EMPOWERING OUR HUMAN CAPITAL

SapuraKencana
PETROLEUM

Engineering & Construction // Drilling // Energy

ANNUAL REPORT 2016

GLOBAL PRESENCE


UK
London
Netherlands
Rotterdam
Russia
Sakhalin
Japan
China
Dongguan
Hong Kong
UAE
Dubai
India
Mumbai
Yangon
Bangkok
Vung Tau
Ivory Coast
Abidjan
Equatorial Guinea
Malabo
South Sudan
Congo
Pointe-Noire
Angola
Malongo
Lumut
Kuala Lumpur
Singapore
Brunei
Jakarta
Timor Sea
Papua New Guinea
Madagascar
Australia
Perth
New Zealand
Bass Strait
SOUTHEAST ASIA
Malaysia
Singapore
Indonesia
Brunei
Thailand
Philippines
Vietnam
Myanmar

AT A GLANCE

OUR VALUE CHAIN

EXPLORATION	DEVELOPMENT	PRODUCTION	REJUVENATION	DECOMMISSIONING & ABANDONMENT
Production Sharing Contract Block Exploration	Engineering, Procurement, Construction, Installation, Commissioning, Drilling, Production Sharing Contract Block Development	Production Sharing Contract Block Production, Marginal Fields	Brownfield Rejuvenation	Decommissioning

STRATEGIC ASSETS SUPPORTING OPERATIONS*

ENGINEERING & CONSTRUCTION

- 273-acre Fabrication Yard in Lumut
- 20-acre Fabrication Yard in Teluk Kalong
- 6 Derrick Lay Vessels
- 6 Pipelaying Support Vessels
- 1 Subsea Construction Vessel
- 42 Remotely Operated Vehicles
- 2 Geophysical Survey Vessels
- 2 Geotechnical Survey Vessels
- 5 Diving Support Vessels
- 4 Anchor Handling Tug Supply Vessels
- 1 Floatover Launch Barge
- 6 Accommodation Boats & Barges

DRILLING

- 9 Tender Barge Rigs
- 8 Semi-Tender Rigs

ENERGY

- Participation in 9 Production Sharing Contracts
- Participation in 1 Risk Service Contract
- Operatorship in 6 Production Sharing Contracts

* Other assets include Turbine Maintenance Centre and 88-acre Shipyard in Labuan

CONTENTS


sapurakencana
map

ABOUT **SAPURAKENCANA PETROLEUM BERHAD**

SapuraKencana Petroleum Berhad ("SapuraKencana" or "Group") is a leading global integrated oil and gas services and solutions provider, working across the entire upstream value chain. The Group operates globally, with a workforce of highly skilled and technically capable multinationals, strategic world-class assets and strong project management capabilities.

SapuraKencana has also established itself as a key Exploration and Production player recognised for its cost effectiveness and excellent safety standards. The Group will remain focused on enhancing operational efficiency to provide clients with the most cost-effective, safe and innovative solution.

SapuraKencana is committed to providing solutions for the increasingly complex and rapidly evolving requirements of the global oil and gas industry.

OUR **VISION**

Our Vision is to be the **best entrepreneurially led, technically competent** and **most trusted global oil and gas company** in the eyes of our customers, shareholders and most importantly, our **empowered people**.

We will be guided by our **honesty**, **trust** and **respect** for all. We will achieve our business objectives by being **safe**, **agile** and **professional** to continuously strive to meet all of our stakeholders' expectations.

THE PEOPLE OF
SAPURAKENCANA PETROLEUM

HEALTH, SAFETY
AND ENVIRONMENT

High standards of Health, Safety and Environment ("HSE") have always been a core element to our operations at SapuraKencana. We remain deeply committed to our company's vision of being safe, agile and professional, whilst actively managing risks within all aspects of our daily operations. We operate with integrity, and our partnership with all stakeholders is focused on prioritising the health and safety of our employees and the protection of the environment in which we operate.

Risks are to be expected in our industry. With this in mind, SapuraKencana has in place a robust and comprehensive risk management system to identify, mitigate and manage such potential risks. This HSE culture, essentially our way of life, is firmly embedded at every level throughout our organisation.

Every individual in the Group is responsible for upholding our HSE policies. Every employee and contractor is empowered and required by our Stop Work Policy to intervene when unsafe behaviours or conditions are observed.

Our strong experience in the oil and gas sector as well as our collaboration with industry and government stakeholders have led to the sharing and adopting of HSE best practices in our business. We consistently keep abreast of HSE developments in the industry and drive continuous improvement in our organisation.

The people of SapuraKencana are committed to actively managing risk in all aspects of our daily operations.

HEALTH, SAFETY **AND ENVIRONMENT**

We are honoured to have been accorded the following awards and milestone recognitions by our clients for our various HSE achievements:

Recipient	Achievement	Awarding Company
SapuraKencana HL Sdn Bhd	1.5 million manhours without lost time injury ("LTI") for the CPOC Phase 3 Development Project on QHSE Day	Carigali-PTTEPI Operating Company Sdn Bhd
SapuraKencana HL Sdn Bhd	800,000 manhours without LTI, Celebration of Manifold Fabrication Site Safety Day for the Shell Prelude Project	FMC Technologies Singapore Pte Ltd
SapuraKencana HL Sdn Bhd	600,000 manhours without LTI (QHSE) for the Angsi Project	PETRONAS Carigali Sdn Bhd
SapuraKencana HL Sdn Bhd	1.5 million manhours without LTI for the EPCIC of RWHP	HESS Corporation
SapuraKencana HL Sdn Bhd	500,000 manhours without LTI for the EPCC Tukau Baronia	PETRONAS Carigali Sdn Bhd
SapuraKencana HL Sdn Bhd	Appreciation Award for Amarit-A (AMA) & Muda-F (MDF) Wellhead Platform Phase 3 Development Project	Carigali-PTTEPI Operating Company Sdn Bhd
SapuraKencana HL Sdn Bhd	15.0 million manhours without LTI for the Wheatstone Project ISBL LNG Plant	Bechtel Oil, Gas & Chemicals, Inc
SapuraKencana HL Sdn Bhd	250,000 manhours without LTI for the Shell Prelude Project	FMC Technologies Singapore Pte Ltd
SapuraKencana HL Sdn Bhd	500,000 manhours without LTI for the Apache Julimar Project	GE Oil & Gas Norway
SapuraKencana HL Sdn Bhd	600,000 manhours without LTI for the Ichthys Project	GE Oil & Gas Norway
SapuraKencana HL Sdn Bhd	300,000 manhours without LTI for the EPCIC of JDA Gas Evacuation (EVA) Project	PETRONAS Carigali Sdn Bhd
SapuraKencana HL Sdn Bhd	500,000 manhours without LTI for the EPCIC of JDA EVA Project	Trans Thai-Malaysia (Malaysia) Sdn Bhd
SapuraKencana Allied Marine Sdn Bhd	Certificate of Appreciation of Support and Services Towards the Safe and Timely Completion of the GUMUSUT-KAKAP Project	SapuraAcergy Sdn Bhd
SapuraKencana TL Offshore Sdn Bhd	Implementer of P&E Strategy No. 8 Award (Strengthen HSE Performance)	PETRONAS Carigali Sdn Bhd
SapuraKencana Pinewell Sdn Bhd	1.8 million manhours without LTI for the Samarang Phase II Project	PETRONAS Carigali Sdn Bhd
SapuraKencana Drilling Pte Ltd	Rig of the Year 2015 for *SKD Esperanza*	HESS Corporation
SapuraKencana Drilling Pte Ltd	SKD's Songkhla supply base recognised for Zero Non-Conformance to PLE Standard	Chevron Thailand
SapuraKencana Drilling Pte Ltd	*SKD T-12* and *SKD T-18* recognised as Outstanding Rigs	Chevron Thailand
SapuraKencana Drilling Pte Ltd	7 years without LTI for *SKD Setia*	Cabinda Gulf Oil Company
SapuraKencana Drilling Pte Ltd	11 years without LTI for *SKD Pelaut*	Brunei Shell Petroleum
SapuraKencana Drilling Pte Ltd	Best Performing Rig of the Year 2015 (Platform Rig Category) for *SKD Pelaut*	Shell Worldwide
SapuraKencana Drilling Pte Ltd	5 years without LTI for *SKD T-12*	Chevron Thailand
SapuraKencana Drilling Pte Ltd	600,000 manhours without LTI for the Tapis C HUC and Topside Major Maintenance Services	ExxonMobil Exploration and Production Malaysia Inc.

ISO 9001:2008

- SapuraKencana TL Offshore Sdn Bhd
- SapuraKencana Allied Marine Sdn Bhd
- SapuraKencana Australia Pty Ltd
- Total Marine Technology Pty Ltd
- SapuraKencana GeoSciences Sdn Bhd
- SapuraKencana Technology Sdn Bhd
- SapuraAcergy Sdn Bhd

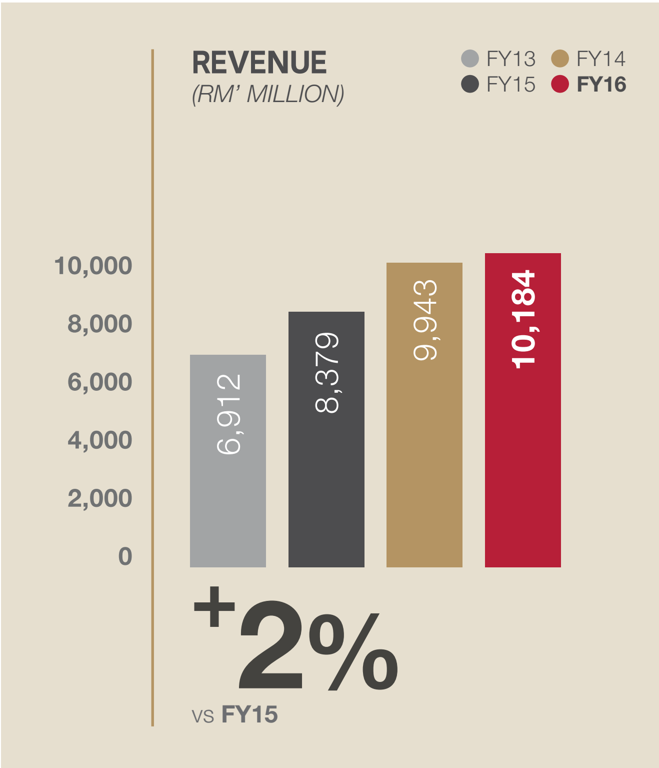
ISO 14001:2004

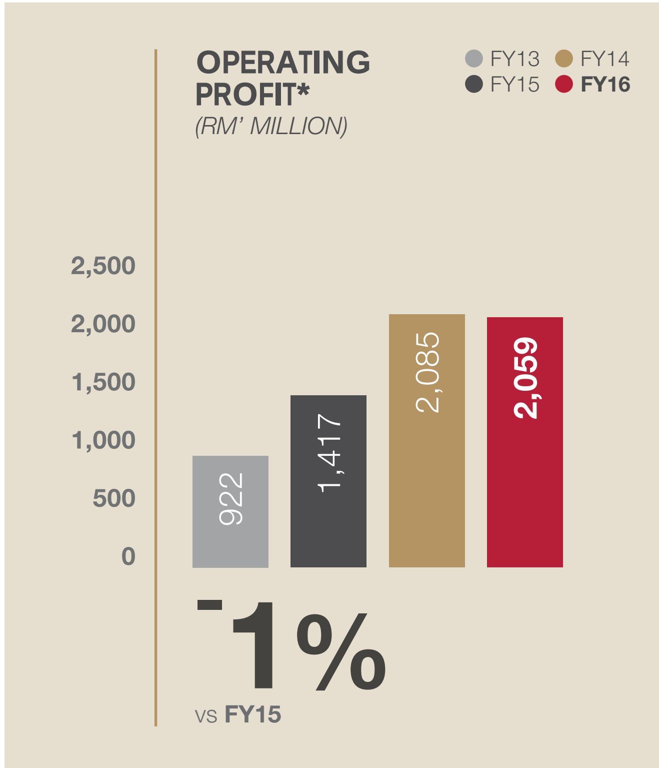
- SapuraKencana TL Offshore Sdn Bhd
- SapuraKencana Allied Marine Sdn Bhd
- SapuraKencana HL Sdn Bhd
- Total Marine Technology Pty Ltd
- SapuraAcergy Sdn Bhd
- ***NZ 4801***
  SapuraKencana Allied Marine Sdn Bhd
- ***MS 1722***
  SapuraKencana TL Offshore Sdn Bhd

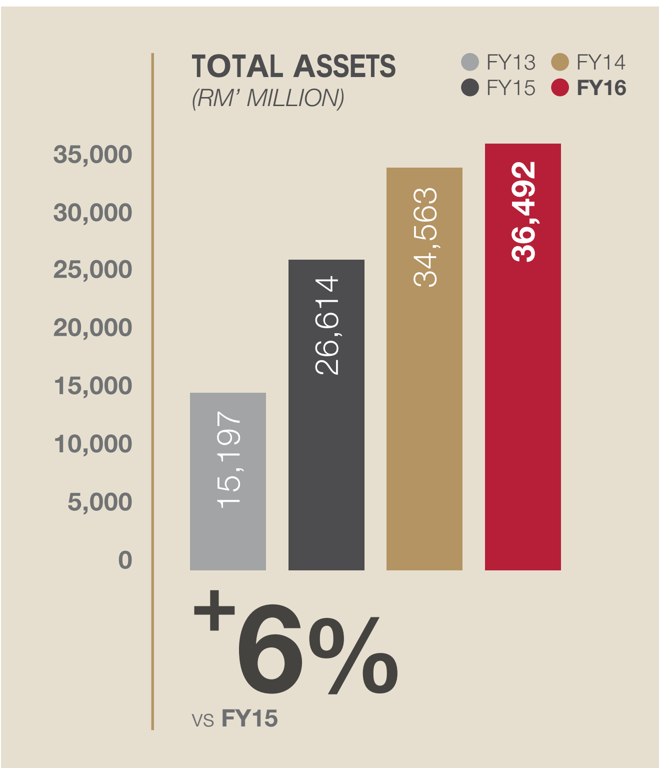
OHSAS 18001:2007

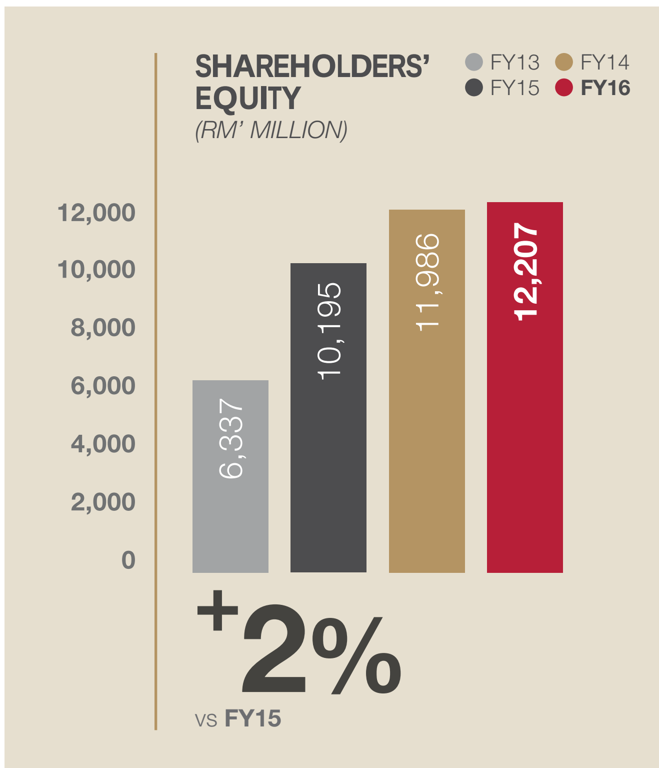
- SapuraKencana TL Offshore Sdn Bhd
- SapuraKencana Allied Marine Sdn Bhd
- SapuraKencana HL Sdn Bhd
- Total Marine Technology Pty Ltd
- SapuraAcergy Sdn Bhd

