

**SAPURACREST PETROLEUM BERHAD**  
**(Company No : 45631-D)**  
**Incorporated in Malaysia**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 2004**

**THE FIGURES HAVE NOT BEEN AUDITED**

**I. CONDENSED CONSOLIDATED INCOME STATEMENT**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	Current year quarter <b>31/7/2004</b> RM'000	Preceding year corresponding quarter <b>31/7/2003</b> RM'000	Six months to <b>31/7/2004</b> RM'000	Six months to <b>31/7/2003</b> RM'000
<b>1. (a) Revenue</b>	<b>275,387</b>	<b>N/A</b>	<b>415,199</b>	<b>N/A</b>
(b) Operating expenses	(237,907)	N/A	(363,539)	N/A
(c) Other operating income	66	N/A	2,452	N/A
(d) Profit from operations	37,546	N/A	54,112	N/A
(e) Finance cost	(7,166)	N/A	(12,046)	N/A
<b>(f) Profit before share of associated companies and jointly controlled entities' results</b>	<b>30,380</b>	<b>N/A</b>	<b>42,066</b>	<b>N/A</b>
(g) Share of profit of associated companies and jointly controlled entities	507	N/A	828	N/A
<b>(h) Profit before taxation and minority interests</b>	<b>30,887</b>	<b>N/A</b>	<b>42,894</b>	<b>N/A</b>
(i) Taxation	(4,206)	N/A	7,630	N/A
<b>(j) Profit after taxation and before minority interests</b>	<b>26,681</b>	<b>N/A</b>	<b>50,524</b>	<b>N/A</b>
(k) Minority interests	(6,524)	N/A	(19,931)	N/A
<b>(l) Net profit attributable to members of the company</b>	<b>20,157</b>	<b>N/A</b>	<b>30,593</b>	<b>N/A</b>
<b>2. Earnings per share (sen)</b>				
Basic	<u>2.39</u>	<u>N/A</u>	<u>3.63</u>	<u>N/A</u>
Diluted	<u>2.04</u>	<u>N/A</u>	<u>3.10</u>	<u>N/A</u>

Note: N/A - Not applicable

Pursuant to the change of year end from 31 December to 31 January as announced on 9 January 2004, comparatives for the current quarter and the cumulative quarter are not presented for the current year.

The condensed consolidated income statement, cash flow statement and statement of changes in equity for the second quarter of the preceding year are attached for information purposes.

The condensed consolidated income statement should be read in conjunction with the Annual Financial Statements for the period ended 31 January 2004.

**SAPURACREST PETROLEUM BERHAD**  
(Company No : 45631-D)  
Incorporated in Malaysia

**II. CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>UNAUDITED</b> <b>As at end of</b> <b>current quarter</b> <b>31/7/2004</b> RM'000	<b>RESTATED</b> <b>As at preceding</b> <b>financial period end</b> <b>31/1/2004</b> RM'000
1. Property, plant and equipment	612,164	207,518
2. Investment in associated companies	19,252	142,097
3. Jointly controlled entities	1,373	1,383
4. Deferred tax assets	232	232
5. Goodwill on consolidation	115,297	115,297
	<u>748,318</u>	<u>466,527</u>
<b>6. CURRENT ASSETS</b>		
Inventories	32,327	8,966
Trade & other receivables	420,773	244,587
Amount due from holding company	44	2,592
Amount due from associated company	3,040	-
Amount due from jointly controlled entities	14	7
Amount due from related companies	5,585	5,527
Deposits with licensed financial institutions	50,652	114,364
Cash and bank balances	61,498	22,507
	<u>573,933</u>	<u>398,550</u>
<b>7. CURRENT LIABILITIES</b>		
Trade & other payables	328,594	245,094
Amount due to holding company	232	55
Amount due to associated company	-	30,132
Amount due to jointly controlled entities	-	2
Amount due to related companies	2,666	2,506
Short term borrowings	78,729	196,416
Taxation	27,161	14,245
	<u>437,382</u>	<u>488,450</u>
8. Net current assets / (liabilities)	136,551	(89,900)
	<u><b>884,869</b></u>	<u><b>376,627</b></u>
<b>9. Shareholders' funds</b>		
Share capital	175,792	75,778
Redeemable cumulative convertible preference shares	1,301	1,301
Reserves		
Share premium	183,319	134,251
Revaluation reserve	7,678	7,678
Capital reserve	3,519	3,519
Merger reserve	51,989	51,989
Exchange reserve	392	262
Accumulated loss	(57,678)	(82,411)
Total reserves	<u>189,219</u>	<u>115,288</u>
	<u>366,312</u>	<u>192,367</u>
10. Minority interests	147,063	2,613
11. Long term borrowings	327,790	137,065
12. Redeemable cumulative convertible preference shares	18,518	18,518
13. Hire purchase and lease creditors	2,696	3,560
14. Deferred taxation	22,490	22,504
	<u><b>884,869</b></u>	<u><b>376,627</b></u>
<b>15. Net tangible assets per share (RM)</b>	<u><b>0.29<sup>*</sup></b></u>	<u><b>1.02</b></u>

