

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 2010

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/07/2010 RM'000	Preceding year corresponding quarter 31/07/2009 RM'000	Six months to 31/07/2010 RM'000	Six months to 31/07/2009 RM'000
1. Revenue	898,116	1,031,573	1,568,472	1,747,756
Operating expenses	(792,947)	(920,122)	(1,372,635)	(1,560,641)
Other income	2,045	6,534	7,248	7,564
Profit from operations	107,214	117,985	203,085	194,679
Finance cost	(7,672)	(11,790)	(16,174)	(23,099)
Share of results of associated companies and jointly controlled entities	99,542	106,195	186,911	171,580
	13,269	1,679	24,557	4,415
Profit before taxation	112,811	107,874	211,468	175,995
Taxation	(13,722)	(14,321)	(25,168)	(21,906)
Profit for the period	99,089	93,553	186,300	154,089
Attributable to :				
Owners of the Parent	53,246	52,362	103,936	78,022
Minority interests	45,843	41,191	82,364	76,067
	99,089	93,553	186,300	154,089
2. Earnings per share (sen)				
Basic	4.17	4.14	8.14	6.17
Diluted	N/A	4.14	N/A	6.17

The condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2010.

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II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/07/2010 RM'000	Preceding year corresponding quarter 31/07/2009 RM'000	Six months to 31/07/2010 RM'000	Six months to 31/07/2009 RM'000
Profit for the period	99,089	93,553	186,300	154,089
Foreign currency translation differences	(9,367)	(28,721)	(39,071)	(5,258)
Total comprehensive income	<u>89,722</u>	<u>64,832</u>	<u>147,229</u>	<u>148,831</u>
Attributable to :				
Owners of the Parent	48,398	40,107	77,410	77,203
Minority interests	41,324	24,725	69,819	71,628
	<u>89,722</u>	<u>64,832</u>	<u>147,229</u>	<u>148,831</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2010.

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III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	As at end of current quarter	As at preceding financial year end
	31/07/2010	31/01/2010
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	921,058	900,456
Investment in jointly controlled entities and associated companies	177,602	192,107
Intangible assets	149,213	149,314
Deferred tax assets	12,788	14,675
	<u>1,260,661</u>	<u>1,256,552</u>
Current assets		
Inventories	67,173	54,276
Trade & other receivables	1,557,758	1,163,182
Derivative financial assets	366	-
Cash and bank balances	704,477	875,251
	<u>2,329,774</u>	<u>2,092,709</u>
TOTAL ASSETS	<u>3,590,435</u>	<u>3,349,261</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	255,344	255,344
Share premium	505,337	505,337
Other reserves	19,034	45,560
Retained profit	266,889	256,976
	<u>1,046,604</u>	<u>1,063,217</u>
Minority interests	<u>383,622</u>	<u>397,103</u>
Total equity	<u>1,430,226</u>	<u>1,460,320</u>
Non-current liabilities		
Borrowings	378,337	405,311
Derivative financial liabilities	4,574	-
Deferred taxation	7,379	10,509
	<u>390,290</u>	<u>415,820</u>
Current liabilities		
Trade & other payables	1,564,725	1,170,240
Borrowings	197,863	297,597
Derivative financial liabilities	1,922	-
Taxation	5,409	5,284
	<u>1,769,919</u>	<u>1,473,121</u>
TOTAL LIABILITIES	<u>2,160,209</u>	<u>1,888,941</u>
TOTAL EQUITY AND LIABILITIES	<u>3,590,435</u>	<u>3,349,261</u>
Net assets per share (RM)	<u>0.82</u>	<u>0.83</u>

The condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2010.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 31/07/2010 RM'000	Unaudited Six months to 31/07/2009 RM'000
Profit before taxation	211,468	175,995
Adjustment for non-cash items	43,035	53,778
Operating profit before working capital changes	<u>254,503</u>	<u>229,773</u>
Net change in current assets	(379,326)	(276,772)
Net change in current liabilities	<u>310,464</u>	<u>573,893</u>
	185,641	526,894
Non-operating items	<u>(41,996)</u>	<u>(53,980)</u>
Net cash generated from operating activities	143,645	472,914
Net cash used in investing activities	(180,177)	(98,265)
Net cash used in financing activities	<u>(118,319)</u>	<u>(14,555)</u>
Net changes in Cash and Cash Equivalents	(154,851)	360,094
Effect of exchange rate translation	(15,923)	(5,612)
Cash and Cash Equivalents at beginning of year	<u>875,251</u>	<u>590,384</u>
Cash and Cash Equivalents at end of period	<u><u>704,477</u></u>	<u><u>944,866</u></u>

The condensed consolidated statement of cash flows should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2010.