FINANCIAL **PERFORMANCE**









* *Excludes provision for impairment in FY2015 and FY2016 and one off item in FY2016.*

FINANCIAL CALENDAR

2015

24 MARCH

Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2015

15 APRIL

Submission of Audited Financial Statements for the financial year ended 31 January 2015

15 JUNE

Announcement of the unaudited consolidated results for the first quarter ended 30 April 2015

16 JUNE

Fourth Annual General Meeting

15 SEPTEMBER

Announcement of the unaudited consolidated results for the second quarter ended 31 July 2015

22 DECEMBER

Announcement of the unaudited consolidated results for the third quarter ended 31 October 2015

2016

25 MARCH

Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2016

20 MAY

Submission of Audited Financial Statements for the financial year ended 31 January 2016

26 MAY

Notice of Annual General Meeting and issuance of Annual Report for the financial year ended 31 January 2016

26 JULY

Fifth Annual General Meeting

CORPORATE
INFORMATION

BOARD OF DIRECTORS

DATO' HAMZAH BAKAR

Chairman

Non-Independent
Non-Executive Director

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

President and Group Chief Executive Officer

Non-Independent Executive Director

TAN SRI DATUK AMAR (DR) HAMID BUGO

Senior Independent
Non-Executive Director

DATO' SHAHRIMAN SHAMSUDDIN

Non-Independent
Non-Executive Director

MOHAMED RASHDI MOHAMED GHAZALLI

Independent
Non-Executive Director

GEE SIEW YOONG

Independent
Non-Executive Director

RAMLAN ABDUL MALEK

Non-Independent
Executive Director

DATUK MUHAMAD NOOR HAMID

Independent
Non-Executive Director

CORPORATE **INFORMATION**

NOMINATION COMMITTEE

Tan Sri Datuk Amar (Dr) Hamid Bugo
Chairman

Dato' Hamzah Bakar

Gee Siew Yoong

REMUNERATION COMMITTEE

Dato' Hamzah Bakar
Chairman

Tan Sri Dato' Seri Shahril Shamsuddin

Mohamed Rashdi Mohamed Ghazalli

LONG-TERM INCENTIVE PLAN COMMITTEE

Dato' Hamzah Bakar
Chairman

Tan Sri Dato' Seri Shahril Shamsuddin

Tan Sri Datuk Amar (Dr) Hamid Bugo

AUDIT COMMITTEE

Gee Siew Yoong
Chairman

Tan Sri Datuk Amar (Dr) Hamid Bugo

Mohamed Rashdi Mohamed Ghazalli

RISK COMMITTEE

Mohamed Rashdi Mohamed Ghazalli
Chairman

Dato' Shahriman Shamsuddin

Datuk Muhamad Noor Hamid

COMPANY SECRETARY

Jasmin Abdul Rashid
(LS 0009589)

AUDITORS

Ernst & Young (AF: 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Tel : (6)03-7495 8000
Fax : (6)03-2095 9076/9078

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (6)03-7849 0777
Fax : (6)03-7841 8151/8152

REGISTERED OFFICE

Level 6, Menara SapuraKencana Petroleum
Solaris Dutamas
1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia
Tel : (6)03-6209 8000
Fax : (6)03-6209 5744

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad
(Listed on 17 May 2012)
Stock Name : SKPETRO
Stock Code : 5218

PRINCIPAL BANKERS

ABN AMRO Bank
AmIslamic Bank Berhad
CIMB Bank Berhad
Citibank
Export-Import Bank of Malaysia Berhad
ING Bank
Malayan Banking Berhad
Mizuho Bank
National Bank of Abu Dhabi
RHB Bank Berhad
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd
United Overseas Bank

MESSAGE TO **SHAREHOLDERS**

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am pleased to present to you the Annual Report and Audited Financial Statements for SapuraKencana Petroleum Berhad ("SapuraKencana" or "Group") for the financial year ended 31 January 2016 ("FY2016").

FY2016 has been a very challenging year for the global oil and gas industry driven by sustained low oil prices and reduced capital spending. During the year, fewer projects were tendered out, resulting in more intense competition. At the same time, existing clients expected costs to be significantly reduced.

Our Management had to adapt the Group strategies to face these challenges. Through improved cost management and increased efficiencies, we were able to replenish the order book and deliver projects to our clients on time and within budget.

Such efforts have helped the Group improve its operational performance. Group revenues for FY2016 came to RM10.2 billion, an increase of approximately 2% from the previous year. However, sustained low oil prices without significant signs of a turnaround had reduced the number of drilling projects worldwide. At the same time, the valuation of our own oil and gas assets had reduced in line with the low oil price trend. In accordance with prudent business practice, the Group had to impair the value of some of its assets by about RM2.0 billion. Consequently, despite higher revenue and significant cost savings, the Group recorded an after tax loss of RM791.0 million. As at 31 January 2016, our shareholders' fund stood at RM12.2 billion with total assets of RM36.5 billion.

Among the more significant operational successes were the delivery of key Engineering & Construction projects in Malaysia, Malaysia-Thailand Joint Development Area, Indonesia, Vietnam, India and Mexico. The Energy division met production targets and achieved significant cost reduction in their operations.

Our operations continue to maintain high standards in Health, Safety and Environment ("HSE") practices and received various recognitions from our customers globally. These include accolades from Royal Dutch Shell Global, Hess Corporation and Chevron Thailand. In Drilling, *SKD Pelaut* achieved its eleventh year without a lost time injury ("LTI"). *SKD Setia* and *SKD T-10* both notched their seventh year of being LTI-free. SapuraKencana Australia ("SKA") notched up its fourth consecutive year without LTI.

All these notable operational achievements are vital in this period of stiff competition to win new work. The industry outlook is expected to remain uncertain over the next year and the Board is in support of the proactive steps taken by the Management to ensure that the Group is able to deliver its strategy, to aggressively rebase its costs and ensure long-term sustainability of the business, fundamentally protecting and enhancing value for shareholders.

A key component of the Group's agenda is investment in human capital. The Long-Term Incentive Plan has now been implemented as a means to retain key talents and capability for the Group. Other key initiatives such as succession planning and development in leadership and technical skills have been improved so that the Group will have the required expertise and agility when the industry recovers.

MESSAGE TO **SHAREHOLDERS**

"The Board is in support of the proactive steps taken by the Management to ensure that the Group is able to deliver its strategy, to aggressively rebase its costs and ensure long-term sustainability of the business, fundamentally protecting and enhancing value for shareholders."

Dato' Hamzah Bakar
Chairman
Non-Independent Non-Executive Director

MESSAGE TO **SHAREHOLDERS**

The Board is committed to the highest standards of corporate governance and risk management practices across our operations. Continued emphasis is placed on implementing stringent and transparent governance controls to safeguard the reputation of SapuraKencana as well as to safeguard shareholder value.

Giving back to the communities that we operate in is the anchor for our Corporate Responsibility ("CR") initiatives. This year we have been involved with *Yayasan Peneraju*, a youth programme which offers financial support to students from low-income families as well as free training programmes in vocational and professional skills. We believe these programmes are able to deliver long-term benefits to the local communities and contribute to Malaysia's national development agenda.

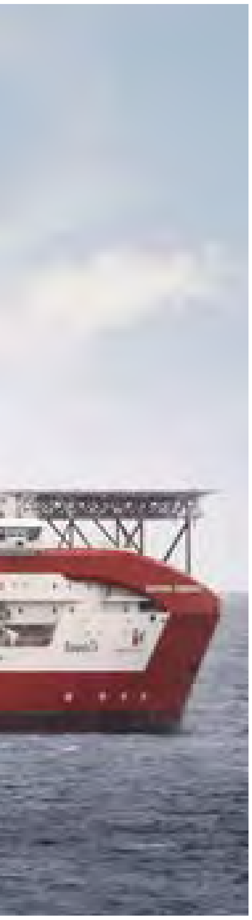
ACKNOWLEDGEMENTS

On behalf of the Board, I wish to express my most heartfelt appreciation to our many employees for their tireless dedication, enthusiasm and professionalism during the year under review.

I would also like to commend the President and Group Chief Executive Officer and his management team for their drive, commitment and personal sacrifices in their efforts to ensure the Group is able to emerge stronger in the face of current challenges. They had reconfigured the Group's strategies and structure and successfully achieved higher efficiencies in all the Group activities, resulting in cost savings of approximately RM0.5 billion during the year. They led the Group by example. They showed their commitment to achieve cost savings by taking personal salary cuts during the year and continuing into the financial year ending 31 January 2017 ("FY2017").

Achieved RM 10.2 billion Revenue

MESSAGE TO **SHAREHOLDERS**



Total assets

RM 36.5 billion

We have a strong Board, comprising members with vast expertise and experience as well as breadth and depth of vision. I wish to thank the directors for their good counsel and diligent oversight that had helped steer the Group forward. In support of the senior management, the directors had also voluntarily agreed to 10% fees reduction during the year and continuing into FY2017.

On behalf of the Board, I would like to take this opportunity to thank YM Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, Mr. John Fredriksen, Mr. Eduardo Navarro Antonello and Mr. Svend Anton Maier who retired and resigned during FY2016 for their invaluable contributions to the Group.

On behalf of the Group, I extend our utmost appreciation to our clients for their continued confidence in SapuraKencana. Let us work closer together to find solutions that best fit your needs in this challenging environment.

Last but certainly not least, allow me to also thank you, our shareholders, for your relentless support during these challenging times. SapuraKencana will remain resilient in order to protect and sustainably enhance value for you in the long run.

Dato' Hamzah Bakar
Chairman
16 May 2016

PRESIDENT & GROUP CEO'S REVIEW

Dear Shareholders,

For financial year ended 31 January 2016 ("FY2016"), SapuraKencana Petroleum Berhad ("SapuraKencana" or "Group") generated RM10.2 billion in revenues and operational profit of RM2.1 billion before impairment and one-off item. After provisions of RM2.0 billion for impairment of our assets in Services and Energy, the Group recorded a loss after tax of RM791.0 million.

Tan Sri Dato' Seri Shahril Shamsuddin

President and Group Chief Executive Officer

Non-Independent Executive Director

"The challenging environment is an impetus for us to transform into a more cost-competitive global market leader."

PRESIDENT & **GROUP CEO'S REVIEW**

The Group ends the year with a higher cash position of RM1.9 billion. The order book at the end of FY2016 is valued at RM21.3 billion, of which RM6.2 billion of new orders were secured during this financial year. Despite the challenging operating environment, SapuraKencana continues to deliver strong operational performance across all business segments.

DIVISIONAL PERFORMANCE & HIGHLIGHTS

Our Services divisions (Engineering & Construction and Drilling) reported revenues of RM8.6 billion with operating profits of RM1.2 billion.

In Engineering & Construction, we have delivered on the Group's key EPCIC contracts (Integrated Engineering, Procurement, Construction, Installation and Commissioning) for the Malaysia-Thailand Joint Development Area for the Carigali-PTTEP Operating Company ("CPOC") joint venture.

In Mexico, we established SapuraKencana Mexicana. Our most advanced heavy-lift vessel, the *SapuraKencana 3500,* successfully installed seven offshore structures and pipelines for Mexico's national oil company, Petróleos Mexicanos ("Pemex"). In Brazil, *Sapura Onix*, *Sapura Jade* and *Sapura Esmeralda* initiated operations, bringing the fleet size of our pipe-laying support vessels to five with an average utilisation rate exceeding 99%.

The Drilling division continued to record an excellent fleet average technical utilisation at 98.6% for rigs that are in operations. Several rigs received top operational and safety awards from Royal Dutch Shell worldwide (*SKD Pelaut* for the fourth consecutive year), Chevron Thailand (*SKD T-12* and *SKD T-18*), Hess Corporation (*SKD Esperanza*) and Chevron Africa (*SKD Setia*). In terms of new contracts, *SKD Esperanza* has been selected by Sarawak Shell Berhad / Sabah Shell Petroleum Co. Ltd. and Petroliam Nasional Berhad ("PETRONAS") to perform work for the first Tension Leg Platform project in Malaysia.

The Energy division lifted 4.8 million barrels of oil equivalent ("BOE") for the year under review. The division reported lower revenue of RM1.6 billion leading to an operating loss of RM1.5 billion due to the weak oil price and the resulting provisions for impairment. The division received PETRONAS' approval for the SK 310 B15 field Development Plan and first gas is expected by the fourth quarter of 2017.

SapuraKencana was the first corporate entity in Malaysia to launch the Islamic Medium Term Notes ("IMTNs") under the Securities Commissions' new Guidelines on Unlisted Capital Market Products with a total year-to-date issuance of USD240.0 million. We also signed a six-year USD2.1 billion Murabahah Multi-Currency Term Facility to refinance the Group's existing short-term Islamic Facility.

PRESIDENT & **GROUP CEO'S REVIEW**

FY2016 SEGMENTAL REVENUE

Engineering & Construction - Malaysia	Engineering & Construction - International	Drilling	Energy
RM 2.7 billion	RM 2.9 billion	RM 3.0 billion	RM 1.6 billion

CONFIDENCE IN A CHALLENGING ENVIRONMENT

The prolonged low oil price environment poses a significant challenge for the oil and gas industry. Reductions in capital expenditure by operators have had a direct impact on our revenues and operating profits.

The Group secured RM6.2 billion of new wins in FY2016, a 40% decline from the year before. We believe that these conditions will prevail over the next two years with limited amount of opportunities and increased competition.

In FY2016, we reduced operating costs by approximately RM0.5 billion by optimising our supply chains and increasing efficiencies. In addition, we cold-stacked five tender-assisted drilling rigs and four support vessels.

Beyond FY2016, we will remain aggressive in rebasing our cost, relentless in our pursuit for higher productivity and leaner operations without compromise on safety and quality. The challenging environment is an impetus for us to transform into a more cost-competitive global market leader.

ENGINEERING FOR THE FUTURE

We believe there are still business opportunities in key geographic locations within ASEAN, India, Middle East, Africa and Latin America.

In order to enhance our ability to secure these opportunities, we have redesigned the Group's organisational structure. This restructuring will allow us to develop more effectively, acquire and deliver on identified business opportunities in new geographic markets and new service offerings for long-term as well as newly established clients.

Existing business units and teams have been integrated and new ones created to achieve synergies and enhance our focus on winning new contracts, to improve efficiencies and reduce costs.

Empowering human capital is one of the main pillars of this restructuring. The Group is committed to its Long-Term Incentive Plan to retain key talent and have enhanced initiatives to develop both technical and leadership skills. The new structure will enable high-potential employees to share their technical expertise with the wider organisation and develop in-depth understanding across the various business segments. This emphasis on teamwork and knowledge sharing is critical in winning and executing work when the industry recovers.

The fully defined new organisation structure will be effective on 1 June 2016.

LOOKAHEAD

We anticipate continued pressures on our revenues and margins in the near term, but remain confident in our ability to deliver fit-for-purpose solutions. We have proven ourselves over the past five years where we have shown healthy growth in revenue. I firmly believe we can once again rise to the challenge.

In the medium term, supply and demand fundamentals in the industry depict a moderate recovery in oil price that would likely translate into reinstatement of capital expenditure plans by operators. Within this context, the offshore segment remains relevant to the industry and the size of global opportunities will expand. Armed with our strategies for market expansions and lean operations, we believe that we have reinforced our position to capture more opportunities when the market rebounds.

