

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2004

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2004 RM'000	Preceding year corresponding quarter 31/10/2003 RM'000	Nine months to 31/10/2004 RM'000	Nine months to 31/10/2003 RM'000
1. (a) Revenue	367,994	N/A	783,193	N/A
(b) Operating expenses	(344,834)	N/A	(708,373)	N/A
(c) Other operating income	203	N/A	2,655	N/A
(d) Profit from operations	23,363	N/A	77,475	N/A
(e) Finance cost	(3,371)	N/A	(15,417)	N/A
(f) Profit before share of associated companies and jointly controlled entities' results	19,992	N/A	62,058	N/A
(g) Share of profit of associated companies and jointly controlled entities	1,211	N/A	2,039	N/A
(h) Profit before taxation and minority interests	21,203	N/A	64,097	N/A
(i) Taxation	(2,513)	N/A	5,117	N/A
(j) Profit after taxation and before minority interests	18,690	N/A	69,214	N/A
(k) Minority interests	(3,820)	N/A	(23,751)	N/A
(l) Net profit attributable to members of the company	14,870	N/A	45,463	N/A
2. Earnings per share (sen)				
Basic	<u>1.74</u>	<u>N/A</u>	<u>5.31</u>	<u>N/A</u>
Diluted	<u>1.51</u>	<u>N/A</u>	<u>4.62</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 third 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
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II. CONDENSED CONSOLIDATED BALANCE SHEET

	UNAUDITED As at end of current quarter 31/10/2004 RM'000	RESTATED As at preceding financial period end 31/1/2004 RM'000
1. Property, plant and equipment	591,583	207,518
2. Investment in associated companies	21,014	142,097
3. Jointly controlled entities	1,358	1,383
4. Deferred tax assets	232	232
5. Goodwill on consolidation	115,297	115,297
	<u>729,484</u>	<u>466,527</u>
6. CURRENT ASSETS		
Inventories	35,725	8,966
Trade & other receivables	551,488	244,587
Amount due from ultimate holding company	4	2,592
Amount due from associated company	2,280	-
Amount due from jointly controlled entities	18	7
Amount due from related companies	5,536	5,527
Cash and bank balances	142,521	136,871
	<u>737,572</u>	<u>398,550</u>
7. CURRENT LIABILITIES		
Trade & other payables	405,389	245,094
Amount due to ultimate holding company	59	55
Amount due to associated company	-	30,132
Amount due to jointly controlled entities	-	2
Amount due to related companies	2,871	2,506
Borrowings	141,866	196,416
Taxation	26,742	14,245
	<u>576,927</u>	<u>488,450</u>
8. Net current assets / (liabilities)	160,645	(89,900)
	<u>890,129</u>	<u>376,627</u>
9. Shareholders' funds		
Share capital	175,792	75,778
Redeemable cumulative convertible preference shares	1,301	1,301
Reserves		
Share premium	183,004	134,251
Revaluation reserve	7,678	7,678
Capital reserve	3,519	3,519
Merger reserve	51,989	51,989
Exchange reserve	(76)	262
Accumulated losses	(42,808)	(82,411)
Total reserves	<u>203,306</u>	<u>115,288</u>
	<u>380,399</u>	<u>192,367</u>
10. Minority interests	150,746	2,613
11. Borrowings	339,794	159,143
12. Deferred taxation	19,190	22,504
	<u>890,129</u>	<u>376,627</u>
13. Net tangible assets per share (RM)	<u>0.30</u> *	<u>0.96</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

	Unaudited Nine months to 31/10/2004 RM'000
Profit before taxation	64,097
Adjustments:	
Depreciation and amortisation	50,633
Interest expenses	15,447
Interest income	(1,150)
Share of profit of associated companies and jointly controlled entities	(2,039)
Other operating items	(392)
Operating profit before working capital changes	126,596
Changes in working capital	
Net change in current assets	(549,118)
Net change in current liabilities	428,415
Cash generated from operations	5,893
Interest expenses	(15,447)
Taxation paid	(8,061)
Net cash used in operating activities	(17,615)
Investing Activities	
Purchase of property, plant and equipment	(51,452)
Additional shares subscribed in an associated company	(760)
Advance to an associated company	(2,280)
Proceeds from disposal of property, plant and equipment	7,558
Interest income	1,150
Net cash used in investing activities	(45,784)
Financing Activities	
Proceeds from issuance of rights issue	150,000
Shares issue expenses	(1,283)
Proceeds from exercise of warrants	50
Net increase in fixed deposits pledged	1,014
Repayment of term loans	(34,278)
Repayment of bridging loan	(131,320)
Repayment of hire purchase and lease creditors	(1,938)
Net changes in short term borrowings	46,982
Net cash generated from financing activities	29,227
Net changes in Cash and Cash Equivalent	(34,172)
Cash and Cash Equivalents at beginning of period	116,883
Effect of exchange rate translation	117
	82,828
Cash and Cash Equivalents of former associated companies	46,307
Cash and Cash Equivalents at end of period	129,135
Note 1:	
Cash and cash equivalents comprise of the following balances:	
Cash and bank balances	
Deposits with licensed financial institutions	53,219
Other cash/bank balances	89,302
	142,521
Bank overdrafts	(5,761)
	136,760
Less : Fixed deposits pledged	(7,625)
	129,135