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V. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Parent					Minority Interests	Total Equity
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained profit RM'000	Total RM'000	RM'000	RM'000
Six months to 31 July 2010 (Unaudited)							
At 1 February 2010	255,344	505,337	45,560	256,976	1,063,217	397,103	1,460,320
Effects of adopting FRS139	-	-	-	(42,954)	(42,954)	-	(42,954)
	255,344	505,337	45,560	214,022	1,020,263	397,103	1,417,366
Total comprehensive income for the period	-	-	(26,526)	103,936	77,410	69,819	147,229
Final dividend	-	-	-	(51,069)	(51,069)	-	(51,069)
Dividend to minority interest of a subsidiary	-	-	-	-	-	(83,300)	(83,300)
At 31 July 2010	255,344	505,337	19,034	266,889	1,046,604	383,622	1,430,226
Six months to 31 July 2009 (Unaudited)							
At 1 February 2009	238,767	461,632	60,658	161,333	922,390	401,197	1,323,587
Total comprehensive income for the period	-	-	(819)	78,022	77,203	71,628	148,831
Issue of ordinary share pursuant to ESOS	396	1,118	-	-	1,514	-	1,514
Share options granted under ESOS	-	109	(109)	-	-	-	-
Issue of ordinary share pursuant to exercise of warrants	15,026	38,316	-	-	53,342	-	53,342
Additional investment in subsidiary	-	-	-	-	-	(23,809)	(23,809)
Dividend to minority interest of a subsidiary	-	-	-	-	-	(24,500)	(24,500)
At 31 July 2009	254,189	501,175	59,730	239,355	1,054,449	424,516	1,478,965

The condensed consolidated statement of changes in equity should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2010.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with FRS134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements for the financial year ended 31 January 2010.

The accounting policies and methods of computation adopted for the unaudited condensed consolidated financial statements are consistent with those of the audited annual financial statements for the financial year ended 31 January 2010, other than for the compliance with the new/revised Financial Reporting Standards (FRS) that came into effect during the financial year under review.

2. Changes in accounting policies

Other than for the application of FRS101 (revised) and FRS139 as described below, the application of the new/revised FRS that came into effect during the financial year under review did not result in any significant changes in the accounting policies and presentation of the financial statements of the Group.

(a) FRS101: Presentation of Financial Statements (revised)

The revised FRS101 separates owner and non-owner changes in equity. The consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented in the statement of comprehensive income and as a single line in the statement of changes in equity. This standard does not have any impact on the financial position and results of the Group.

(b) FRS139: Financial Instruments – Recognition and Measurement

FRS139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 February 2010.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments (HTM) and available-for-sale (AFS) financial assets.

The Group's financial assets include cash and short term deposits, loans and receivables and there are no HTM and AFS financial assets. Prior to 1 February 2010, loans or receivables were stated at gross receivables less provision for doubtful debts. Under FRS139, loans and receivables are initially measured at fair value and subsequently at amortised costs using the effective interest rate method (EIR). Gain or losses arising from the derecognition of the loans and receivables, EIR amortization and impairment losses are recognized in the income statement.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial liabilities include trade and other payables are carried at amortised costs.

Impact on opening balances

In accordance with the transitional provisions of FRS139, the above changes are applied prospectively and the comparatives as at 31 January 2010 are not restated. Instead, the changes have been accounted for by restating the opening balances, the effects of which are as follows:

	As at 1/2/2010 RM'000
Decrease in Investment in jointly controlled entities	(38,431)
Decrease in Trade & other payables	7,289
Increase in Derivative financial liabilities	(11,812)

Decrease in Retained earnings	(42,954)

In addition, the changes in the accounting policies have the effect of reducing the profit before tax for the current financial period by RM8.6 million.

3. Seasonality and cyclicity of operations

The Group's operations are not materially affected by any seasonal or cyclical factors except for severe weather conditions.

4. Unusual items due to their nature, size and incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial period.

5. Changes in estimates

There were no changes in estimates that have had a material effect in the current financial period.

6. Debts and equity securities

There was no issuance, repurchase and repayment of debt and equity securities during the current financial period.

7. Segment information

	6 months to 31/07/10	
	Segment Revenue	Segment Results
	RM'000	RM'000
Installation of Pipelines and Facilities	902,019	83,279
Drilling	414,652	175,961
Marine Services	231,126	(12,558)
Operations and Maintenance	20,675	2,277
		<u>248,959</u>
Others		
Finance costs of debt securities		(12,346)
Investment holding and others		(25,145)
Consolidated revenue / profit before tax	<u>1,568,472</u>	<u>211,468</u>

8. Subsequent event

There were no material events subsequent to the end of the current financial period.