\*Based on 878,961,975 of ordinary shares of RM0.20 each, subsequent to the rights issue and share split (31/1/04 : 75,778,200 ordinary shares of RM1.00 each)

The condensed consolidated balance sheet should be read in conjunction with the Annual Financial Statements for the period ended 31 January 2004

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**III. CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited Six months to 31/7/2004 RM'000</b>
<b>Profit before taxation</b>	<b>42,894</b>
Adjustments:	
Depreciation and amortisation	33,265
Interest expenses	12,046
Interest income	(827)
Share of profit of associated companies and jointly controlled entities	(828)
Other operating items	278
Operating profit before working capital changes	86,828
Changes in working capital	
Net change in current assets	(384,374)
Net change in current liabilities	325,086
Cash generated from operations	27,540
Interest expenses	(12,046)
Taxation paid	(5,749)
<b>Net cash generated from operating activities</b>	<b>9,745</b>
<b>Investing Activities</b>	
Purchase of property, plant and equipment	(47,156)
Advance to an associated company	(3,040)
Others	153
<b>Net cash used in investing activities</b>	<b>(50,043)</b>
<b>Financing Activities</b>	
Proceeds from issuance of rights issue	150,000
Shares issue expenses	(968)
Proceeds from exercise of warrants	50
Net increase in fixed deposits pledged	3,126
Repayment of term loans	(25,970)
Repayment of bridging loan	(150,320)
Repayment of hire purchase and lease creditors	(924)
Net changes in short term borrowings	2,058
<b>Net cash used in financing activities</b>	<b>(22,948)</b>
<b>Net changes in Cash and Cash Equivalent</b>	<b>(63,246)</b>
<b>Cash and Cash Equivalents at beginning of period</b>	<b>116,883</b>
<b>Effect of exchange rate translation</b>	<b>(60)</b>
	53,577
<b>Cash and Cash Equivalents of former associated companies</b>	<b>46,307</b>
<b>Cash and Cash Equivalents at end of period</b>	<b>99,884</b>
Note 1:	
Cash and cash equivalents comprise of the following balance sheet amounts:	
Deposits with licensed financial institutions	50,652
Cash and bank balances	61,498
Bank overdrafts	(6,753)
	105,397
Less: Fixed deposits pledged	(5,513)
	99,884

Pursuant to the change of year end from 31 December to 31 January as announced on 9 January 2004, comparatives for the current quarter are not presented for the current year.

The condensed consolidated cash flow statement should be read in conjunction with the Annual Financial Statements for the period ended 31 January 2004.