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

	Share Capital RM'000	Capital Reserves RM'000	Accumulated losses RM'000	Total RM'000
Nine months to 31 October 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	-	(1,283)	-	(1,283)
Exercise of warrants	14	36	-	50
Profit for the period	-	-	45,463	45,463
Currency translation differences	-	(338)	-	(338)
Balance at end of period	<u>177,093</u>	<u>246,114</u>	<u>(42,808)</u>	<u>380,399</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
<u>Non Current Assets</u>			
Investment in associated companies	137,456	4,641	142,097
Goodwill on consolidation	-	115,297	115,297
<u>Reserve</u>			
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 October 2004.

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7. Segmental information

	<u>9 months to 31/10/04</u>	
	Revenue	Segment
	RM'000	profit / (loss) RM'000
Installation of Pipelines and Facilities	309,773	12,247
Drilling	149,528	30,482
Marine Services	298,591	28,952
Operations and Maintenance	25,301	2,493
Others		
- Teknik Hidayat project	-	3,377
- Unallocated corporate and investment holding expenses	-	(13,454)
Consolidated revenue / results	783,193	64,097

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 October 2004 to the date of this announcement.

10. Changes in the composition of the Group

Except for the following, 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.

(i) On 16 March 2004, Sarku Vessels Pte Ltd ("Sarku Vessels") was incorporated in the Federal Territory of Labuan. 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.

(ii) On 5 October 2004, SapuraCrest Dana SPV Pte Ltd ("SapuraCrest Dana") was incorporated as a wholly owned subsidiary company in Labuan to facilitate the proposed CB disclosed in Note 16. SapuraCrest Dana has an authorised share capital of USD100,000 ordinary shares of USD1.00 each. The issued and paid up share capital of SapuraCrest Dana is USD100.00 comprising 100 ordinary shares of USD1.00 each.

11. Contingent liabilities

There were no contingent liabilities as at the date of this announcement.

12. Capital commitments

Capital commitments approved and contracted for as at 31 October 2004 is RM2.7 million.

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13. Taxation

Taxation comprises the following:

	Current year quarter 31/10/04 RM'000	Corresponding quarter 31/10/03 RM'000	9 months to 31/10/04 RM'000	9 months to 31/10/03 RM'000
<u>Malaysian Taxation</u>				
- current taxation	2,024	N/A	11,332	N/A
- deferred taxation	-	N/A	(16,969)	N/A
- share of taxation of associated companies / jointly controlled entities	430	N/A	437	N/A
<u>Foreign Taxation</u>				
- current taxation	59	N/A	83	N/A
	<u>2,513</u>	<u>N/A</u>	<u>(5,117)</u>	<u>N/A</u>

The effective tax rate for the current quarter and current year to date varies from the statutory tax rate mainly due to lower statutory tax rate of offshore subsidiary companies, utilisation of unabsorbed losses and capital allowances and writeback of deferred tax provision in the respective subsidiary companies.

14. Disposal of unquoted investments and/or properties

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

15. Quoted securities

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

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

On 14 October 2004, the Company's shareholders approved the proposed issuance of up to USD100 million nominal value of five-year unsecured guaranteed convertible bonds ("CB") through SapuraCrest Dana. Approvals from relevant authorities were obtained as announced on 26 October, 10 November, 17 November, 18 November and 23 November 2004.