CORPORATE OVERVIEW

PRESIDENT & **GROUP CEO'S REVIEW**

CONTINUED COMMITMENT TO HSE

The Group remains committed to maintaining the highest standards in ensuring a safe operating environment for our people. I would like to thank our personnel and our service providers for their continued commitment to our HSE policies.

ACKNOWLEDGEMENTS

On behalf of the management and people of SapuraKencana, I wish to convey our sincere thanks to our shareholders for their trust and confidence in us. I wish to thank our Board of Directors for their advice and counsel in navigating through this environment.

I would also like to express my appreciation to our long-term clients and business partners for their support and belief in our capabilities.

SapuraKencana is what it is today thanks to its dedicated employees. Let us continue this momentum for transformation and strengthen our trust in teamwork. Together, we will navigate through this industry down cycle and emerge stronger.

Tan Sri Dato' Seri Shahril Shamsuddin
President and Group Chief Executive Officer
16 May 2016

PROFILES OF **BOARD OF DIRECTORS**

DATO' HAMZAH BAKAR

Chairman
Non-Independent Non-Executive Director
Malaysian

Dato' Hamzah Bakar, aged 72, was appointed to the Board of Directors ("Board") of SapuraKencana Petroleum Berhad ("SapuraKencana") on 9 December 2011 as the Chairman and an Independent Non-Executive Director. On 6 February 2013, Dato' Hamzah was redesignated as the Non-Independent Non-Executive Chairman.

Prior to the merger of the businesses between SapuraCrest Petroleum Berhad ("SapuraCrest Petroleum") Group and Kencana Petroleum Berhad ("Kencana Petroleum") Group, Dato' Hamzah was appointed to the Board of SapuraCrest Petroleum on 4 July 2003 as a nominee of Sapura Technology Sdn Bhd. He was then appointed as the Non-Independent Non-Executive Chairman of SapuraCrest Petroleum on 25 July 2003. He was also the Chairman of the Nomination Committee and Remuneration Committee of SapuraCrest Petroleum.

Dato' Hamzah has served 20 years in various senior management and Board positions in Petroliam Nasional Berhad ("PETRONAS") including as a Senior Vice President for Refining and Marketing as well as a Senior Vice President for Corporate Planning and Development. He also served as the first Chief Executive Officer of KLCC Holdings Bhd, responsible for the planning and construction of the Kuala Lumpur City Centre including the landmark PETRONAS Twin Towers. Prior to joining PETRONAS, he served in the Economic Planning Unit of the Prime Minister's Department for 12 years. He previously sat on the Boards of CIMB Group Holdings Bhd as well as CIMB Investment Bank Berhad. Currently, Dato' Hamzah is a member of the Board of Trustees of the Malaysian Institute of Economic Research.

Dato' Hamzah holds a Bachelor of Science (Honours) in Economics from Queen's University Belfast, United Kingdom and a Master of Arts in Public Policy and Administration with Development Economics from the University of Wisconsin, United States of America ("USA").

PROFILES OF
BOARD OF DIRECTORS

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

President and Group Chief Executive Officer
Non-Independent Executive Director
Malaysian

Tan Sri Dato' Seri Shahril Shamsuddin, aged 55, is the President and Group Chief Executive Officer and Non-Independent Executive Director of SapuraKencana since 9 December 2011.

Tan Sri Dato' Seri Shahril is also the President and Group Chief Executive Officer of Sapura Group, a business entity with a diversified portfolio which include aviation services, property development and management, industrial and automotive component manufacturing as well as secured communications technologies. He is also the Deputy Chairman of Sapura Industrial Berhad and Non-Executive Director of Sapura Resources Berhad.

Tan Sri Dato' Seri Shahril is a member of the Massachusetts Institute of Technology ("MIT") Sloan Asian Executive Board and a member of the Board of Governors for Asia School of Business, which is a joint-collaboration between Bank Negara Malaysia and MIT Sloan. He is also a member of Universiti Teknologi Malaysia's International Advisory Panel and a member of the Board of Trustees, Treasurer and Executive Committee of the Perdana Leadership Foundation.

Tan Sri Dato' Seri Shahril holds a Master of Science in Management of Technology from MIT Sloan School of Management and a Bachelor of Science in Industrial Technology from California Polytechnic State University.

PROFILES OF **BOARD OF DIRECTORS**

TAN SRI DATUK AMAR (DR) HAMID BUGO

Senior Independent Non-Executive Director
Malaysian

Tan Sri Datuk Amar (Dr) Hamid Bugo, aged 70, was appointed to the Board of SapuraKencana on 27 February 2012 as an Independent Non-Executive Director and was subsequently appointed as the Senior Independent Non-Executive Director on 6 February 2013.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Tan Sri Datuk Amar (Dr) Hamid was appointed to the Board of SapuraCrest Petroleum on 25 July 2003 as an Independent Non-Executive Director. He was also a member of the Audit Committee, Remuneration Committee and Nomination Committee of SapuraCrest Petroleum.

Tan Sri Datuk Amar (Dr) Hamid's working experience includes serving as the Administration Manager, Malaysia LNG Sdn Bhd ("Malaysia LNG"), the first General Manager of the Land Custody and Development Authority, Sarawak, the Permanent Secretary, Ministry of Resource Planning, Sarawak, and the State Secretary of Sarawak. He previously sat on the boards of various companies and statutory bodies including Sime Darby Berhad Group, Malaysian Airlines System Berhad, Malaysia LNG, the Employees Provident Fund Board, *Universiti Malaysia Sarawak* and *Universiti Pertanian Malaysia* (now known as *Universiti Putra Malaysia*). He was also the Founding Chairman of the Sarawak Biodiversity Centre.

Currently, Tan Sri Datuk Amar (Dr) Hamid is the Chairman of Sarawak Consolidated Industries Berhad and sits on the boards of Sapura Resources Berhad and X-Fab Silicon Foundries S.E.

He is active in charitable activities as the Chairman of *Yayasan Kemajuan Insan Sarawak* and the Chairman of the State Library Sarawak. He is also a council member of the Institute of Integrity.

Tan Sri Datuk Amar (Dr) Hamid graduated from Canterbury University, New Zealand, with a Bachelor and a Master of Arts in Economics. He also holds a Postgraduate Diploma in Teaching and a Postgraduate Certificate in Business Studies from Harvard Institute of Development Studies, USA. He was honoured with a Ph.D (Commerce) by Lincoln University, New Zealand. Tan Sri Datuk Amar (Dr) Hamid is a recipient of an Excellent Award from the American Association of Conservation Biology.

PROFILES OF **BOARD OF DIRECTORS**

DATO' SHAHRIMAN SHAMSUDDIN

Non-Independent Non-Executive Director
Malaysian

Dato' Shahriman Shamsuddin, aged 47, was appointed to the Board of SapuraKencana as a Non-Independent Non-Executive Director on 9 December 2011.

He was a Non-Independent Non-Executive Director of SapuraCrest Petroleum prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group.

Dato' Shahriman began his career with Sapura Group in 1991 and has held a number of key senior positions within the Group. He manages a diversified portfolio which includes aviation, property investment and education. Dato' Shahriman is currently the Managing Director of Sapura Resources Berhad. He is also an Executive Director of Sapura Industrial Berhad and a Director of Sapura Technology Sdn Bhd as well as Sapura Holdings Sdn Bhd.

Dato' Shahriman holds a Master of Science in Engineering Business Management from Warwick University, United Kingdom and a Bachelor of Science in Industrial Technology from Purdue University, USA.

PROFILES OF **BOARD OF DIRECTORS**

MOHAMED RASHDI MOHAMED GHAZALLI

Independent Non-Executive Director
Malaysian

Encik Mohamed Rashdi Mohamed Ghazalli, aged 59, was appointed to the Board of SapuraKencana on 9 September 2011 as an Independent Non-Executive Director.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Encik Mohamed Rashdi was an Independent Non-Executive Director of SapuraCrest Petroleum, a post he held since 14 November 2003.

Encik Mohamed Rashdi has extensive experience in industry and consulting. He initially worked in the telecommunications industry with Jabatan Telekom Malaysia (now known as Telekom Malaysia Berhad) before joining the Sapura Holdings Group in 1983 as a founder member of its Information Technology ("IT") business. He decided to move into consulting in 1989, building a career with Coopers & Lybrand, PwC Consulting, IBM Consulting ("IBM") and PricewaterhouseCoopers over a span of 20 years.

During his career, Encik Mohamed Rashdi worked overseas with Telecoms Australia as well as Coopers & Lybrand in the United Kingdom. He was a Partner of PwC Consulting East Asia as well as IBM Consulting. He was also the IT and Consulting Advisor with PricewaterhouseCoopers Malaysia focusing on capacity building, business development and quality assurance. After leaving the firm, he served as an independent consultant for a number of organisations.

As a management and technology consultant, Encik Mohamed Rashdi has personally led assignments in strategy and economics, business process improvement, information systems planning and large-scale project management. He has provided consultancy expertise across a number of industries such as government, telecommunications, oil and gas, transportation and utilities. He was also involved in the manufacturing and financial services sectors.

Encik Mohamed Rashdi is currently an Independent Director of Malaysia Venture Capital Management Berhad and Barclays Capital Management Malaysia Sdn Bhd, a subsidiary of Barclays PLC. In 2014, he was also appointed to the boards of Credit Guarantee Corporation Berhad and Danajamin Nasional Berhad.

Encik Mohamed Rashdi graduated from the University of Manchester Institute of Science and Technology, United Kingdom in 1979.

PROFILES OF
BOARD OF DIRECTORS

GEE SIEW YOONG

Independent Non-Executive Director
Malaysian

Ms Gee Siew Yoong, aged 66, was appointed to the Board of SapuraKencana on 5 July 2013 as an Independent Non-Executive Director.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Ms Gee was an Independent Non-Executive Director of SapuraCrest Petroleum from 4 December 2001 to 15 May 2012. She was also the Chairman of the Audit Committee of SapuraCrest Petroleum.

Ms Gee is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. She has more than 40 years of experience in the financial and auditing line within multiple industries. Her professional strengths are in Restructuring, Reorganisation, Change Management and Corporate Governance.

Ms Gee started her career with Pricewaterhouse in 1969 and left in 1981, her last position being the Senior Audit Manager and Continuing Education Manager. She then joined Selangor Pewter Group as the Group Financial Controller during which period she was seconded to the USA from 1983 to 1984 as the Chief Executive Officer of Senaca Crystal Inc., a company in the Selangor Pewter Group which was undergoing reorganisation under Chapter XI of the U.S. Bankruptcy Code. Subsequently, from 1985 until 1987, Ms Gee became the Personal Assistant to the Executive Chairman of the Lipkland Group.

In 1987, Ms Gee was appointed by Bank Negara Malaysia as the Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of the Central Bank. She held the position until the successful completion of the reorganisation in 1991. Ms Gee later served Land & General Berhad from 1993 to 1997 as the Group Divisional Chief, Management Development Services before joining Multi-Purpose Capital Holdings Berhad from 1997 to 1999 as the Executive Assistant to the Chief Executive. During this period, Ms Gee was also a Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

Since 2001, Ms Gee has served on several boards of public listed companies. She is currently the Independent Non-Executive Director of Telekom Malaysia Berhad and is the Chairman of its Audit Committee as well as a member of its Risk Committee and Board Investment Committee. In addition, Ms Gee is also an Independent Non-Executive Director of Tenaga Nasional Berhad and a member of its Board Audit Committee and Board Risk Committee.

PROFILES OF
BOARD OF DIRECTORS

RAMLAN ABDUL MALEK

Non-Independent Executive Director
Malaysian

Encik Ramlan Abdul Malek, aged 61, was appointed to the Board of SapuraKencana on 1 March 2014 as a Non-Independent Executive Director.

He was previously the Vice President, Petroleum Management, Exploration and Production ("E&P") Business of PETRONAS before his retirement at the end of February 2014. As the Head of the Petroleum Management Unit ("PMU"), his responsibilities covered the promotion, implementation and regulation of upstream activities in Malaysia.

Prior to assuming his position as the Vice President of PMU in June 2010, he was also the Vice President of the E&P Business and had held several technical and general management positions in PETRONAS, PETRONAS Carigali Sdn Bhd and PETRONAS Research and Scientific Services. Encik Ramlan was a Director of PETRONAS Gas Berhad and a member of the PETRONAS Management Committee. He was also a Director of Malaysia Petroleum Resources Corporation and the Malaysia-Thailand Joint Authority as well as the Chairman of the Society of Petroleum Engineers - Asia Pacific (M) Sdn Bhd ("SPE").

Encik Ramlan has 35 years of working experience in the upstream E&P areas. His early career was in petroleum engineering and production operations followed by upstream business development, strategic planning, petroleum arrangements negotiation, projects and procurement coordination, as well as general supervision of domestic upstream activities. He led efforts in securing deep-water exploration and development, enhance-oil-recovery projects, major petroleum infrastructure projects, small fields development and unitisation of petroleum fields straddling boundaries and increasing local services companies participation.

In his current position at SapuraKencana, Encik Ramlan has management oversight responsibility for Engineering & Construction - Malaysia, Corporate Supply Chain Management, Corporate Legal and Internal Audit.

Encik Ramlan is currently a director of the SPE and the President of Malaysian Oil & Gas Services Council ("MOGSC").

He holds a Bachelor of Science (Honours) in Chemical Engineering from the University of Bath, United Kingdom. He completed his senior management training at INSEAD in France and at Cornell University, USA.

PROFILES OF **BOARD OF DIRECTORS**

DATUK MUHAMAD NOOR HAMID

Independent Non-Executive Director
Malaysian

Datuk Muhamad Noor Hamid, aged 64, was appointed to the Board of SapuraKencana on 14 April 2015 as an Independent Non-Executive Director.

Datuk Muhamad Noor has more than 30 years of direct working experience in the oil and gas industry ranging from project planning and implementation, operations, consultation and contracts.

Datuk Muhamad Noor has held numerous positions during his 20 years of service in PETRONAS and PETRONAS Gas Sdn Bhd including heading the Peninsular Gas Utilisation II project team. Upon completion of the project, he spent four years as the Head of the Pipeline Operation Division. Datuk Muhamad Noor also worked in OGP Technical Services Sdn Bhd ("OGP"), a joint venture company between PETRONAS and Nova Corporation of Canada, where he was the General Manager of the Pipeline Division. OGP provides Project Management and Engineering Consulting services.

In 2000, Datuk Muhamad Noor was appointed as the Chief Operating Officer of Projass Engineering Sdn Bhd, a Class A Bumiputera construction company involved in oil and gas, power and infrastructure works. He then joined Gas Malaysia Berhad ("Gas Malaysia") in 2003 as the Chief Operating Officer and was subsequently appointed as the Chief Executive Officer in February 2004. On 24 April 2006, he was promoted to the position of Managing Director of Gas Malaysia before retiring on 31 December 2013.

He sits on the Board of Malakoff Corporation Berhad ("Malakoff") as a Non-Independent Non-Executive Director since 13 July 2009. He is also a member of the Nomination Committee and Risk Committee of Malakoff.

Datuk Muhamad Noor Hamid obtained a Bachelor of Science (Honours) Degree in Mechanical Engineering from Sunderland Polytechnic, England in 1977 and a Post Graduate Diploma in Natural Gas Engineering from the Institute of Gas Technology in Chicago, Illinois, USA in 1980. He had also attended the Management Program in 1992 at the Wharton Business School of Management, University of Pennsylvania, USA.