9. Changes in the composition of the Group

On 15 June 2010, the Company acquired the entire issued share of Energy Way Sdn Bhd ("Energy Way") comprising two shares of RM1.00 each.

On 17 June 2010, Energy Way subscribed for the entire issued and paid up capital of Nautical Bay Pte Ltd comprising two shares of SGD1.00 each. Subsequently, Nautical Bay Pte Ltd subscribed for the entire issued and paid up capital of Nautical Power Pte Ltd comprising two shares of SGD1.00 each.

Save as disclosed above, there were no changes in the composition of the Group during the current financial period.

10. Contingent liabilities

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

11. Capital commitments

Approved and contracted for:	RM'000
Group	82,522
Share of capital commitment in jointly controlled entities	<u>6,424</u>
Total	<u>88,946</u>

12. Taxation

Taxation comprises the following:

	Current quarter ended 31/07/10 RM'000	Preceding year Corresponding quarter ended 31/07/09 RM'000	Current 6 months to 31/07/10 RM'000	Preceding year Corresponding 6 months to 31/07/09 RM'000
Malaysian Taxation				
- current taxation	11,754	13,240	22,390	19,541
- under/(over) provision in respect of prior year	177	10	177	10
- deferred taxation	272	166	543	332
- under/(over) provision in respect of prior year	(277)	-	(277)	-
Foreign Taxation				
- current taxation	1,796	905	2,335	2,023
	<u>13,722</u>	<u>14,321</u>	<u>25,168</u>	<u>21,906</u>

The effective tax rate for the current quarter and current financial period were lower than the statutory tax rate of 25% principally due to lower tax rates for offshore subsidiary companies.

13. Disposal of unquoted investments and/or properties

There was no disposal of unquoted investments and/or properties during the current financial period.

14. Quoted securities

There was no acquisition and disposal of quoted securities.

15. (a) Status of corporate proposals announced but not completed

On 1 June 2010, the Company had via its wholly owned subsidiary, SapuraCrest Ventures Sdn Bhd (formerly known as Petro-Plus Sdn Bhd) entered into a Joint Venture Agreement with Al Rayan Investment LLC ("ARI") to set up a joint venture company in Qatar to identify, pursue and undertake opportunities in the oil and gas industry in the State of Qatar.

Subsequently on 1 September 2010, a joint venture company, SapuraCrest Qatar (LLC) has been incorporated with SapuraCrest Ventures Sdn Bhd and ARI holding 49% and 51% in its issued shares respectively.

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

(b) **Status of utilisation of proceeds**

Istisna' Bonds Proceeds

<u>Purpose</u>	<u>Proposed Utilisation</u> RM'000	<u>Actual Utilisation</u> RM'000	<u>Intended Timeframe for Utilisation</u>
i) To finance and/or refinance the cost of investment and/or acquisition of any oil and gas related businesses and/or any oil and gas related assets	90,000	79,342	By Jan 2011
ii) For group working capital and/or capital expenditure purposes, which will be Syariah Compliant	30,000	30,000	-
iii) To reimburse the SapuraCrest group for the acquisition of Sarku Clementine	45,000	45,000	-
iv) To buy back Istisna' bonds and MMTNs (Islamic PDS)	80,000	80,000	-
Total	245,000	234,342	

16. **Borrowings**

The Group's borrowings as at 31 July 2010 are as follows:

	<u>Long term borrowings</u>			<u>Short term borrowings</u>			<u>Total</u>
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000	RM'000
Domestic Banks	2,088	-	2,088	28,408	29,825	58,233	60,321
Foreign Banks	129,291	-	129,291	39,446	1,830	41,276	170,567
Debt securities							
- Istisna' Bonds	246,958	-	246,958	-	-	-	246,958
- Murabahah CPs	-	-	-	98,354	-	98,354	98,354
	378,337	-	378,337	166,208	31,655	197,863	576,200

The above includes borrowings in US Dollars equivalent to RM168.2 million and Australian Dollars equivalent to RM2.4 million.