There were no other 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 October 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	118,945	-	118,945	19,714	-	19,714
- Other borrowings	16,369	-	16,369	78,267	16,335	94,602
Foreign Bank	185,962	-	185,962	27,550	-	27,550
RCCPS	-	18,518	18,518	-	-	-
	321,276	18,518	339,794	125,531	16,335	141,866

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 RM368.0 million for the current quarter is 33.6% higher than that of the immediate preceding quarter primarily due to an increase in activities in Installation of Pipelines and Facilities. The Group's Profit before taxation for the current quarter of RM21.2 million was however lower compared to RM30.9 million in the immediate preceding quarter primarily due to unexpected adverse weather conditions encountered, in August and October, during installation activities, reduced drilling activities and lower contribution from the respective business units of marine services.

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

The Group recorded revenue of RM368.0 million and RM783.2 million for the current quarter and year to date respectively generated mainly by the three major divisions; Installation of Pipelines and Facilities, Drilling and Marine Services divisions. Each of these divisions contributed significantly to the Group's profit before taxation of RM21.2 million and RM64.1 million for the current quarter and current year to date respectively.

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 October 2004. (2003: Nil)

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24. Earnings Per Share

(a) Basic

	3 months to 31/10/04	9 months to 31/10/04
Net profit for the period (RM'000)	14,870	45,463
Weighted average number of ordinary shares in issue ('000)	855,386	855,386
Basic earnings per share (sen)	1.74	5.31

(b) Diluted

	3 months to 31/10/04	9 months to 31/10/04
Net profit for the period (RM'000)	14,870	45,463
Weighted average number of ordinary shares in issue ('000)	855,386	855,386
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	(150,390)	(150,390)
Number of shares used in the calculation of diluted EPS	983,168	983,168
Diluted earnings per share (sen)	1.51	4.62

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
2 December 2004

Tasneem Mohd Dahalan
Company Secretary

ATTACHMENT

SAPURACREST PETROLEUM BERHAD
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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2003.**

THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter	Cumulative Quarter
	Three months to 30/9/2003 RM'000	Nine months to 30/9/2003 RM'000
1 (a) Revenue	132,351	468,792
(b) Operating expenses	(136,329)	(488,770)
(c) Other operating income	2,408	3,643
(d) Loss from operations	(1,570)	(16,335)
(e) Finance cost	(1,231)	(3,632)
(f) Loss before share of associated companies and jointly controlled entities' results	(2,801)	(19,967)
(g) Share of profit of associated companies and jointly controlled entities	5,580	18,765
(h) Profit /(Loss) before taxation and minority interests	2,779	(1,202)
(i) Taxation	(2,826)	(9,458)
(j) Loss after taxation and before minority interests	(47)	(10,660)
(k) Minority interests	730	1,232
(l) Net profit/(Loss) attributable to members of the company	683	(9,428)
2 Earnings per share based on (l) above and 75,778,200 ordinary shares	0.90 sen	(12.44) sen

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited
Nine months
to
30/9/2003
RM'000

Loss before taxation	(1,202)
Adjustments:	
Depreciation and amortisation	18,681
Interest expenses	3,632
Interest income	(484)
Share of profit of associated companies and jointly controlled entities	(18,765)
Write back of provision for doubtful debts	(2,198)
Non-operating items	15
Operating loss before working capital changes	<u>(321)</u>
Changes in working capital	
Net change in current assets	36,956
Net change in current liabilities	<u>34,074</u>
Cash generated from operations	70,709
Interest expenses	
Interest expenses	(3,632)
Taxation paid	<u>(14,570)</u>
Net cash used in operating activities	52,507
Investing Activities	
Dividend from jointly controlled entities	675
Purchase of property, plant and equipment	(16,858)
Others	679
Net cash used in investing activities	(15,504)
Financing Activities	
Net increase in fixed deposits pledged	(1,938)
Repayment of hire purchase and lease creditors	(571)
Net drawdown of term loans	(13,206)
Net changes in short term borrowings	1,426
Net cash used in financing activities	(14,289)
Net changes in Cash and Cash Equivalent	22,714
Cash and Cash Equivalents at beginning of period	58,182
Effect of exchange rate translation	160
Cash and Cash Equivalents at end of period	<u>81,056</u>

Note 1:

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

Deposits with licensed financial institutions	60,704
Cash and bank balances	34,095
Bank overdrafts	<u>(2,368)</u>
	92,431
Less: Fixed deposits pledged	<u>(11,375)</u>
	<u>81,056</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Capital Reserves RM'000	Accumulated losses RM'000	Total RM'000
Nine months to 30 September 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>