PROFILES OF
BOARD OF DIRECTORS

ADDITIONAL INFORMATION IN RELATION TO THE BOARD OF DIRECTORS ("DIRECTORS")

1. **Family Relationship with Directors and/or Major Shareholders**

   Save for the following, none of the Directors of SapuraKencana has any family relationship with other Directors and/or major shareholders of the Company:

   Tan Sri Dato' Seri Shahril Shamsuddin and Dato' Shahriman Shamsuddin are brothers. Details of their indirect interests in SapuraKencana as at 29 April 2016 pursuant to Section 6A of the Companies Act, 1965 by virtue of their direct and indirect interests in Sapura Technology Sdn Bhd and the Sapura Holdings Sdn Bhd group of companies are provided in the "Analysis of Shareholdings" on pages 229 and 230 of this Annual Report.

2. **Conflict of Interest**

   None of the Directors of SapuraKencana has any conflict of interest with the Company.

3. **Convictions for Offences**

   None of the Directors of SapuraKencana has any conviction for offences within the past 10 years.

4. **Attendance at Board Meetings**

   The attendance of the Directors at its meetings held during the financial year ended 31 January 2016 are set out on page 72 of this Annual Report.

CORPORATE OVERVIEW

A GLOBAL OIL AND GAS SERVICE PROVIDER AND OPERATOR

EXECUTIVE **COMMITTEE**

Tan Sri Dato' Seri Shahril Shamsuddin
President and Group Chief Executive Officer

Ramlan Abdul Malek
Executive Director
Strategy and Operational Support

Chow Mei Mei
Senior Vice President
Group Strategy and Finance

Reza Abdul Rahim
Senior Vice President
Group Strategy and Regional Development

EXECUTIVE **COMMITTEE**

Ahmad Zakiruddin Mohamed
Senior Vice President
Engineering and Construction - Malaysia

Datuk Kris Azman Abdullah
Senior Vice President
Energy

Vivek Arora
Senior Vice President
Engineering and Construction - International

Raphael Siri
Senior Vice President
Drilling

OUR FABRICATION YARDS

- 273-acre Fabrication Yard in Lumut
- 20-acre Fabrication Yard in Teluk Kalong

ENGINEERING & CONSTRUCTION - MALAYSIA

Engineering & Construction - Malaysia continues to deliver a strong record of accomplishment for engineering, procurement, construction and commissioning capabilities, focusing its efforts in enhancing execution efficiency to provide clients with the most cost effective model while yielding optimum execution.

BUSINESS HIGHLIGHTS:

ENGINEERING & CONSTRUCTION - MALAYSIA

The division has a recognised revenue of RM2.7 billion from contracts executed during FY2016. We also managed to improve our overall earnings by emphasising best practices in project management and registering savings through more effective execution.

While there has been a decrease in demand for Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") works, oil and gas operators are still expected to implement projects going forward, especially those relating to security of supply, including brownfield and rejuvenation projects. We envisage clients will be reviewing their project concepts with the aim of developing more cost-effective solutions. As such, the division will continue to focus its efforts in enhancing its execution efficiency to provide clients with the most cost-effective model while yielding optimum execution.

MARKET STANDING

Engineering & Construction - Malaysia ("ECM") continues to deliver a strong record of accomplishment for engineering, procurement, construction and commissioning ("EPCC") capabilities.

Its prime business activities include the provision of engineering, procurement, construction (fabrication), hook-up and commissioning ("HUC") services, transportation and installation services as well as the maintenance of fixed and floating oil and gas facilities. This includes works for offshore structures such as central processing platforms, wellhead platforms, compression modules and jackets.

The division's extensive expertise also encompasses Floating Production Storage and Offloading ("FPSO") process modules, Mobile Offshore Production Units ("MOPU"), process skids and systems, subsea deep-water manifolds, onshore processing facilities, as well as greenfield and brownfield HUC activities.

Aside from its highly skilled technical expertise, the division's unique competitive advantage stems from its assets which include its very own 273-acre fabrication yard in Lumut, Perak – strategically located 3km off the Straits of Malacca – facilitating easy access to the Indian Ocean and the South China Sea.

The division owns a fabrication facility in Teluk Kalong and a supply base in Kemaman, Terengganu as well as a yard in Labuan.

ECM will continue to leverage on its proven track record, its internal assets, experienced project management team and skilled technical personnel to continue delivering business excellence. The division's well-recognised Health,

RM 2.7 billion of revenue

Safety and Environment ("HSE") benchmarks and initiatives will further strengthen its business proposition going forward.

OPERATIONAL HIGHLIGHTS

The division has a recognised revenue of RM2.7 billion from contracts executed during FY2016. We also managed to improve our overall earnings by emphasising best practices in project management and savings achieved through more effective execution.

Our achievements were realised by harnessing greater operational efficiency through the continuous improvement of work processes as well as actively developing and implementing cost saving initiatives across all projects and supporting departments.

Projects were closely monitored at every phase to assess how we can do things better. Any challenges leading to schedule and cost risks were further analysed and mitigation plans or work-arounds were developed and activated.

These efforts and others implemented throughout FY2016 enabled ECM to successfully sustain operating margins on various projects while also ensuring they remained viable for clients.

BUSINESS HIGHLIGHTS:
ENGINEERING & CONSTRUCTION - MALAYSIA

The division also successfully completed several key projects in FY2016. These included the Carigali-PTTEPI Operating Company ("CPOC") for Brownfield works – Phase 3 Development within the Malaysia-Thailand Joint Development Area ("JDA"). Another key project highlight was for the Kebabangan Petroleum Operating Company ("KPOC") for the Kebabangan Northern Hub Development under Sabah Operations Offshore ("SBO").

In Malaysia, we completed Transportation and Installation ("T&I") of Offshore Facilities (Packages C & D) under the Pan Malaysia T&I contract. The work entailed the installation of 86km of pipelines and lifting over 6,324 metric tonnes ("MT") of various jackets and topsides.

Also in Malaysia, we completed the T&I of the jacket and topside for Vestigo Petroleum Sdn Bhd for the Tembikai (OIL) Development at the Tembikai Marginal field, located off Terengganu.

We also made considerable progress on our long-term Pan Malaysia contract with ExxonMobil Malaysia which includes the Tapis Enhanced Oil Recovery ("EOR") package. The project, comprising brownfield works, platform modifications, upgrading and rejuvenation, was a key contributor to ECM's revenue performance for FY2016.

ECM's operating excellence was also reflected via its combined and coordinated efforts in business development, strategic bidding activities, as well as in sharing information across the various units within the division. This extended to include standardisation and implementation of HSE policies and combined monitoring and improvement initiatives carried out across the various units within ECM.

FY2016 ACHIEVEMENTS

ECM continued to uphold its proud HSE performance with several benchmarks achieved during the year. Among these include:

- QHSE Performance Excellence award by Malaysia International Shipping Corporation (MISC) Berhad
- Gold Class 1 Occupational Safety and Health Award for high standards and performance at SapuraKencana Operation Base in Pasir Gudang, Johor by the Ministry of Human Resources, Malaysia
- Gold Award 11th MOSHPA Occupational Safety and Health Excellence Award (Engineering and Construction) for SKHL awarded by the Malaysian Occupational Safety and Health Practitioner Association (MOSHPA)
- Appreciation Award for SKHL for the Amarit-A (AMA) & Muda-F (MDF) Wellhead Platform - (Phase 3 Development Project) by CPOC
- Class 1 Occupational Safety and Health Award for SKTLO Domestic awarded by the Malaysian Society of Occupational Safety and Health (MSOSH)

BUSINESS HIGHLIGHTS:
ENGINEERING & CONSTRUCTION - MALAYSIA

The financial year also saw ECM notching many new zero lost time injury ("LTI") milestones:

- January 2015: 15.0 million manhours without a LTI for the Wheatstone ISBL Module Project
- May 2015: 600,000 manhours without a LTI for the PETRONAS Carigali Angsi Compression Module Project
- May 2015: 1.5 million manhours without a LTI for CPOC Phase 3 Development project
- May 2015: 800,000 manhours without a LTI for the Shell Prelude project
- August 2015: 1.5 million manhours without a LTI for the Hess Exploration and Production Malaysia B.V (HESS) Remote Wellhead Platforms project
- September 2015: 20.0 million manhours without a LTI for HUC works
- October 2015: 500,000 manhours without a LTI for the PETRONAS Carigali Tukau Baronia project
- December 2015: 1.8 million manhours without a LTI in the PETRONAS Carigali Samarang Phase II project

MOVING FORWARD

We have secured several notable projects that will hold us in good stead going forward. These include:

- HUC works for KNPG-B Phase II, Kinabalu Non-associated Gas (NAG) Development project
- EPCIC works for ROC Oil Company Ltd's simultaneous production and drilling (SIPROD) project for the D35DP-B platform
- Infrastructure and Utility Upgrading works for BASF (Malaysia) Sdn Bhd's Hibiscus Infrastructure & Utility Upgrading Project

39% of our HUC order book comprises long-term contracts that provide revenue visibility and base load work for this business going forward into FY2017.

We also have significant contribution coming from the brownfield segment and under long term contract arrangements. We foresee this trend to remain unchanged for some years to come. Given this scenario, the division will strive to continue enhancing its end-to-end brownfield capabilities while seeking to reinforce its market position in greenfield HUC activities.

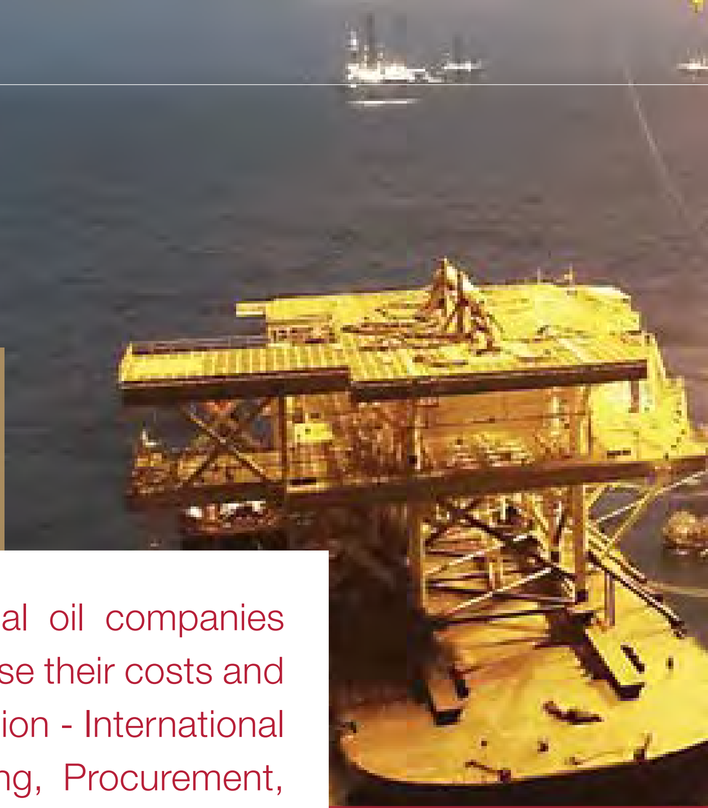
Moving forward, ECM will look to tap into increased opportunities in brownfield modification works, upgrading and rejuvenation of existing assets as well as EOR initiatives to boost production capacity. We will also look to leverage on the Group's integrated execution capability and the unique proposition of our in-house offshore installation assets. In doing so, we remain positive of further strengthening our leadership position for oil and gas related engineering and construction in Malaysia and the region.

OUR FLEET OF VESSELS

- 6 Derrick Lay Vessels
- 6 Pipelaying Support Vessels
- 1 Subsea Construction Vessel
- 42 Remotely Operated Vehicles
- 2 Geophysical Survey Vessels
- 2 Geotechnical Survey Vessels
- 5 Diving Support Vessels
- 4 Anchor Handling Tug Supply Vessels
- 1 Floatover Launch Barge
- 6 Accommodation Boats & Barges

ENGINEERING & CONSTRUCTION - INTERNATIONAL

In addressing the needs of today's market, Engineering & Construction – International will continue to closely track the present needs and requirements of clients, responding proactively to capitalise on opportunities as well as leverage on our assets and resources effectively.



BUSINESS HIGHLIGHTS: ENGINEERING & CONSTRUCTION - INTERNATIONAL

Going forward, oil and gas majors and national oil companies ("NOCs") would prefer turnkey solutions to minimise their costs and risk exposures. As such, Engineering & Construction - International ("ECI") will continue to showcase its Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") capabilities by undertaking turnkey projects and providing end-to-end solutions.

We will continue to align ourselves closely with the needs of clients to effectively serve them as their one-stop, strategic business partner. Ultimately, we remain poised to provide answers to the increasingly complex and rapidly evolving requirements of the global oil and gas industry, more so in today's challenging market conditions.

MARKET STANDING

With a growing business presence across the globe, ECI is providing end-to-end turnkey EPCIC solutions for the global oil and gas industry. Our goal is to provide maximum economic benefit to clients through a full-suite of services ranging from front-end engineering design to decommissioning solutions.

Our ability to provide comprehensive solutions stems from our highly skilled and experienced in-house engineering and project team, our comprehensive range of assets and our proven track record across the entire EPCIC spectrum for both shallow and deep-water projects.

ECI is supported by its own assets which includes our diversified and versatile offshore fleet. The fleet consists of derrick lay barges, diving support vessels ("DSVs"), geophysical and geotechnical survey vessels as well as pipe-laying support vessels ("PLSVs"). The division also has other strategic assets such as saturation diving systems, well intervention equipments, subsea toolings and remotely operated vehicles ("ROVs") that further enhance its capabilities.

Today, the division continues to expand its footprint and extends its impeccable track record, notably in the Western Hemisphere through landmark projects in Mexico and Brazil. Our market presence is also rapidly growing in India, Australia, Africa, Vietnam and Russia whilst we further consolidate our position in the local market.

OPERATIONAL HIGHLIGHTS

In FY2016, ECI focused on broad-based strategic initiatives to win contracts and to grow its market presence. Specifically, the division focused on enhancing the existing scope of services to clients, intensifying asset and resource optimisation efforts and expanding the business line. Core business activities include engineering, procurement, installation of offshore platforms, marine pipelines and facilities; installation of subsea umbilicals, risers and flowlines ("SURF"); conducting geotechnical and geophysical surveys, as well as providing subsea toolings, offshore diving and related underwater services. This also includes the design, manufacture and operation of ROVs.

In addition, ECI continued to realign business priorities to contracts and projects that offer the best prospects for success while also leveraging on the locations of assets to tap opportunities in the surrounding vicinity.

Through these efforts in FY2016, the division recognised RM2.9 billion in revenue while successfully completing key projects.

BUSINESS HIGHLIGHTS: **ENGINEERING & CONSTRUCTION - INTERNATIONAL**

Within the Malaysia-Thailand Joint Development Area ("JDA"), we completed four wellhead platforms ("WHP") and 43.7km of pipeline for Blocks B-17 and B17-01.

In Vietnam, we completed three projects for Vietsovpetro ("VSP") and PTSC Offshore Services Joint Stock Company ("POS"). These were namely works associated with the Thai Binh structure which saw the installation of 18km of pipeline and lifting of topside and jacket structures, as well as the H5 Well Head Platform ("WHP") project which involves the laying of 23.5km of pipeline off Te Giac Trang ("TGT"), Vietnam. Also in Vietnam, the division completed the Nam Con Son pipeline project which consisted of laying 170km of pipeline located south west of the Nam Con Son Basin, Vietnam for VSP.

In Indonesia, we completed the Kepodang Tambak Lorok Project, 14" 200km gas pipeline located at Central Java, Indonesia for the PT PGas Solution project.