17. Derivative financial instrument

Details of the Group's derivative financial instruments outstanding as at 31 July 2010 are as follows:

	Contract /Notional Amount at 31 July 2010 RM'mil	Asset/ (Liability) Fair Value RM'mil
Cross Currency Interest Rate Swap (CCIRS)	245.0	
- Less than 1 year		(1.9)
- 1 year to 3 years		(3.2)
- More than 3 years		(1.4)
	<hr/>	<hr/>
	245.0	(6.5)
Forward foreign currency contracts		
- Less than 1 year	32.2	0.4
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In the current financial period, the Group entered into forward foreign currency contracts to manage the exposure to foreign exchange risk when it enters into transactions that are not denominated in their functional currencies.

There is no change in respect of the following since the last financial year ended 31 January 2010:

- i. the credit risk, market risk and liquidity risk associated with the derivatives;
- ii. the cash requirements of the derivatives; and
- iii. the policy in place for mitigating or controlling the risks associated with these financial derivatives.

The related accounting policies for the financial derivatives are disclosed in Note 2 above.

The gain/loss arising from fair value changes of financial liabilities is as follows:

Type of financial liability	Current quarter RM'mil	Year to date RM'mil	Basis of fair value measurement	Reasons for gain/losses
CCIRS	(0.28)	3.9	The fair value is computed using a valuation technique which utilises data from recognised financial information sources including rates from relevant yield curves.	The USD/MYR foreign exchange rate has moved in favour of the Group since the last measurement date.

18. Material litigation

There was no material litigation as at the date of this announcement.

19. Review of performance compared to the immediate preceding quarter

Revenue increased by 34% from RM670.4 million in the preceding quarter to RM898.1 million mainly due to higher revenue from the Installation of Pipeline and Facilities ("IPF"), drilling and operation and maintenance divisions.

Profit before tax increased by 14.3% from RM98.7 million in the previous quarter to RM112.8 million in the current quarter mainly due to higher contribution from the drilling division.

20. Review of performance for the current quarter to date

Current quarter compared to the corresponding quarter of the preceding year (3 months)

Revenue for the current quarter of RM898.1 million was 12.9% lower compared to last year's corresponding quarter of RM1.03 billion mainly due to lower activities in the IPF, marine services and operations and maintenance divisions.

Profit before tax of RM112.8 million was an increase of 4.6% compared to RM107.9 million in the preceding year's corresponding quarter mainly due to higher contribution from IPF activities and the drilling division.

Current financial period compared to six months of the preceding year

Revenue decreased by 10.3% from RM1.75 billion in the preceding year to RM1.57 billion for the current financial period mainly due to lower activities in drilling and marine services divisions. However, the overall Group's profit before taxation increased by 20.2% from RM176 million to RM211.5 million mainly due to higher contribution from IPF and drilling divisions.

21. (a) Prospects for the financial year ending 31 January 2011

Barring any unforeseen circumstances, the Directors expect the Group to achieve satisfactory results for the financial year ending 31 January 2011.

(b) Revenue or profit estimate, forecast, projection or internal targets

The Company has not provided any revenue or profit estimate, forecast, projection or internal targets in any previous announcement or public document.

22. Dividend

The Board of Directors has declared a single tier interim dividend of 3.0 sen per share for the financial year ending 31 January 2011. The dividend will be paid on 15 December 2010 to shareholders whose names appear in the Record of Depositors at the close of business on 19 November 2010.

23. Earnings per share

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months to</u> <u>31/07/10</u>	<u>31/07/09</u>	<u>6 months to</u> <u>31/07/10</u>	<u>31/07/09</u>
i) Basic				
Profit attributable to owners of the parent (RM'000)	53,246	52,362	103,936	78,022
Weighted average number of ordinary shares in issue ('000)	1,276,722	1,263,705	1,276,722	1,263,705
Basic earnings per share (sen)	<u>4.17</u>	<u>4.14</u>	<u>8.14</u>	<u>6.17</u>
	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months to</u> <u>31/07/10</u>	<u>31/07/09</u>	<u>6 months to</u> <u>31/07/10</u>	<u>31/07/09</u>
ii) Diluted				
Profit attributable to owners of the parent (RM'000)	53,246	52,362	103,936	78,022
Weighted average number of ordinary shares in issue ('000)	1,276,722	1,263,705	1,276,722	1,263,705
Dilution due to exercise of ESOS ('000)	<u>-</u>	<u>1,435</u>	<u>-</u>	<u>1,435</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,276,722	1,265,140	1,276,722	1,265,140
Diluted earnings per share (sen)	<u>4.17</u>	<u>4.14</u>	<u>8.14</u>	<u>6.17</u>

Note : There are no dilutive ordinary shares in the current financial period.

Selangor
29 September 2010

By Order of the Board

Finton Tuan Kit Ming
Poh Phei Ling

Company Secretaries