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**IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Share Capital</b> RM'000	<b>Capital Reserves</b> RM'000	<b>Accumulated loss</b> RM'000	<b>Total</b> RM'000
Six months to 31 July 2004 (unaudited)				
Balance at beginning of year	77,079	217,452	(222,102)	72,429
Prior year adjustment arising from change of accounting policy		(19,753)	139,691	119,938
As restated	77,079	197,699	(82,411)	192,367
Elimination of realised gain recognised in prior year **	-	-	(5,860)	(5,860)
Issuance of rights issue	100,000	50,000	-	150,000
Shares issue expenses	-	(968)	-	(968)
Exercise fo warrants	14	36	-	50
Profit for the period	-	-	30,593	30,593
Currency translation differences	-	130	-	130
Balance at end of period	<u>177,093</u>	<u>246,897</u>	<u>(57,678)</u>	<u>366,312</u>

\*\* The disposal of a drilling rig, Teknik Berkat, from a wholly owned subsidiary company to Varia Perdana Sdn Bhd, previously treated as an associated company, had given rise to gain on disposal in the prior year.

Subsequent to the consolidation of Varia Perdana Sdn Bhd's results as further disclosed in Note 1 of the Notes to the Financial Statements, the gain on disposal is eliminated in the current year and dealt with through reserve.

Pursuant to the change of year end from 31 December to 31 January as announced on 9 January 2004, comparatives for the current quarter are not presented for the current year.

The condensed consolidated statement of changes in equity should be read in conjunction with the Annual Financial Statements for the period ended 31 January 2004.

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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.

(i) Subsequent to the implementation of the Business Rationalisation Agreement that was announced on 8 October 2003, the results of Varia Perdana Sdn Bhd and Tioman Drilling Company Sdn Bhd, both 51% subsidiary companies of the Group, have been consolidated with effect from 1 February 2004.

(ii) In the current financial year, the Group changed its accounting policy for goodwill on consolidation as follows:-

Goodwill arising from consolidation is capitalised as an asset and reviewed for impairment at financial year end or in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The change in accounting policy has been applied retrospectively and the audited Balance Sheet as at 31 January 2004 have been restated as follows:

	Audited RM'000	Effect of changes in accounting policy RM'000	As Restated RM'000
<b>Non Current Assets</b>			
Investment in associated companies	137,456	4,641	142,097
Goodwill on consolidation	-	115,297	115,297
<b>Reserve</b>			
Reserve on consolidation	19,753	(19,753)	-
Accumulated losses	(222,102)	139,691	(82,411)

**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 except for severe weather conditions.

**4. Unusual items**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group.

**5. Changes in estimates**

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

**6. Debts and equity securities**

The Group and the Company did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares during the current quarter and financial period ended 31 July 2004.

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**7. Segmental information**

	<u>6 months to 31/7/04</u>	
	<b>Revenue</b>	<b>Segment</b>
	<b>RM'000</b>	<b>profit / (loss)</b>
		<b>RM'000</b>
Installation of Pipelines and Facilities	105,960	7,312
Drilling	110,221	24,479
Marine Services	184,115	21,580
Operations and Maintenance	14,903	1,204
Others (unallocated corporate and investment holding expenses)	-	(11,681)
<b>Consolidated revenue / results</b>	<b>415,199</b>	<b>42,894</b>

**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 July 2004 to the date of this announcement.

**10. Changes in the composition of the Group**

An offshore company, Sarku Vessels Pte Ltd ("Sarku Vessels") was incorporated in the Federal Territory of Labuan on 16 March 2004. Sarku Vessels has an authorised share capital of USD20,000 comprising 20,000 ordinary shares of USD1.00 each, and an issued capital of 20,000 ordinary shares of USD1.00 each.

Except for the above, 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.

**11. Contingent liabilities**

There were no changes in the contingent liabilities since the preceding financial period ended 31 January 2004 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 RM483.7 million. As at 31 July 2004, an amount of RM317.6 million was utilised by certain subsidiary companies under several facilities granted by financial institutions.

