,042	25,475	4,840	27,621
(i) Impairment on property, plant & equipment	(50,989)	(116,625)	(50,989)	(116,625)
(j) Goodwill written off	(120,914)	-	(120,914)	-
(k) Loss before taxation and minority interests	(165,861)	(91,150)	(167,063)	(89,004)
(l) Taxation	16,483	(6,599)	7,025	(27,387)
(m) Loss after taxation and before minority interests	(149,378)	(97,749)	(160,038)	(116,391)
(n) Minority interests	2,149	149	3,381	1,429
(o) Net loss attributable to members of the company	(147,229)	(97,600)	(156,657)	(114,962)
2. Earnings per share (sen) based on 1(o) above and 75,778,200 (2002 : 75,778,200) ordinary shares	(194.29)	(128.80)	(206.73)	(151.71)

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

* On 9 January 2004, the Company announced the change of its financial year end from 31 December to 31 January. The unaudited results for the current year have been prepared for a period of 13 months from 1 January 2003 to 31 January 2004.

Following the change in financial year end:

- (i) The figures for the preceding year corresponding quarter is for information and not necessarily comparable to the current period of 4 months to 31 January 2004; and
- (ii) The figures for the preceding year are for twelve months to 31 December 2002 as compared to thirteen months to 31 January 2004 for the current year.

** Share of results of associated companies under offshore drilling division.

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II. CONDENSED CONSOLIDATED BALANCE SHEET

	UNAUDITED As at end of current quarter 31/1/2004 RM'000	AUDITED As at preceding financial year end 31/12/2002 RM'000
1. Property, plant and equipment	201,807	176,464
2. Investment in associated companies	137,456	106,620
3. Jointly controlled entities	1,383	2,232
4. Deferred expenditure	5,702	5,465
5. Deferred tax assets	232	-
	346,580	290,781
6. CURRENT ASSETS		
Inventories	8,966	315
Trade & other receivables	252,666	201,886
Amount due from holding company	2,592	-
Amount due from jointly controlled entities	7	-
Amount due from related companies	5,734	-
Dividends receivable from jointly controlled entity	-	1,208
Deposits with licensed financial institutions	114,364	23,121
Cash and bank balances	24,760	46,745
	409,089	273,275
7. CURRENT LIABILITIES		
Trade & other payables	244,101	177,098
Amount due to holding company	55	-
Amount due to associated company	30,074	22,811
Amount due to jointly controlled entities	2	7
Amount due to related companies	2,437	-
Short term borrowings	172,108	56,488
Taxation	20,200	19,575
	468,977	275,979
8. Net current liabilities	(59,888)	(2,704)
	286,692	288,077
9. Shareholders' funds		
Share capital	75,778	75,778
Redeemable Cumulative Convertible preference shares	1,301	-
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	262	180
Accumulated loss	(215,163)	(58,506)
Total reserves	2,289	158,864
	79,368	234,642
10. Minority interests	2,613	5,938
11. Long term borrowings	157,001	21,570
12. Redeemable Cumulative Convertible preference shares	18,518	-
13. Hire purchase and lease creditors	3,560	4,928
14. Deferred taxation	25,632	20,999
	286,692	288,077
15. Net tangible assets per share	0.97	3.02