In India, we executed works which include laying 34km of pipeline and installation of jacket, topside and riser clamps for British Gas Exploration & Production India Limited's Mukta B Platform and a structure and pipeline project for Oil and Natural Gas Corporation ("ONGC").

In Mexico, we established SapuraKencana Mexicana S.A.P.I de C.V ("SKM") and successfully installed seven structures and four pipelines for the NOC Petróleos Mexicanos ("Pemex") in Mexican waters. This includes lifting of the 3,208MT Kuil – B platform.

This involves the installation of structures and superstructures of fixed marine platforms, pipe-laying and lifting of major power generation equipment, utilising the *SapuraKencana 3500* ("*SK 3500*"). Within the same project, *SK 3500* successfully laid a 15km length, 36" pipeline – a unique feat which required specific specialisation, planning and technical requirements due to the 36" pipeline's unique diameter specification.

In Australia, the division, via SapuraKencana Australia ("SKA") undertook engineering, project management and offshore activities related to the installation of subsea structures, pipeline replacement and decommissioning for Quadrant Energy, Prelude and Ichtys / Saipem for an aggregated value worth AUD70.6 million. Subsequent to the financial year end, SKA and Total Marine Technology ("TMT"), another of the Group's Australian entities, were also involved in other subsea and Light Well Intervention activities in Asia Pacific for AUD10.1 million. TMT has also developed a patented market leading subsea torque tool and built two new heavy-work class ROVs, which are currently being deployed for Chevron and Quadrant Energy in Northwest Australia.

BUSINESS HIGHLIGHTS: ENGINEERING & CONSTRUCTION - INTERNATIONAL

FY2016 also saw the expansion of our operations in Brazil with three of the six pipe-laying support vessels ("PLSVs") working on long-term contracts with Petróleo Brasileiro S.A ("Petrobras"), namely the *Sapura Diamante*, *Sapura Topazio* and *Sapura Onix*. *Sapura Onix* commenced operations in September 2015 ahead of contractual schedule. We took delivery of the fourth and fifth PLSVs, *Sapura Jade* and *Sapura Esmeralda* respectively in December 2015 and both vessels have commenced long-term charter contracts with Petrobras in 2016. *Sapura Rubi*, the final and sixth PLSV is scheduled for completion in 2016.

Overall, we have seen excellent progress of the Brazil operations with *Sapura Diamante*, *Sapura Topazio* and *Sapura Onix* operating at a commendable average utilisation rate of between 98%-99%. In addition, the Brazil operations has an intact Health, Safety and Environment ("HSE") record of over 1 million manhours without a lost time injury ("LTI").

FY2016 ACHIEVEMENTS

Across the globe, several companies within the division registered noteworthy achievements for operational performance and HSE. This is a resounding nod of approval to the division's ability to maintain high HSE standards and operational performance by overcoming challenges associated with international operations.

SapuraKencana TL Offshore ("SKTLO"), a company under the division received an extension for its ISO 9001:2008 certification. SKTLO was also recognised with a Certificate of Great Achievement by PT PGas Solution (PGN) Indonesia for its performance and delivery of the Kepodang Project.

In Australia, TMT successfully maintained its ISO 3 part accreditation. These are Quality ISO 9001-2008, Environment ISO 14001-2004, HSE ISO 4801-2001, OHSAS-18001-2007. TMT was also Awarded Platinum status by the West Australia Industrial Foundation of Accident Prevention for its exemplary safety record.

Several companies achieved commendable zero LTI benchmarks. SKM achieved one million man hours without LTI while SKA notched up its fourth consecutive year without a LTI. SKA maintained its ISO 9001 certificate and updated to 2015 new standards. It is the first major oil and gas company in Australia to obtain ISO 9001:2015 certification. The company is currently working towards aligning its management systems to American Petroleum Institute standards.

On a separate note, both SapuraKencana Power Services and SapuraKencana Maintenance Services achieved a 1 million safe hour at Malaysia LNG ("MLNG") for the contractual service agreement ("CSA") Contract.

BUSINESS HIGHLIGHTS:
ENGINEERING & CONSTRUCTION - INTERNATIONAL

MOVING FORWARD

The division has a backlog of contracts, bringing our order book to a total of RM14.98 billion, with RM11.69 billion stemming from Brazil alone. This provides us with good revenue visibility for the next two years. Key contract highlights include:

Malaysia:

- Provision of Comprehensive Maintenance by Murphy Sarawak Oil Company Ltd for comprehensive maintenance of GE-supplied turbomachinery equipment under a long-term service agreement ("LTA") for approximately 10 years

- Provision of Turbomachinery Maintenance Services by Petronas Floating LNG1 (L) Ltd. Facilities ("PFLNG1 and PFLNG2") for comprehensive maintenance of GE supplied turbomachinery equipment under a LTA. This comprises the provision of maintenance services for GE-supplied aeroderivative gas turbines, centrifugal compressors and electric generators and electric motors. This LTA is for a period of 10 years with an option to extend for an additional five years

Asia Pacific

- Secured two projects from India – Mumbai High South Redevelopment Phase – III Project ("MHS-RD3"), the division's first EPCIC projects from the subcontinent and Vasai East project, an installation of structures, pipelines and subsea works

- Awarded HESS Exploration & Production Malaysia B.V EPC contract for Subsea Isolation Valve (SSIV) Systems for full field development, North Malay Basin. This SSIV project is the first of its kind in Malaysia's oil and gas industry

- Awarded a long-term service contract for six Major Inspections (MI) in MLNG and two Engine Exchanges with one overhaul at Petronas Gas Berhad

- Awarded LTA for the PFLNG1, the first floating LNG facility built by PETRONAS. It is also the biggest contract secured by SapuraKencana GE Oil & Gas Services ("SKGE") in terms of fleet size (PFLNG1 and PFLNG2) with 12 gas turbines, two electrical motors, six centrifugal compressors and eight electric generators

Australasia

- Awarded first Light Well Intervention Project for Woodside, offshore execution in 2016

The successful work achieved with Pemex has led to new opportunities for the division in Mexico and in the region. At present, SKM is actively participating in tenders for Pemex and other private companies. In addition, SKM is supporting different divisions from SapuraKencana by providing relationships and local market knowledge.

In addressing the needs of today's challenging market, ECI will continue to align its strategy to closely track the present needs and requirements of clients.

We understand that with oil and gas majors looking to minimise cost and risk exposure, they would prefer turnkey solutions from industry players. As such, we continue to drive and market our EPCIC capabilities to undertake turnkey

BUSINESS HIGHLIGHTS: **ENGINEERING & CONSTRUCTION - INTERNATIONAL**

projects and provide them with end-to-end solutions. This includes providing "fit for purpose solutions" by first understanding the unique challenges facing each client and then providing answers that best meet their requirements.

Essentially, we seek to deliver the best solution at a lower cost for our clients, something that few players can achieve, thus enabling us to gain a competitive advantage going forward.

Our focus will primarily be centred on firm projects where capex has been approved, while also looking at developing new opportunities based on locations that remain resilient amidst low oil prices i.e. the Middle East and India. We will also leverage on our presence in Mexico and Russia – a relatively new region for the Group to secure more jobs.

The division will actively tender for EPCIC and T&I projects in both shallow and deep waters and pursue long-term opportunities to provide visibility of work for our assets. Participating in tenders with local partners increases our chances for success as well as our exposure to opportunities.

We will also look into accelerating new technology such as Light Well Intervention into the marketplace, extend our technology base by development of inspection services for civil water infrastructure and venture further into the ROV business.

We will continue to leverage on the strength of our project management team and their vast experience to give assurance to our clients that their projects will be executed in an effective manner.

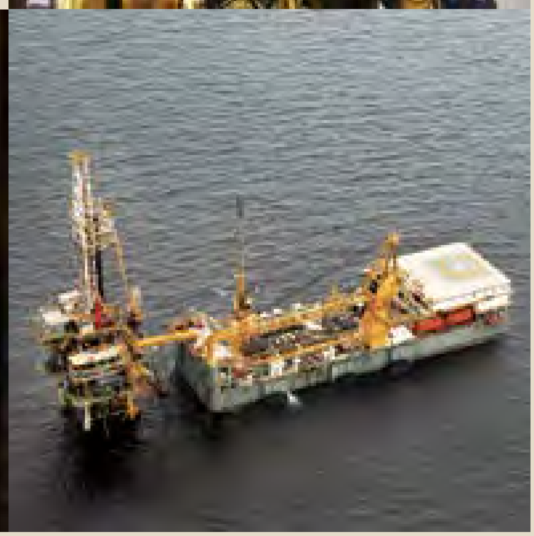
The division's strong order book, a diversified project portfolio and client base across the globe and our continuous efforts to rebase our cost puts us in an advantageous position going forward. We remain competitive and resilient – ready to respond positively to the present market challenges.

OUR TENDER RIGS

- 9 Tender Barge Rigs
- 8 Semi-Tender Rigs

DRILLING

SapuraKencana Drilling is the world's leading tender rig owner and operator with around 50% share of the global market with a globally-recognised track record for cost-effeciency and the safest tender assist drilling solutions for operators.



BUSINESS HIGHLIGHTS:
DRILLING

Tender assist drilling remains a very cost-effective method of developing oil and gas production and provides opportunities for oil and gas companies to reduce their capital expenditure requirements in this challenging market. Leveraging on this advantage and its reputation in the industry, SapuraKencana Drilling ("SKD") continues to proactively seek out opportunities to add value to existing and potential clients by showcasing how our unique value proposition empowers them to achieve sustainability and improve productivity in their development drilling operations.

50%
share of global market

MARKET STANDING

SKD is the world's leading tender rig owner and operator with approximately 50% share of the global market. For over 40 years, we have methodologically built a globally recognised track record for cost-effective and safest tender assist drilling solutions for operators.

Our distinctive value to clients includes our highly experienced professional personnel who are leading industry talents in their field, as well as ownership of the world's largest and one of the youngest tender rig fleet operations in the world, comprising nine tender barge rigs and seven semi-tender rigs. We continue to solidify our distinguished position as a front-runner of Health Safety and Environment ("HSE") in the industry.

Together, these core strengths enable SKD to deliver the best value to clients and serve as their preferred business partner.

Going forward, we will continue to improve the tender assisted drilling concept to strengthen our offerings while delivering improved productivity and optimised return of investments for clients.

Today, we are the undisputed market leader for tender assisted drilling with operations spanning Asia, Africa and America.

OPERATIONAL HIGHLIGHTS

In FY2016, operating conditions were indeed challenging as oil and gas companies reduced their capital expenditure ("capex") given the low price of crude oil. SKD adapted quickly to these new market conditions to effectively address client's challenges and concerns in a capital-constrained and low oil price environment. This exemplifies the Group's core value of agility.

BUSINESS OVERVIEW

Drawing from our extensive expertise and experience, we worked closely with clients and our efforts yielded positive results, successfully helping to reduce their overall project cost structure while ensuring that most of their drilling campaigns remained sustainable.

Our unique ability to achieve such close working relationships is made possible through the trust and confidence we have earned from our clients, underpinned by a long-standing track record of excellent performance and strong working relationships cultivated with oil and gas majors and national oil companies ("NOCs") for over 40 years.

As a result of our efforts throughout FY2016, SKD successfully maintained its long-term fixed price contracts for clients such as Chevron Thailand, Royal Dutch Shell plc ("Shell"), PTTEP Thailand, BP plc ("BP") and PETRONAS Carigali Sdn Bhd ("PCSB").

No major assets were acquired during the financial year. However, the division continued to invest in quality maintenance of its offshore assets which consistently enabled high technical utilisation and operational delivery throughout FY2016.

BUSINESS HIGHLIGHTS: **DRILLING**

FY2016 ACHIEVEMENTS

SKD registered its best operational year in FY2016, clearly reflected in the various awards and accolades received from oil and gas majors and NOCs.

We successfully maintained a high technical utilisation rate among all established offshore drilling contractors with an average of 98.6% across the worldwide fleet, with the vast majority of units reaching in excess of 99%. The exemplary performance levels exhibited in the servicing of these contracts have further distinguished the good name of SapuraKencana going forward.

Despite the challenging market, SKD secured several extensions to existing contracts as well as contract awards during the financial year. In FY2016, contracts extended were for the *SKD Menang* with Murphy Malaysia, *SKD Jaya* - which twice had its contract extended by BP Trinidad & Tobago LLC and *SKD T-20* with CNR International (Côte d'Ivoire) S.A.R.L., Ivory Coast.

One of the new contracts secured was for the *SKD Esperanza* with Sarawak Shell Berhad/ Sabah Shell Petroleum Co. Ltd. This is for the drilling development of the Shell Malikai project where we are proud to be Shell's and PETRONAS' partner in Malaysia's first Tension Leg Platform ("TLP") project. Leveraging on the experience gained from earlier TLP projects worldwide, we contributed significant input to the concept design and optimisation of the Malikai TLP. The Shell Malikai TLP, located 110km offshore Sabah, Malaysia is expected to be installed to a depth of 565m in the third quarter of 2016.

The Shell Malikai TLP also adds to our portfolio of TLP projects. Over the last seven years, SKD holds a unique distinction for having provided rigs for all TLP projects globally, save for one.

Also worthy of mention is that several of our rigs were recognised for superior performance. These include *SKD T-12*, which was selected as Platinum Rig of the year and *SKD T-18* as Gold Rig of the year by Chevron Thailand. For the fourth consecutive year, *SKD Pelaut* was awarded Best Rig of its category by Shell Worldwide while *SKD Esperanza* was named HESS Rig of the Year 2015 by HESS Worldwide. Last but not least, *SKD Setia* was selected by the Cabinda Gulf Oil Company – a Chevron subsidiary as Clear Leader of 2015 – Africa.

We also continued to strengthen our reputation as HSE leaders by recording several new benchmarks during the year. Our achievements are a further testament to the capability and competency within the division as well as of the high HSE ethics and standards that are practiced within. Such HSE achievements include:

- *SKD Pelaut*: 11 years LTI free
- *SKD Setia*: 7 years LTI free
- *SKD T-10*: 7 years LTI free
- *SKD T-12*: 5 years LTI free
- *SKD Berani*: 3 years LTI free
- *SKD Jaya*: 2 years LTI free
- *SKD Menang*: 2 years LTI free
- *SKD T-17*: 2 years LTI free
- *SKD T-18*: 1 year LTI free
- *SKD T-19*: 1 year LTI free
- *SKD T-9*: 1 year LTI free
- *SKD T-11*: 1 year LTI free
- *SKD T-20*: 1 year LTI free

BUSINESS HIGHLIGHTS: **DRILLING**

MOVING FORWARD

Despite the challenging external environment, SKD remains resilient and optimistic going forward. Our new contracts and contract extensions will provide us with potential revenue visibility of USD822.0 million for the next four years.

In servicing these contracts, SKD is aware of the challenges faced, given the present conditions in the operating environment. However, tender assist drilling remains a very cost-effective method of developing oil and gas production and provides opportunities for oil and gas companies to reduce their capital expenditure requirements in this challenging market. Leveraging on this advantage and its reputation in the industry, SKD will continue to proactively seek out opportunities to add value to existing and potential clients by showcasing how our unique value proposition empowers them to achieve sustainability and improve productivity in their development drilling operations.

We will also continue to thoroughly assess our cost structure on a routine basis to ensure that we are offering the best value to clients at all times.

These and other measures will not only enable us to stay competitive but also reinforce our competitive positioning once the market recovers. We are confident that going forward, given the unique proposition of our people who bring strong ethics and technical expertise, our track record and the capability of our assets, SKD will continue to perform well and maintain its market leadership position for tender rig drilling.