**12. Capital commitments**

Capital commitments as at 31 July 2004 are as follows:

Approved and contracted for	<b>RM'000</b> <b>2,338</b> <b>=====</b>
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**13. Taxation**

Taxation comprises the following:

	Current year quarter <b>31/7/04</b> RM'000	corresponding quarter <b>31/7/03</b> RM'000	6 months to <b>31/7/04</b> RM'000	6 months to <b>31/7/03</b> RM'000
<u>Malaysian Taxation</u>				
- current taxation	4,281	N/A	9,308	N/A
- deferred taxation	(103)	N/A	(16,969)	N/A
- share of taxation of associated companies / jointly controlled entities	4	N/A	7	N/A
<u>Foreign Taxation</u>				
- current taxation	24	N/A	24	N/A
	<u>4,206</u>	<u>N/A</u>	<u>(7,630)</u>	<u>N/A</u>

The effective tax rate for the current quarter varies from the statutory tax rate due to the writeback of deferred tax provision.

**14. Disposal of unquoted investments and/or properties**

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

**15. Quoted securities**

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

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

i) The Company had obtained shareholders' approval for the Proposed employee share option scheme for eligible employees and Executive Directors of the Company and its subsidiaries ("Proposed ESOS") at an Extraordinary General Meeting held on 19 February 2004. The Proposed ESOS has been approved by the relevant authorities and is now in the process of implementation.

ii) On 12 July 2004, the Company announced that it proposed to issue up to USD100 million nominal value of five (5)-year convertible bonds ("CB") which are convertible into new ordinary shares of RM0.20 each in the Company through a Special Purpose Vehicle. The Company has applied for the necessary approvals from the relevant authorities save and except for the approval for the listing of and quotation for the CB. The proposal is also subject to shareholders' approval.

Except for the above, there were no corporate proposals announced but not completed as at the date of this announcement.

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**17. Borrowings**

Details of Group borrowings as at 31 July 2004 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						
- Debt securities	118,840	-	118,840	19,714	-	19,714
- Other borrowings	16,100	-	16,100	17,712	13,753	31,465
Foreign Bank	192,850	-	192,850	27,550	-	27,550
RCCPS	-	18,518	18,518	-	-	-
	<b>327,790</b>	<b>18,518</b>	<b>346,308</b>	<b>64,976</b>	<b>13,753</b>	<b>78,729</b>

**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**

The Company and its subsidiary companies have no material litigation as at the date of this announcement.

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

The Group's revenue of RM275.4 million for the current quarter is 96.9% higher than that of the immediate preceding quarter due to increased activities in Installation of Pipelines and Facilities and Marine Services divisions. For the same reason, the Group registered a profit before taxation of RM30.9 million for the current quarter as compared to RM12.0 million in the immediate preceding quarter.

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

The Group registered a revenue of RM275.4 million and RM415.2 million for the current quarter and year to date respectively, generated mainly by the Drilling, Installation of Pipelines and Facilities and Marine Services divisions. Correspondingly the profit before taxation of RM30.9 million and RM42.9 million for the current quarter and current year to date respectively were contributed mainly by the above divisions.

**22. Prospects for Year 2004/5**

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

**23. Dividend**

The Board of Directors does not recommend the payment of a dividend for the current financial period ended 31 July 2004. (2003: Nil)



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**24. Earnings Per Share**

(a) Basic

	3 months to 31/7/04	6 months to 31/7/04
Net profit for the period (RM'000)	20,157	30,593
Weighted average number of ordinary shares in issue ('000)	843,598	843,598
Basic earnings per share (sen)	<u>2.39</u>	<u>3.63</u>

(b) Diluted

	3 months to 31/7/04	6 months to 31/7/04
Net profit for the period (RM'000)	20,157	30,593
Weighted average number of ordinary shares in issue ('000)	843,598	843,598
Number of shares under RCCPS	28,229	28,229
Number of shares under warrants	249,943	249,943
Number of shares for warrants that would have been issued at fair value	<u>(135,465)</u>	<u>(135,465)</u>
Number of shares used in the calculation of diluted EPS	986,305	986,305
Diluted earnings per share (sen)	<u>2.04</u>	<u>3.10</u>

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**25. Comparatives**

The following has been reclassified to conform with the current year's presentation.