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 Thirteen months to 31/1/2004 RM'000	Audited Twelve months to 31/12/2002 RM'000
Loss before taxation	(167,063)	(89,004)
Adjustments:		
Depreciation and amortisation	33,079	24,322
Interest expenses	8,844	2,599
Interest income	(724)	(1,401)
Share of profit of associated companies and jointly controlled entities	(32,399)	(29,619)
Impairment of property, plant and equipment	50,989	116,625
Goodwill on consolidation written off	120,914	-
Provision for doubtful debts	2,907	4,950
Write back of provision for doubtful debts	(233)	(200)
Write back of provision for inventory obsolescence	(391)	-
Impairment of other investment	-	500
Gain on disposal of property, plant and equipment	(6,020)	123
Non-operating items	613	(233)
Operating profit before working capital changes	10,516	28,662
Changes in working capital		
Net change in current assets	85,551	5,973
Net change in current liabilities	(30,434)	(42,428)
Cash generated from / (used in) operations	65,633	(7,793)
Interest expenses	(8,844)	(2,599)
Taxation paid	(10,756)	(12,117)
Tax refund	-	1,550
Net cash generated from / (used in) operating activities	46,033	(20,959)
Investing Activities		
Net cash used in acquisition of subsidiaries	(103,061)	-
Net cash used in investment of associate company	(40)	-
Repayment of amount due to ultimate holding company, SHSB by subsidiary, SESB, as part of terms of acquisition	(36,500)	-
Dividend from jointly controlled entities	1,883	100
Purchase of property, plant and equipment	(25,017)	(106,827)
Deferred expenditure incurred	(3,276)	(2,025)
Distribution proceeds from subsidiary company under voluntary liquidation	-	45
Proceeds from disposal of property, plant and equipment	95,214	685
Interest income	724	1,401
Net cash used in investing activities	(70,073)	(106,621)
Financing Activities		
Net increase in fixed deposits pledged	799	(385)
Repayment of term loans	(37,806)	28,228
Repayment of hire purchase and lease creditors	(3,479)	(2,444)
Net changes in short term borrowings	124,682	33,946
Dividend paid	-	(2,728)
Net cash generated from financing activities	84,196	56,617
Net changes in Cash and Cash Equivalent	60,156	(70,963)
Cash and Cash Equivalents at beginning of year	58,182	129,020
Effect of exchange rate translation	514	125
Cash and Cash Equivalents at end of year	118,852	58,182
 Note 1:		
Cash and cash equivalents comprise of the following balance sheet amounts:		
Deposits with licensed financial institutions	114,364	23,121
Cash and bank balances	24,760	46,745
Bank overdrafts	(3,643)	(2,247)
	135,481	67,619
Less: Fixed deposits pledged	(8,638)	(9,437)
Cash held on trust for an associated company	(7,991)	-
	118,852	58,182

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III. CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

Note 2:

Included in the net cash used in investing activities is the acquisition of subsidiaries, Sapura Energy Sdn Bhd during the year. The fair value of assets acquired and liabilities assumed are as follows:

	RM'000
Property, plant and equipment	162,361
Investment in associated companies	13,974
Inventories	6,624
Trade and other receivables	139,949
Due from related companies	4,593
Fixed deposits	7,433
Cash and bank balances	9,156
Trade and other payables	(95,322)
Bank overdraft	(2,050)
Short term borrowings	(6,856)
Due to related companies	(3,478)
Due to ultimate holding company - SHSB	(36,463)
Taxation	(2,542)
Long term loan and borrowings	(156,511)
Deferred taxation	(23,857)
	17,011
Goodwill on consolidation	120,914
Total consideration	137,925
Consideration paid via issuance of RCCPS	(20,325)
	117,600
Cash and cash equivalents of subsidiaries acquired:	
Cash and bank balances	(9,156)
Fixed deposits	(7,433)
Bank overdraft	2,050
Net cash used in acquisition of subsidiaries	103,061

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
Thirteen months to 31 Jan 2004 (unaudited)				
Balance at beginning of year	75,778	217,370	(58,506)	234,642
Redeemable Cumulative Convertible preference shares	1,301			1,301
Loss for the period	-	-	(156,657)	(156,657)
Currency translation differences	-	82	-	82
Balance at end of period	<u>77,079</u>	<u>217,452</u>	<u>(215,163)</u>	<u>79,368</u>
Twelve months to 31 Dec 2002 (audited)				
Balance at beginning of year	75,778	217,356	59,184	352,318
Loss for the period			(114,962)	(114,962)
Currency translation differences	-	(15)	-	(15)
Share of exchange reserve	-	29	-	29
Dividend 5.0 sen per share less tax			(2,728)	(2,728)
Balance at end of period	<u>75,778</u>	<u>217,370</u>	<u>(58,506)</u>	<u>234,642</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. Accounting policies and methods of computation

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 and additionally the adoption of MASB 25 and MASB 29, which became effective from 1 January 2003. The adoption of these accounting standards has not given rise to any prior year adjustments.

2. Audit report of preceding annual financial statements

The audit report of the Group on the preceding year financial statements was not qualified.

3. Seasonality and cyclicity of operations

The Group's operations are not materially subject to any seasonal or cyclical factors.

4. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group other than that disclosed in the Condensed Income Statement and in Note 19 (Material Litigation) below.

5. Changes in estimates

There were no changes to the estimates of amounts reported in prior financial years.

6. Debts and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities except for the following:

The Company issued 20,325,000 Redeemable Cumulative Convertible Preference Shares ("RCCPS") of RM0.10 each at an issue price of RM1.00 per RCCPS.

7. Segmental information

	<u>13 months to 31/01/04</u>	
	Revenue	Segment profit / (loss)
Core Operating Activities		
Offshore installation & construction	317,856	(3,920)
Offshore drilling	184,612	45,747
Marine services	97,954	(20,244)
	<u>600,422</u>	<u>21,583</u>
Other Activities		
Teknik Hidayat Refurbishment	-	(69,423)
Others	33,505	1,691
Goodwill written off	-	(120,914)
Consolidated revenue / results	<u>633,927</u>	<u>(167,063)</u>

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8. Carrying amount of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from previous annual financial statements.