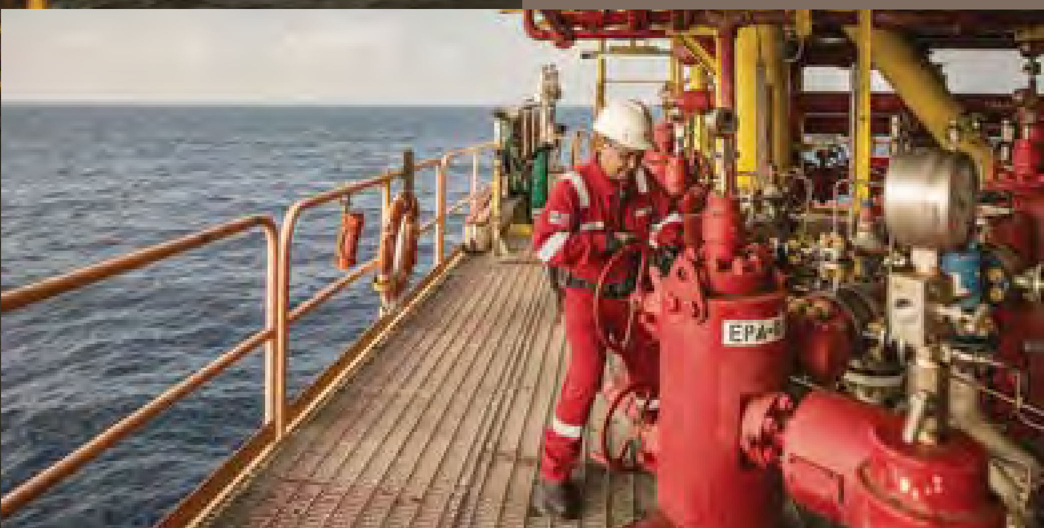
OUR ENERGY ASSETS

- Participation in 9 Production Sharing Contracts
- Participation in 1 Risk Service Contract
- Operatorship in 6 Production Sharing Contracts

ENERGY

Over the past 10 years, SapuraKencana Energy has established itself as a key Exploration and Production player recognised for its cost effectiveness and excellent safety standards.

It currently operates oil and gas Production Sharing Contracts within Malaysia.



BUSINESS HIGHLIGHTS:
ENERGY

In November 2015, SapuraKencana Energy ("SKE") secured its Field Development Plan ("FDP") approval from Petroliam Nasional Berhad ("PETRONAS") for the development of the SK310 B15 gas project. This marks SKE's first venture into upstream gas development in Malaysia, which will contribute significantly to divisional revenue moving forward.

The continued decline in crude oil prices has created a challenging operating environment for SKE. We will continue to respond proactively to the prevailing low commodity price environment through the adoption of an aggressive strategy for cost optimisation while upholding our Health, Safety and Environment ("HSE") standards as well as maintaining operational excellence.

Despite the challenging environment, we remain steadfast in our drive to becoming a leading regional independent oil and gas producer in Asia, recognised for our innovative and efficient solutions and excellent HSE record. We will continue to actively pursue suitable growth opportunities to achieve our long-term strategic objectives going forward.

4.8 mil
barrels of oil equivalent volume lifted

MARKET STANDING

Over the last 10 years, the Energy division, represented by SKE, has proven itself as an Exploration and Production ("E&P") operator, capable of extracting optimal returns from challenging fields. Leveraging on the capabilities of its people together with new innovative technologies, SKE today has earned recognition as a significant upstream player with a proven track record in exploration, horizontal drilling and completions, field studies and modelling, project management and production operations. It is widely recognised for its superior exploration successes in East Malaysia, efficient execution of its development plans, high operational uptime and strong HSE culture and performance.

Today, SKE has participating interests in nine Production Sharing Contracts ("PSC") in Malaysia and is the operator for six of the PSCs.

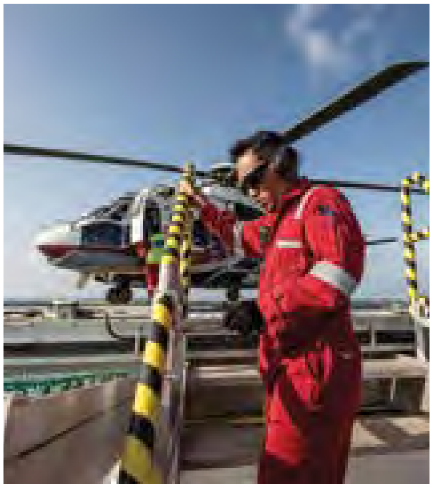
SapuraKencana is also part of the consortium that was awarded Malaysia's first marginal field Risk Service Contract ("RSC"), namely the Berantai RSC, located 150km offshore Terengganu. This project was implemented within 18 months of securing the FDP from PETRONAS.

OPERATIONAL HIGHLIGHTS

During the year, SKE successfully lifted a volume of 4.8 million barrels of oil equivalent ("MMBOE") – exceeding production targets set for the financial year.

This was achieved on the back of an efficient operational production uptime exceeding 95% while controllable production cost was pared down by as much as 15% across our operated assets. Rigorous rationalisation of operational philosophy, lower logistics utilisation and re-prioritisation of essential capital projects were the main drivers in this regard. Our HSE performance remains exemplary, with no lost time incidents recorded during the year.

BUSINESS HIGHLIGHTS: **ENERGY**



The major highlight for the year was receiving FDP approval from PETRONAS for the SK310 B15 gas project in November 2015. This development is a culmination of the efforts initiated by the SK310 block exploration campaign, offshore East Malaysia, with the B15 discovery made in December 2010. The development will comprise a central processing platform with a 35km gas evacuation pipeline to be tied into the existing infrastructure. The B15 field is expected to produce 100.0 million standard cubic feet per day ("MMSCFD") of gas for the PETRONAS' Liquefied Natural Gas ("LNG") complex in Bintulu, Sarawak.

B15 development work has officially commenced in April 2016 with the first gas delivery targeted for the fourth quarter of 2017.

Our activity level in the exploration front remains strong; we drilled a total of five exploration wells offshore East Malaysia in FY2016 with discoveries exceeding pre-drill expectations and zero recordable incidents for drilling operations.

Besides entrenching ourselves further within the domestic market, we are also actively evaluating and pursuing regional opportunities with a particular focus on South East Asia, Central Asia and the Middle East. This is essential towards firmly positioning ourselves as a leading regional independent E&P player.

FY2016 ACHIEVEMENTS

The SK310 B15 FDP approval received from PETRONAS marks the company's inaugural venture into the upstream gas development in Malaysia. This project, combined with the future monetisation of SK408 gas discoveries, will have significant contribution to divisional revenue moving forward and pave the way for the division to become a significant player in the East Malaysia gas market.

Following our recent exploration successes, we continue to pursue exploration opportunities in the low risk, high prospectivity acreage in the East Malaysian hydrocarbon basin through the extension of our participation in SK408 Exploration PSC, improving visibility on our exploration portfolio, potentially up until 2019.

SKE was also invited to be part of the PETRONAS-led Cost Reduction Alliance ("CORAL") 2.0 project. This multipartite project aims to achieve cost savings and production gains from consolidation of the industry's expertise and resources, expenditure optimisation and technical collaboration.

BUSINESS HIGHLIGHTS: **ENERGY**

MOVING FORWARD

SKE continues to adopt a strategy of cost and asset optimisation towards maintaining the current productivity and profitability levels.

We will continue to adhere to our strategy of augmenting our portfolio of assets by seeking out near-term cash-generating assets. This strategy will provide a quicker return on investment while requiring a lower initial capital outlay.

More importantly, as we seek to optimise our operations given the current low crude oil prices, we will continue to uphold our world-class operational standards and performance especially in the area of HSE.

The division is focused on delivering significant organic growth from its existing portfolio of assets through continuous operational improvements and timely development of its discovered assets. In the longer-term, we remain on track and are progressing well towards our aspirations of being a regional independent oil and gas producer in Asia recognised for its innovative and efficient solutions and excellent safety record.

BUSINESS OVERVIEW

CORPORATE RESPONSIBILITY

SapuraKencana Petroleum Berhad ("SapuraKencana" or "Group") continues to embrace corporate responsibility ("CR") with social and environmental needs as core elements of the Group's initiatives. Our CR initiatives are aligned to our business objectives to stay true to a common sense of purpose and social responsibility, driven by a desire to contribute towards nation building, through the communities in which we operate.

In the period under review, we have engaged in a number of CR initiatives to positively impact our stakeholders, essentially focusing on four social pillars, namely development of our people at the workplace, the marketplace where we conduct our business operations, the communities where we operate and the environment in which we live.

WORKPLACE

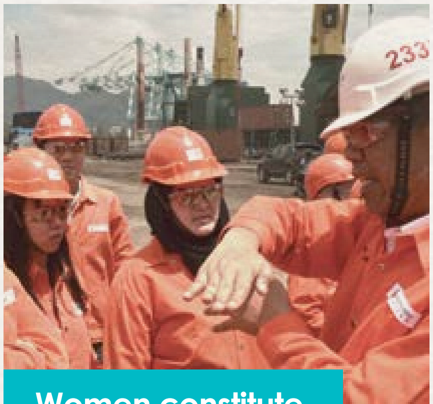
COMMUNITY

MARKETPLACE

ENVIRONMENT

CORPORATE **RESPONSIBILITY**

CORPORATE **RESPONSIBILITY**



Women constitute

30%

of our employees

We understand the importance of continuously investing in upskilling our workforce to help them realise their career potential and meet these demands head-on.

OUR WORKFORCE, OUR PULSE

As a leading global integrated oil and gas services and solutions provider, SapuraKencana's proven performance stems from its highly skilled and technically capable multinational workforce. The diversity of SapuraKencana's employees serve as a hallmark of who we are – a resilient internal community with capability and capacity to leverage on the global opportunities of this competitive oil and gas industry.

The Group's corporate policies are all-encompassing, instilled at all levels throughout the organisation, thus affording equal opportunities for our employees and ensuring a conducive workplace environment that is free from gender bias, sexual harassment or other forms of discrimination, be it race, creed, religion, language or political affiliation. We are proud that women constitute 30% of our permanent workforce in SapuraKencana.

As technology progresses, we understand the importance of continuously investing in upskilling our workforce to help them realise their career potential and meet these demands head-on. We take pride in identifying, developing and nurturing talent to rise and compete on a global platform through a variety of training programmes.

As a testament to the the efforts we made in strengthening our workforce, SapuraKencana was once again ranked among the Top Five Most Attractive Employers in Malaysia for the engineering category by the Universum Student Survey 2016. This largest talent survey of its kind in Malaysia, canvassed almost 17,000 undergraduates from 27 universities throughout the country. The high ranking reflects the undergraduates' top-of-mind awareness of SapuraKencana and the Company's strength in talent attraction.

The adage, 'A healthy body is a healthy mind' resonates well throughout SapuraKencana. Various recreational activities have been made available to employees to motivate and inculcate a work-life balance, including badminton sessions, an inter-divisional bowling tournament in which over 120 keglers displayed their prowess, as well as our eagerly anticipated annual Inter-Divisional Futsal Carnival 2015, where over 160 SapuraKencana's employees participated in healthy competition.

CORPORATE **RESPONSIBILITY**

Ranked **Top 5** **Most Attractive Employer** in Malaysia

We take pride in identifying, developing and nurturing talent to rise and compete on a global platform through a variety of training programmes.

We have an ongoing monthly staff engagement programme called ‘Teh Tarik Sessions’, in which various activities or talks are organised with the aim of bringing employees together in a casual and informal setting. In FY2016, we have organised events including a blood donation drive, health and safety talks for employees in topics like Haze Awareness, Crime Prevention, as well as festive celebrations for employees, like our annual Hari Raya Open House.

Recognising the importance of face-to-face engagement to enhance interaction and communication at all levels within the organisation, SapuraKencana organises Management-Employee townhalls. Held bi-annually at various offices within SapuraKencana, these townhall sessions provide another channel for Senior Management to share information on the company’s progress, while employees have the opportunity to seek clarification and understanding, share their views, concerns and provide feedback so that all parties are kept well-informed and aligned with the Group’s objectives.

CORPORATE **RESPONSIBILITY**

CR initiatives focusing on

youth education and community empowerment

We strive to ensure a sustainable positive impact upon these communities by continuing our initiatives focusing on education and the youth.

OUR COMMUNITY, OUR EXTENDED FAMILY

At SapuraKencana, we strive to ensure a sustainable positive impact upon these communities by continuing our initiatives focusing on education and the youth. On the basis that the future lies within the youth of today, SapuraKencana strives to provide increased access to training and job opportunities to empower them to realise their potential. SapuraKencana is fully committed to Yayasan Peneraju, a not-for-profit foundation providing opportunities for youths to upskill themselves and further increase their job prospects. In FY2016, 142 trainees successfully undertook this programme.

The Group is immensely proud of our employees who have shown compassion and resilience in reaching out to assist the marginalised communities in their moment of need under the banner of our Volunteer Programme. Into its fourth year, the volunteers have successfully organised and participated in numerous activities that have not just benefitted the community directly, but have also served to foster a stronger bond of camaraderie amongst volunteers.

Yayasan Peneraju
SapuraKencana's total sponsorship to date stands at
RM3.0 million

142 trainees undertook this programme and successfully attained Oil & Gas 6G Welding certification.

These initiatives include volunteering in orphanages and homes for the poor on top of fundraising for the needy and community outreach programmes. For example, we had sponsored the 'We Care 2015 – MyLandy Merdeka Charity Drive' outreach programme organised by the MyLandy Automobile Sports Club where basic household cooking supplies were delivered to Orang Asli villages at Kampung Chenan Cerah and Kampung Lemoi in Ringlet, Cameron Highlands, Pahang.

A team from SapuraKencana, comprising staff and senior management, had participated at the Bursa Malaysia's Bull Charge, an annual event for Malaysia's corporate personalities to raise funds for charities whose causes include economic sustainability among disadvantaged communities, support for entrepreneurs and the improvement of financial literacy.

SapuraKencana remains fully committed to maintain support of the MyKasih 'Love My Neighbourhood' food aid and 'Love My School' bursary programme in Lumut and Teluk Intan, Perak. In these programmes, SapuraKencana endeavours to alleviate the hardship faced by marginalised communities by providing 100 deserving families fortnightly financial support for basic groceries and assisting 100 eligible students with much-needed school supplies and meals at their schools.

CORPORATE **RESPONSIBILITY**

Collaboration with

PETRONAS

Vendor Development Programme

We provide development opportunities for the small to medium enterprises in Malaysia.

OUR MARKETPLACE, OUR SHARED RESPONSIBILITY

At SapuraKencana, we believe in continuous improvement in performance delivery and innovation with high standards of service quality. We are commited to our continuing collaboration with Petroliam Nasional Berhad's ("PETRONAS") Vendor Development Programme, in recognition of the strong contributory role of our vendors. Through this initiative, we provide development opportunities for the small to medium enterprises in Malaysia to enable their progression further up the value chain. This initiative is also in line with Malaysia's Economic Transformation Programme which aims to transform the country into a leading oil and gas services hub in Asia by 2020.

The Group believes firmly in partnership and upholds the value of trust and respect in our stakeholder engagement. In maintaining this, we conduct open, two-way communication and regular updates in addition to senior management briefings with analysts, investors and the media, particularly in conjunction with the quarterly financial results. We employ such resources and channels to ensure strong alignment and understanding of our corporate vision, objectives and strategies. This is in addition to the more conventional means whereby stakeholders can access our corporate website for latest updates on our corporate activities.

A cornerstone of SapuraKencana's operations is integrity, alongside transparency and corporate governance. This way of life permeates all our business dealings, be it with our partners, our shareholders, customers and the community alike. One prime example is our Procurement Policy in which the purchase of goods and commissioning of services are governed by good and fair marketplace practices.