Balance Sheet as at 31 January 2004	Audited RM'000	Adjustment RM'000	As restated RM'000
Property, plant & equipment	201,816	5,702	207,518
Deferred expenditure	5,702	(5,702)	-

**By Order of the Board**

**Kuala Lumpur**  
**22 September 2004**

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

ATTACHMENT

**SAPURACREST PETROLEUM BERHAD**  
**(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**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	<b>Individual Quarter</b>	<b>Cumulative Quarter</b>
	Three months to <b>30/06/2003</b> RM'000	Six months to <b>30/06/2003</b> RM'000
<b>1 (a) Revenue</b>	<b>238,461</b>	<b>336,441</b>
(b) Operating expenses	(237,958)	(352,441)
(c) Other operating income	1,095	1,235
(d) Profit / (Loss) from operations	1,598	(14,765)
(e) Finance cost	(1,075)	(2,401)
<b>(f) Profit / (Loss) before share of associated companies and jointly controlled entities' results</b>	<b>523</b>	<b>(17,166)</b>
(g) Share of profit of associated companies and jointly controlled entities	6,016	13,185
<b>(h) Profit /(Loss) before taxation and minority interests</b>	<b>6,539</b>	<b>(3,981)</b>
(i) Taxation	(2,775)	(6,632)
<b>(j) Profit/(Loss) after taxation and before minority interests</b>	<b>3,764</b>	<b>(10,613)</b>
(k) Minority interests	(168)	502
<b>(l) Net profit/(Loss) attributable to members of the company</b>	<b>3,596</b>	<b>(10,111)</b>
<b>2 Earnings per share based on (l) above and 75,778,200 ordinary shares</b>	<b>4.75 sen</b>	<b>(13.34) sen</b>

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

**Unaudited**  
**Six months**  
to  
**30/6/2003**  
RM'000

<b>Loss before taxation</b>	<b>(3,981)</b>
Adjustments:	
Depreciation and amortisation	12,937
Interest expenses	2,401
Interest income	(324)
Share of profit of associated companies and jointly controlled entities	(13,185)
Non-operating items	382
Operating loss before working capital changes	<u>(1,770)</u>
Changes in working capital	
Net change in current assets	(69,707)
Net change in current liabilities	72,576
Cash generated from operations	<u>1,099</u>
Interest expenses	(2,401)
Taxation paid	(11,596)
<b>Net cash used in operating activities</b>	<b>(12,898)</b>
<b>Investing Activities</b>	
Dividend from jointly controlled entities	675
Purchase of property, plant and equipment	(9,952)
Others	(3,136)
<b>Net cash used in investing activities</b>	<b>(12,413)</b>
<b>Financing Activities</b>	
Net increase in fixed deposits pledged	(1,396)
Repayment of hire purchase and lease creditors	(738)
Net drawdown of term loans	(3,836)
Net changes in short term borrowings	1,426
<b>Net cash used in financing activities</b>	<b>(4,544)</b>
<b>Net changes in Cash and Cash Equivalent</b>	<b>(29,855)</b>
<b>Cash and Cash Equivalents at beginning of period</b>	<b>58,182</b>
<b>Effect of exchange rate translation</b>	<b>142</b>
<b>Cash and Cash Equivalents at end of period</b>	<b><u>28,469</u></b>

Note 1:

Cash and cash equivalents comprise of the following balance sheet amounts:

Deposits with licensed financial institutions	18,853
Cash and bank balances	20,449
	<u>39,302</u>
Less: Fixed deposits pledged	(10,833)
	<u>28,469</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Share Capital</b> RM'000	<b>Capital Reserves</b> RM'000	<b>Accumulated loss</b> RM'000	<b>Total</b> 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>