9. Subsequent events

There were no material events subsequent to 31 January 2004 to the date of this announcement except for the following:

- a) On 1 March 2004, the Company announced that its wholly owned subsidiary, TL Offshore Sdn Bhd ("TLO"), has on even date received a letter from Petroleum Nasional Berhad ("Petronas") whereby Petronas has approved the award of the Tender for 2004-2006 Transportation and Installation of Offshore Facilities submitted by TLO on 11 August 2003 to Petronas Carigali Sdn Bhd, Sarawak Shell Bhd/Sabah Shell Petroleum Company and Exxon Mobil Exploration & Production Malaysia Inc ("EMEPMI"). At the time of submission of the Tender, the aggregate value of the contracts was estimated approximately RM2 billion.
- b) On 12 February 2004, the Company announced that its wholly owned subsidiary, Petcon (Malaysia) Sdn Bhd and EMEPMI had agreed to extend the existing contract for a period of one year from 18 January 2004. The estimated value for this extension is approximately USD18 million.

10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations except as stated below:

- a) 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. The acquisition of SESB was completed on 23 December 2003.
- b) On 13 November 2003, the Company announced that Varia Perdana Sdn Bhd, a company which Crest has 51% interest through its wholly owned subsidiary, Probadi Sdn Bhd, had on 12 November 2003, incorporated an offshore company in the Federal Territory of Labuan under the name of Crest Tender Rigs Pte Ltd. ("CTR")

CTR has an authorised share capital of USD5,000,000 comprising 5,000,000 shares of USD1.00 each, and an issued and paid-up capital of USD100,000 comprising 100,000 shares of USD1.00 each.

11. Contingent liabilities

There were no changes in the contingent liabilities 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 RM150.9 million. As at 31 January 2004, an amount of RM78.1 million was utilised by certain subsidiary companies under several facilities granted by financial institutions.

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12. Capital commitments

	RM'000
Approved and contracted for *	123,024
Approved but not contracted for	1,803
	124,827

* Includes the Company's share of capital commitment of an associate amounting to RM122.1 million in relation to the Proposed T-9 Acquisition as disclosed in Note 16.

13. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year	Preceding year	13 months to	12 months to
	quarter 31/1/04 RM'000	corresponding quarter RM'000	31/1/04 RM'000	31/12/03 RM'000
Malaysian Taxation				
- current taxation	854	N/A	4,510	5,711
- under provision in respect of prior years	(1,342)	N/A	(1,342)	16,812
- deferred taxation	(18,981)	N/A	(19,951)	(913)
- reimbursable tax expense in respect of prior years	-	N/A	-	(3,629)
- share of taxation of associated companies / jointly controlled entities	2,886	N/A	9,658	8,750
	(16,583)	N/A	(7,125)	26,731
Foreign taxation				
- current taxation	3	N/A	3	656
- under provision in respect of prior years	97	N/A	97	-
	(16,483)	N/A	(7,025)	27,387

Note: N/A denotes Not Applicable

The effective tax rates for the current quarter and current period is lower from the statutory tax rate due to the reversal of deferred tax provision arising from the disposal of a drilling rig by a subsidiary company.

14. Disposal of unquoted investments and/or properties

There were no disposals of unquoted investments and/or properties during the current quarter and financial period ended 31 January 2004 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 January 2004.

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15. Quoted securities

There were no acquisitions and disposals of quoted securities for the current quarter and financial period ended 31 January 2004 and there were no investments in quoted securities as at 31 January 2004.

16. (a) Status of corporate proposals announced but not completed as at the date of this announcement

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

- i. On 18 December 2003, the Company announced that it entered into a Memorandum of Agreement in relation to the proposed acquisition of a drilling rig, the T-9, by Crest Tender Rigs Pte Ltd, a new Labuan incorporated wholly-owned subsidiary of Varia Perdana Sdn Bhd ("Varia Perdana"), from Smedvig Rig AS, a related company of Smedvig Asia Limited, which owns 49% of Varia Perdana, for a total cash consideration of USD70 million ("Proposed T-9 Acquisition")

The Company's shareholders approved the above acquisition at an Extraordinary General Meeting held on 19 February 2004. The Proposed T-9 Acquisition is expected to be completed by the second quarter of the financial year ending 31 January 2005.