Managing risks is a critical and integral part of operating in the oil and gas industry. SapuraKencana has in place a robust risk management framework, yet we recognise the need for continuous improvement. On this basis, we look for ways and means to continuously raise the bar, working within a strong governance structure and a robust internal control system to mitigate and manage risks.

Industry collaboration - **Sahabat Maritim** safety outreach programme

SapuraKencana supports the efforts of guarding against maritime security threats that impacts not only the local industry but our nation as a whole.

OUR ENVIRONMENT, OUR ONGOING LEGACY

As a key player in the oil and gas industry, SapuraKencana supports the efforts of guarding against maritime security threats that impact not only the local industry but our nation as a whole. Together with other industry players, the Group had entered into a collaboration agreement with the Malaysian Maritime Enforcement Agency in the Sahabat Maritim safety outreach programme. This involves the fishing communities around areas of oil and gas operations in Malaysia, aiming to raise their awareness on potential threats and educate on safety measures to adopt.

We are continuously exploring innovative, green measures to promote sustainability of our environment and adoption of best practices to enable more efficient use of our resources. We apply this same intensity to ensure strong compliance to stringent local and international environmental guidelines.

The Group continues to invest in efforts to reduce waste and carbon emissions whilst conserving energy, water and paper. We are constantly challenging ourselves to improve efficiency and effectiveness of our resources, with one such programme being instituting various approaches to printing and with this, we target to reduce our yearly consumption of paper.

We diligently conduct water sampling for wastewater and effluent discharge as well as ensure our contractors are highly trained in oil spill containment measures. We are proud to have adopted such measures and approaches as our way of life here at SapuraKencana and look to further development for more effective and efficient energy exploratory activities.

MOVING FORWARD

SapuraKencana is committed to continue progressing in a responsible and sustainable manner to achieve our business deliverables, in tandem with our CR engagement initiatives to benefit our stakeholders and the environment. Throughout this endeavour, we will be guided by the Group's tenets of honesty, trust and respect for all.

HIGHLIGHTS OF EVENTS

APR

14 APRIL 2015

Frost & Sullivan Award
Mandarin Oriental Hotel,
Kuala Lumpur

23 APRIL 2015

Invest Malaysia 2015
Mandarin Oriental Hotel,
Kuala Lumpur

27 APRIL 2015

The Oil & Gas Year Awards 2015
Shangri-La Hotel,
Kuala Lumpur

MAY

18 MAY 2015

Asia Oil & Gas Conference
Kuala Lumpur Convention Centre,
Kuala Lumpur

JUN

2 - 4 JUNE 2015

Oil and Gas Asia 2015
Kuala Lumpur Convention Centre, Kuala Lumpur

9 JUNE 2015

Malaysian Investor Relations Awards 2015
The Royale Chulan Hotel,
Kuala Lumpur

16 JUNE 2015

SapuraKencana Annual General Meeting
Sapura@Mines, Seri Kembangan, Selangor

JUL

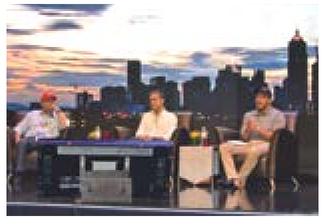
27 - 28 JULY 2015

SapuraKencana Hari Raya Open House
Grand Hyatt Hotel,
Kuala Lumpur

AUG

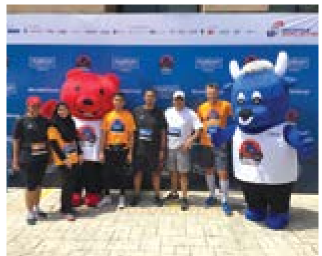
12 AUGUST 2015

Shareholders Visit to SapuraKencana Lumut Fabrication Yard
Lumut, Perak



19 AUGUST 2015

BAHTERA 2015
Kuala Lumpur Convention Centre, Kuala Lumpur



20 AUGUST 2015

Bursa Bull Charge 2015
Bursa Exchange Square,
Kuala Lumpur

21 AUGUST 2015

Launch of *Sapura Rubi*
Krimpen aan den Ijssel,
The Netherlands

HIGHLIGHTS OF EVENTS

SEP

2 SEPTEMBER 2015

First Issuance of Sukuk Offering Signing Ceremony
Menara Maybank, Kuala Lumpur

10 SEPTEMBER 2015

MyLandy We Care
Kampung Lemoi, Cameron Highlands, Pahang

15 SEPTEMBER 2015

Sahabat Maritim Signing Ceremony
Kuala Lumpur Convention Centre, Kuala Lumpur

15 SEPTEMBER 2015

Analyst Briefing
Menara SapuraKencana Petroleum, Kuala Lumpur

17 SEPTEMBER 2015

SapuraKencana Q2 FY2016 Staff Briefing
Menara SapuraKencana Petroleum, Kuala Lumpur

OCT

10 OCTOBER 2015

Yayasan Universiti Teknologi PETRONAS Charity Golf
Kelab Golf Sultan Abdul Aziz Shah, Shah Alam, Selangor

12 OCTOBER 2015

MOGSC Futsal Tournament 2015
Sports Planet, Ampang, Kuala Lumpur

21 OCTOBER 2015

Petrovietnam Conference & Exhibition 2015
Ho Chi Minh, Vietnam

29 OCTOBER 2015

CIMB Classic 2015
Kuala Lumpur Golf & Country Club, Kuala Lumpur

DEC

5 DECEMBER 2015

SapuraKencana Futsal Carnival 2015
Sports Planet, Kota Damansara, Selangor

FEB

16 FEBRUARY 2016

SapuraKencana Chinese New Year Celebration 2016
Menara SapuraKencana Petroleum, Kuala Lumpur

STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS ("BOARD") OF SAPURAKENCANA PETROLEUM BERHAD ("SAPURAKENCANA" OR "COMPANY") IS COMMITTED TO ENSURING THAT THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE ARE APPLIED THROUGHOUT SAPURAKENCANA GROUP ("GROUP") PURSUANT TO THE PRINCIPLES AND RECOMMENDATIONS STIPULATED IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("CODE"), MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") ("MMLR"), AND THE RECOMMENDATIONS IN THE CORPORATE GOVERNANCE GUIDE (SECOND EDITION) ISSUED BY BURSA MALAYSIA ("CG GUIDE").

Through the Group's Policies and Procedures as well as periodic audit reviews, the Board ensures that good governance is practised throughout the Group in all aspects of its business dealings and that integrity and transparency are displayed with the objective of safeguarding shareholders' investments and ultimately enhancing shareholders' value. The Board is convinced that by doing so, will undoubtedly contribute towards the betterment of the Group's overall performance.

The Board is pleased to disclose the extent of the Group's compliance with the principles set out in the Code and pursuant to paragraph 15.25 of the MMLR in this Statement on Corporate Governance ("Statement").

THE BOARD OF DIRECTORS

Roles and Responsibilities of the Board of Directors

The Board has the collective responsibility for the overall conduct and performance of the Group's business by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. A comprehensive business plan was tabled to the Board for deliberation and was approved by the Board prior to the commencement of new financial year. The Board exercises due diligence and care in discharging its duties and responsibilities to ensure that high ethical standards are applied through compliance with the relevant rules and regulations as well as directives and guidelines. This is in addition to adopting the best practices in the Code and CG Guide, as well as acting in the best interests of the Group and its shareholders.

The Board Charter ("Charter") provides guidance to the Board in discharging its roles, duties and responsibilities in line with the principles of good governance. The Charter also outlines the roles and responsibilities of the Board, the balance and composition of the Board, the authority of the Board and the schedule of matters reserved for the Board. It also touches upon matters pertaining to the establishment of Board Committees, processes and procedures for convening Board and Board Committee meetings, the Board's assessment and review of its performance, compliance with ethical standards, the Board's access to information and advice, and declarations of conflict of interest.

The principal responsibilities and roles of the Board among others, are as follows:

- to review strategic business development plans for the Group;
- to oversee the conduct of the Group's businesses;
- to identify principal risks and to ensure the implementation of appropriate systems to manage these risks;
- to ensure succession planning;
- to oversee the development and implementation of investor relations programmes or the shareholders communication policy for the Group; and
- to review the adequacy and integrity of the Group's internal control systems.

STATEMENT ON CORPORATE GOVERNANCE

Matters reserved for the Board's approval and delegation of powers to its Committees and the President and Group Chief Executive Officer ("PGCEO") as well as the Management are set out in an approved framework on limits of authority. The business affairs of the Group are governed by the Group's Limits of Authority, while any non-compliance issues are brought to the attention of the Management, the Audit Committee and/or the Board for effective supervisory decision-making and proper governance.

The Board strives to adhere to the highest ethical standards in discharging its responsibilities and continues to promote integrity and ethical conduct among its employees in all aspects of the Company's business operations, including confidentiality of information, conflicts of interest, as well as health, safety and environmental ("HSE") performance, amongst others.

Board Balance and Composition

The Board currently comprises four Independent Non-Executive Directors and four Non-Independent Directors.

The Board takes cognisance that the Code recommends a majority composition of Independent Directors where the Chairman of the Board is a Non-Independent Director to ensure a balance of power and authority. After due consideration, the Board has decided to depart from this recommendation. However, in doing so, the Board remains steadfast with regard to the importance of having the right composition on the Board and strives to maintain the minimum one-third requirement of Independent Directors under the MMLR.

The Board believes that the Group's unique set-up which rests on its capable, experienced and professional entrepreneur acting as PGCEO brings dynamism and leadership qualities to the Group, giving it a distinct ability to carry on its business as a going concern and to continue to grow the Group.

Diversity in the Board's composition is essential to facilitate good decision-making as this enables different insights and perspectives to be harnessed. This diversity criteria may include skills, competencies, experience, ethnicity and gender. The Board is mindful of the requirements of the Code and the need to refresh itself from time to time and is actively exploring avenues to improve board diversity including gender, ethnicity and age. In terms of diversity in skills, experience and competencies, the Board comprises members with various professional backgrounds from the fields of engineering, information technology, accounting, management, economics, business and public administration, all of whom bring in-depth and diverse experiences, expertise and perspectives to the Group's operations to ultimately enhance shareholders' value for the long-term. As for gender diversity, the Board has one woman Director, Ms Gee Siew Yoong, who serves as an Independent Non-Executive Director. She is also the Chairman of the Audit Committee and a member of the Nomination Committee of SapuraKencana.

Collectively, the Board brings a wide spectrum of business acumen, skills and perspectives necessary for the decision-making process. The diversity and depth of knowledge offered by the Board, especially its Executive Directors, reflect the commitment of the Company to ensure effective leadership and control of the Group. The Non-Executive Directors provide considerable depth of knowledge collectively gained from their vast experience in a variety of public and private companies. They also possess the necessary calibre, credibility, skills and experience to bring balanced judgment to matters of strategy, performance and resources, including key appointments and the standard of conduct.

In terms of time commitment, all members of the Board currently hold not more than five directorships in listed companies in line with the maximum limit as set out under paragraph 15.06 of the MMLR. The Board is satisfied that each member of the Board has spent sufficient time on all Board matters, hence ensuring a timely and orderly decision-making process for the Company.

The Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, not only for the interest of the Group but also for other stakeholders.

With its diversity of skills, the Board has been able to provide clear and effective collective leadership to the Group. This has also brought informed and independent judgment to the Group's strategy and performance so as to ensure that the highest standards of conduct and integrity are always at the core of the Group.

The background of each Director is contained in the "Profiles of Board of Directors" section as set out on pages 20 to 28 of this Annual Report.

STATEMENT ON **CORPORATE GOVERNANCE**

Division of Roles and Responsibilities between the Chairman and the PGCEO

The Board appreciates the distinct roles and responsibilities of the Chairman of the Board and the PGCEO to ensure a clear and proper balance of power and authority. As such, the roles of the Chairman and the PGCEO are separate. The Chairman's main responsibility is to ensure effective conduct of the Board through the execution of the following key roles:

(i) To build a high performance Board by leading the evaluation of the Board's performance and ensuring that succession planning is considered on an ongoing basis;

(ii) To manage Board meetings in order to achieve robust decision-making by ensuring that accurate, timely and clear information is provided to all Directors. The Chairman encourages participation and deliberation by the Board to tap the wisdom of all members and to promote consensus building as much as possible; and

(iii) To facilitate the Board and Management interface by acting as the conduit between the two parties.

The Chairman has never assumed any executive position in the Company.

The PGCEO has the overall responsibility for the Group's operational, business units and support services, organisational effectiveness and implementation of Board policies, directives, strategies and decisions. In addition, the PGCEO, by virtue of his position as a Board member, also functions as the intermediary between the Board and the Management.

Senior Independent Director

The Board has identified Tan Sri Datuk Amar (Dr) Hamid Bugo as the key person to whom the concerns of shareholders and stakeholders may be conveyed. Shareholders and other interested parties may contact Tan Sri Datuk Amar (Dr) Hamid to address any concerns in writing or via telephone or electronic mail as set out below:

Level 6, Menara SapuraKencana Petroleum
Solaris Dutamas
1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia
Tel : +603-6209 5740/5743
Email : independent@sapurakencana.com

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Induction programmes are conducted for all newly appointed Directors which include briefings by the Senior Management to provide Directors with the necessary information to assist them in understanding the operations of the Company, current issues and corporate strategies, as well as the structure and management of the Company. In the financial year ended 31 January 2016 ("FY2016"), training sessions for the Directors on relevant topics were also arranged.

All Directors have attended and successfully completed the Mandatory Accreditation Programme as required by the MMLR. The Board is encouraged to attend education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge on a regular basis and to keep abreast with new developments in the business environment.

The Company has, on an ongoing basis, undertaken an assessment of the training needs of each Director as well as identified conferences and seminars that are considered beneficial to the Board. The Company provides a dedicated training budget for the Board's continuing development. Relevant internal and external training programmes are coordinated by the Company Secretary for the Board.

During FY2016, all Directors had attended at least one of the following training programmes, seminars and conferences to enhance their knowledge and to enable them to discharge their duties and responsibilities more effectively:

- 15th Asian Oil, Gas & Petrochemical Engineering Exhibition
- Goods & Services Tax
- Board Risk Intelligence 2015
- Maximise Internal Audit
- Updates on the Companies Bill 2015
- Six Sigma
- Innovation Strategy
- Fraud, Corruption, Money Laundering
- Strategy and Risk Management – Blue Ocean Strategy
- Assessment for the Malaysian-Asean Corporate Governance Scorecard 2015 – Corporate Governance, Best Practices and Sustainability
- Enterprise Resources Management (ERM) Practices
- Leadership during Crisis
- Sixth International Research Symposium In Service Management; Theme: "Service Imperatives In The New Economy: Service Excellence For Sustainability"
- Second Sarawak Business & Investment Summit: Sarawak Rises: Driving Diversified Growth

STATEMENT ON CORPORATE GOVERNANCE

A Directors Talk Series on "Production Sharing Contract Accounting" was conducted during FY2016.

BOARD MEETINGS

Board meetings are scheduled in advance before the commencement of the new financial year to enable Directors to plan and accommodate the year's meetings into their schedules. The Board requires all members to devote sufficient time to effectively discharge their duties and to endeavour to attend meetings to the best of their ability.

Special Board meetings and Board Committee meetings are convened between the scheduled meetings to consider urgent proposals or matters that require expeditious decisions or deliberations by the Board and/or the Board Committees.