- ii. On 3 December 2003, the Company had announced the following:
- Proposed share split into five (5) new ordinary shares of RM0.20 each for every one (1) ordinary share of RM1.00 each held in Crest ("Proposed Share Split")
 - Proposed employee share option scheme for eligible employees and Executive Directors of the company and its subsidiaries ("Proposed ESOS")
 - Proposed amendments to the memorandum and articles of association of Crest

The Company had obtained shareholders' approval for the above at an Extraordinary General Meeting held on 19 February 2004.

The Proposed ESOS is pending Malaysia Securities Exchange Berhad's ("MSEB") approval.

The Proposed Share Split has been approved by MSEB and Securities Commission on 4 February 2004 and 16 February 2004 respectively.

(b) Status of utilisation of proceeds raised from corporate proposal

During the current financial period, the Company undertook a renounceable rights issue of 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 together with 50,000,000 new free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares subscribed.

The Rights Shares and Warrants were listed on the Second Board of MSEB on 27 February 2004.

The proceeds from the Rights Shares of RM150 million were utilised for the repayment of the bank borrowings to fund the SESB acquisition as disclosed in the Abridged Prospectus dated 31 December 2003.

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17. Borrowings

Details of Group borrowings as at 31 January 2004 are as follows:

	Long term borrowings			Short term borrowings		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Domestic Banks						
- Debt securities	138,415	-	138,415	-	-	-
- Other borrowings	18,586	-	18,586	161,465	10,643	172,108
RCCPS	-	18,518	18,518	-	-	-
	157,001	18,518	175,519	161,465	10,643	172,108

18. Off-balance sheet financial instruments

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

19. Material litigation

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.

The Plaintiff's demand for arbitration ("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 ("Claim"). In addition, the Plaintiff sought wharfage and miscellaneous third party and custodial expenses and attorneys' fees, all of which are continued to accrue. On 1 November 2003, the Company filed counterclaims in the Arbitration against the Plaintiff and its parent First Wave Marine, Inc ("Counterclaim").

On 21 January 2004, a settlement was achieved with the Plaintiff whereby the Company, CHLL and SP and the Plaintiff desire to resolve forever all claims, counterclaims, and the disputes between them, by the following terms:-

- (a) By the Company paying to the Plaintiff, a settlement amount of USD8,569,900, the total of which was paid on 21 January 2004;
- (b) By mutual agreement between the Company, CHLL and SP and the Plaintiff and First Wave Marine, Inc to terminate the Rig Repair and Refurbishment Agreement between them dated 24 May 2002 on which the Company was the guarantor of the performance obligations of SP and CHLL and First Wave Marine, Inc was the guarantor of the performance obligations of the Plaintiff; and
- (c) A Joint Motion to Dismiss the Arbitration with Prejudice executed by the Plaintiff and its parent, First Wave Marine, Inc and the Company, CHLL, SP, which motion was filed with the AAA on 21 January 2004 (Central Time, United States America) requesting the dismissal with prejudice of the Counterclaim without costs or fees to any party; and

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(d) Following from the settlement, a Motion to Dismiss the Plaintiff's Claim and to Release Arrest of the Teknik Hidayat executed by the Plaintiff and the Company, CHLL, SP, which motion was filed with the District Court on 21 January 2004 (Central Time, United States of America) to:-

- (i) dismiss the Plaintiff's claims against the Company, CHLL, SP and the Teknik Hidayat;
- (ii) dissolve the Order to Seize a Vessel issued at the instance of the Plaintiff; and
- (iii) dissolve the stay of proceedings contained in the District Court's order of 5 May 2003.

20. Comparison between the current quarter and the immediate preceding quarter

There is no comparative immediate preceding quarter for the current quarter's results.

21. Review of performance for the current quarter and period to date

The Group registered a loss before taxation of RM165.9 million and RM167.1million in the current quarter and current period to date respectively mainly due to goodwill written off arising from the SESB acquisition, impairment loss provided on Teknik Hidayat and project losses incurred in the marine services division.

22. Profit forecast / profit guarantee

There is no profit forecast / profit guarantee provided by the Company.

23. Prospects for Year 2005

Barring any unforeseen circumstances, the Directors expect the Group to achieve significantly improved results for the financial year ending 31 January 2005.

24. Dividend

The Board of Directors does not recommend the payment of any dividend for the current financial period ended 31 January 2004. (2002: Nil)

25. The presentation of the Condensed Consolidated Income Statement has been changed to reflect a more appropriate presentation of the Group results.

By Order of the Board

Kuala Lumpur
24 March 2004

Sabrina Albakri Abu Bakar
Tasneem Mohd Dahalan
Company Secretaries