The Board has a regular annual schedule of matters that is tabled for their approval and/or notation which include reviews of operational and financial performances, significant issues and activities as well as opportunities relating to the Company and its Group. The Board is furnished with information in an appropriate form and of a quality that enables it to discharge its duties relating to all matters that require its attention and decision-making in a timely manner. Proposals comprising comprehensive and balanced financial and non-financial information are encapsulated in the Management Papers covering amongst others, strategies, reviews of operational and financial performances as well as significant performance and issues, all of which enable the Board to examine both the quantitative and qualitative aspects of the business.

The agenda and supporting Management Papers are distributed in advance to all Board and Board Committees in order to allow sufficient time for appropriate review to facilitate full discussion at the meetings. The agendas of meetings that include, amongst others, comprehensive management reports, minutes of meetings, project or investment proposals and supporting documents, are targeted for dissemination to the respective members at least seven working days prior to meetings. However, Management Papers that are deemed urgent may still be submitted to the Company Secretary to be tabled at the meeting subject to the approvals of the Chairman and the PGCEO. Presentations are prepared and delivered in a manner that ensure clear and adequate presentations of the subject matter.

All issues raised, discussions, deliberations, decisions and conclusions, including dissenting views made at Board and Board Committee meetings, along with clear actions to be taken by parties responsible, are recorded in the minutes of meetings. Where the Board is considering a matter in which a Director has an interest, the relevant Director must immediately disclose the nature of his/her interest and abstain from participating in any discussion or decision-making on the subject matter.

The Board is constantly advised and updated on statutory and regulatory requirements pertaining to its duties and responsibilities. As and when the need arises, the Board is also provided with ad-hoc reports, information papers and relevant trainings, where necessary, to ensure it is appraised on key business, operational, corporate, legal, regulatory and industry matters.

Whenever necessary, Senior Management and/or external advisors are invited to attend Board and Board Committee meetings to provide clarification on agenda items so as to enable the Board and/or the Board Committees to arrive at a considered and informed decision.

STATEMENT ON CORPORATE GOVERNANCE

Pursuant to the MMLR, all Directors have complied with the requirement to attend at least 50% of Board meetings held in a financial year. The attendance of the respective Directors in relation to Board meetings held during FY2016 is as set out below:

Directors	Designation	Attendance	Percentage
Dato' Hamzah Bakar	Chairman, Non-Independent Non-Executive Director	8 out of 8	100%
Tan Sri Dato' Seri Shahril Shamsuddin	President and Group Chief Executive Officer, Non-Independent Executive Director	8 out of 8	100%
Tan Sri Datuk Amar (Dr) Hamid Bugo	Senior Independent Non-Executive Director	7 out of 8	88%
Dato' Shahriman Shamsuddin	Non-Independent Non-Executive Director	5 out of 8	63%
Mohamed Rashdi Mohamed Ghazalli	Independent Non-Executive Director	8 out of 8	100%
Gee Siew Yoong	Independent Non-Executive Director	8 out of 8	100%
Ramlan Abdul Malek	Non-Independent Executive Director	8 out of 8	100%
Datuk Muhamad Noor Hamid (a)	Independent Non-Executive Director	5 out of 6	83%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (b)	Independent Non-Executive Director	2 out of 4	50%
John Fredriksen (b)	Alternate Director to Eduardo Navarro Antonello	–	–
Eduardo Navarro Antonello (c)	Non-Independent Non-Executive Director	–	–
Svend Anton Maier (d)	Non-Independent Non-Executive Director	2 out of 3	67%

Notes:
(a) Appointed with effect from 14 April 2015
(b) Retired with effect from 16 June 2015
(c) Resigned with effect from 20 October 2015
(d) Appointed with effect from 20 October 2015 and resigned with effect from 9 May 2016

Minutes of meetings are duly recorded and thereafter confirmed at the following meeting of the Board. All Directors have the right to make further enquiries as and when deemed necessary.

The four Independent Directors are independent of Management and free from any businesses or other relationships that could materially interfere with the exercise of their independent judgment. They have the calibre to ensure that the strategies proposed by the Management are fully deliberated and examined for the long-term interests of the Group as well as its shareholders, employees and customers.

ACCESS TO INFORMATION AND ADVICE

The Board has complete and unrestricted access to the advice of the Company Secretary to enable them to discharge their duties effectively. In discharging their duties, the Board also has access to professional advice from time to time and if necessary, at the Company's expense.

BOARD REMUNERATION POLICIES AND PROCEDURES

The Board, through its Remuneration Committee, annually reviews the performance of the Executive Directors as a prelude to determining their annual remuneration, bonus and other benefits. In discharging this duty, the Remuneration Committee evaluates the performance of the Executive Directors against the objectives set by the Board, thereby linking their remuneration to performance.

STATEMENT ON CORPORATE GOVERNANCE

Remuneration of Non-Executive Directors

The level of Directors' remuneration is comparable in order to attract and retain Directors of such calibre to provide the necessary skills and experience as required and to commensurate with the responsibilities for the effective management and operations of the Group. The remuneration of all Directors is reviewed by the Board as a whole to ensure that it is aligned to the market and to the Directors' duties and responsibilities.

Executive Directors

The basic salaries of the Executive Directors are fixed for the duration of their contracts. Any revision to the basic salaries will be reviewed and recommended by the Remuneration Committee for the approval of the Board, taking into consideration among others, individual performance, inflation price index and information from independent sources on the rates of salary of similar positions in other comparable companies within the industry. The Group operates a bonus scheme for all employees including its Executive Directors. Bonuses payable to the Executive Directors are reviewed by the Remuneration Committee for the approval by the Board. The Executive Directors are not entitled to fees.

Details of the remuneration of the Board for FY2016 are as follows:

Executive Directors	RM'000
Salaries and Other Emoluments [a]	87,301
Benefits-in-Kind	529
Total	**87,830**

Non-Executive Directors	RM'000
Fees [b]	4,100[a]
Other Emoluments	41
Benefits-in-Kind	7
Total	**4,148**

(a) Estimated payout inclusive of allowances, bonuses, shares to be vested pursuant to the share bonus scheme under the Long-Term Incentive Plan and statutory contributions. The amount under Note 10 on page 133 of this Annual Report was a provisional amount

(b) Inclusive of Directors' fees payable for their directorships in subsidiaries of SapuraKencana

STATEMENT ON
CORPORATE GOVERNANCE

The number of Directors in each remuneration band is as follows:

Executive Directors	Number of Directors	Base Remuneration RM'000	Performance Related Remuneration RM'000	Group Total RM'000
RM4,400,000 - RM4,450,000	1	2,436	2,000	4,436
RM83,350,000 - RM83,400,000	1	8,699	74,696	83,394
Total	2	11,134	76,696	87,830

Non-Executive Directors	Number of Directors
RM50,000 and below	2^
RM100,000 – RM150,000	1
RM200,000 – RM250,000	1^
RM250,001 – RM300,000	1^
RM300,001 – RM350,000	1
RM400,000 – RM450,000	1
RM450,001 – RM500,000	1
RM550,000 – RM600,000	2
RM1,050,000 – RM1,100,000	1

^ Inclusive of Directors who resigned during FY2016

THE BOARD COMMITTEES

The Board, where appropriate, delegates specific responsibilities to its Committees with clearly defined Terms of Reference primarily to assist in discharging its responsibilities. Although the Board has granted such discretionary authorities to these Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for the final decision on all matters lies with the entire Board.

Audit Committee

The Audit Committee which was established to assist the Board in the execution of its responsibilities comprises three Independent Non-Executive members. The Audit Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties. The Report of the Audit Committee is presented on pages 79 to 81 of this Annual Report.

The members of the Audit Committee are as follows:

- Gee Siew Yoong *(appointed as Chairman w.e.f. 20 October 2015)*
- Tan Sri Datuk Amar (Dr) Hamid Bugo
- Mohamed Rashdi Mohamed Ghazalli
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
  (retired as Chairman and member w.e.f. 16 June 2015)

STATEMENT ON **CORPORATE GOVERNANCE**

Risk Committee

The Board assumes the ultimate responsibility over the effectiveness of the Group's risk management practices by establishing a Risk Committee to oversee the assessment of processes relating to the Company's risks and controls. The Risk Committee shall determine that Management has implemented policies in ensuring that the Group's risks are identified and evaluated and that control measures in place are adequate and properly functioning in addressing those risks. The Risk Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties.

The members of the Risk Committee are as follows:

- Mohamed Rashdi Mohamed Ghazalli *(Chairman)*
- Dato' Shahriman Shamsuddin
- Datuk Muhamad Noor Hamid *(appointed w.e.f. 10 July 2015)*
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *(retired w.e.f. 16 June 2015)*

The key responsibilities of the Risk Committee are to focus on the Group's principal risks as well as to ensure the implementation of appropriate systems to identify and manage the risks that may threaten the business. Whilst these risks may be strategic in nature, the Risk Committee shall ensure that appropriate controls encompassing operational and compliance matters are in place and working as intended.

Details on the Risk Committee of the Company are set out in the Statement on Risk Management and Internal Control on pages 82 and 83 of this Annual Report.

Nomination Committee

The Nomination Committee which comprises three Non-Executive members, a majority of whom are Independent Directors, assists the Board in assessing the effectiveness of the Board as a whole, its Committees as well as the performance of each Director. The Nomination Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties.

The members of the Nomination Committee are as follows:

- Tan Sri Datuk Amar (Dr) Hamid Bugo *(Chairman)*
- Dato' Hamzah Bakar
- Gee Siew Yoong
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *(retired w.e.f. 16 June 2015)*

Board Appointment Process

The Nomination Committee is responsible for recommending new nominees to fill vacancies on the Board as well as Board Committees. All nominees are initially considered by the Nomination Committee taking into consideration the required mix of skills, competencies, experience, ethnicity, gender and nationality as well as other required qualities such as commitment of time, integrity, professionalism and where applicable, the ability to satisfy the test of independence, before they are recommended to the Board for consideration and approval.

During FY2016, Mr Svend Anton Maier was appointed to the Board based on the process above where his profile and background were deliberated and considered by the Nomination Committee and subsequently recommended for the Board's approval.

The Nomination Committee has a set of criteria in the annual assessment of Directors.

Re-election of Directors

The Nomination Committee is also responsible for recommending Directors for re-election and reappointment at the annual general meeting ("AGM") of the Company.

In accordance with the Articles of Association of the Company ("Articles"), all newly appointed Directors are subject to re-election by the shareholders at the first AGM following their appointments. Additionally, at least one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third, shall be subject to retirement by rotation at least once every three years. They will, however, still be eligible for re-election at every AGM. The retiring Directors would be those who have been longest in office since their last election. This provides shareholders the opportunity to evaluate the performance of the Directors and promote effective Board members.

Directors over the age of 70 years are also required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act, 1965 ("Act"). The Chairman, Dato' Hamzah Bakar and Tan Sri Datuk Amar (Dr) Hamid Bugo, who are over the age of 70 years shall be subject to reappointment at the forthcoming AGM.

STATEMENT ON **CORPORATE GOVERNANCE**

All Directors retiring by rotation pursuant to the Articles and Directors standing for reappointment under Section 129(6) of the Act are initially considered by the Nomination Committee, taking into consideration their required mix of skills, competencies, experience and other qualities required before they are recommended for re-election and reappointment by shareholders.

Independence of Independent Directors

The Board has a set of criteria in assessing the independence and performance of Directors.

The Nomination Committee annually reviews and assesses the level of independence of the Independent Directors of the Board in line with the Code.

Conflict of Interest

It has been the practice of SapuraKencana that Directors voluntarily declare their interests if relevant to the proposals to be considered by the Board. This includes such interests which arise through connected persons as defined in various statutory requirements on disclosure of Directors' interests.

Any interested Directors would then abstain from deliberations and decisions of the Board on the proposal and, where appropriate, excuse themselves from the proceedings.

The Nomination Committee is tasked to review and assess the conflicts between the interests of the Company and the direct or indirect interests of the Directors when such a need arises.

There was no case of potential conflict of interest that require review by the Nomination Committee during FY2016.

Activities undertaken by the Nomination Committee during FY2016 were as follows:

(a) Assessed the competencies, commitment and contributions of the Directors standing for re-election at the AGM prior to tabling the same for the Board's recommendation to the shareholders;

(b) Assessed the performance and effectiveness of the Board, Board Committees and individual directors for the financial year under review in ensuring the right mix of skills, competencies, experience and other required qualities;

(c) Reviewed the training and development programmes for Directors to address the gaps, if any, and to enhance the necessary skills required; and

(d) Reviewed, assessed and evaluated the qualifications and experience of candidates proposed as Directors.

Remuneration Committee

The primary objective of the Remuneration Committee is to assist the Board in assessing and recommending the remuneration packages of the PGCEO, Executive Director and Non-Executive Directors of the Company. The Remuneration Committee also assists in reviewing and recommending the annual bonus payment and increment range for all employees including Executive Directors of the Group based on the policy of the Group. The Remuneration Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties.

The members of the Remuneration Committee are as follows:

- Dato' Hamzah Bakar (*Chairman*)
- Tan Sri Dato' Seri Shahril Shamsuddin
- Mohamed Rashdi Mohamed Ghazalli

Long-Term Incentive Plan ("LTIP") Committee

The LTIP Committee assists the Board in administering the long-term incentive scheme available to eligible employees. The scheme is part of the Group's total reward strategy to provide the right remuneration and benefits, and serves to align eligible employees' interests with the long-term objectives and business strategy of the Group. The LTIP Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties.

The members of the LTIP Committee are as follows:

- Dato' Hamzah Bakar (*Chairman*)
- Tan Sri Dato' Seri Shahril Shamsuddin
- Tan Sri Datuk Amar (Dr) Hamid Bugo

STATEMENT ON **CORPORATE GOVERNANCE**

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board on issues relating to compliance with relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as the best practices of governance. The Company Secretary is also responsible for advising the Board of their obligations and duties to disclose their interests in securities, any conflict of interests in a transaction involving the Group, prohibition in dealing in securities and restrictions on disclosure of price-sensitive information.

The Board has unhindered access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are adhered to and are in compliance with the applicable rules and regulations. The Board as a whole decides on the appointment and removal of the Company Secretary.

INSIDER TRADING

In line with the MMLR and the relevant provisions of the Capital Markets & Services Act, 2007, the Board, key management personnel and principal officers of the Group are prohibited from trading in securities or any kind of properties based on price-sensitive information and knowledge which have not been publicly announced.

Notices on closed periods for trading in shares of SapuraKencana are circulated to the Board, key management personnel and principal officers who are deemed privy to any price-sensitive information and knowledge in advance of whenever the closed period is applicable.

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Board recognises the importance of an effective communication channel between the Board, stakeholders, institutional investors and the investing public at large, both locally and internationally, with the objective of providing as much as possible a clear and complete picture of the Group's performance and position.

In this respect, the Company is fully committed to maintaining a high standard for the dissemination of relevant and material information relating to developments within the Group. In the absence of a Group Corporate Disclosure Policy, there are, however, proper internal procedures and processes established to govern the release of information to the public. Evaluation of the timeliness, accuracy and quality of the information to be disclosed, is guided by the Corporate Disclosure Guide issued by Bursa Malaysia.

Analyst Briefings on Quarterly Results

SapuraKencana conducts media and analyst briefings and/or conferences on quarterly results chaired by the PGCEO immediately after announcement of the quarterly results to Bursa Malaysia. The briefings provide a platform for analysts and media to receive a balanced and complete view of the Group's performance and the issues faced.

Conferences and Roadshows

Stakeholders engagement activities are also conducted through conferences and roadshows organised locally and overseas. Senior Management of the Company communicates the Group's strategy and the progress of various initiatives and updates to enable stakeholders to have a better understanding of Group's operations.

Investor Meetings

The Investor Relations Department of the Company has frequent one-on-one and group meetings with analysts, investors and potential investors throughout the year to provide constant communications with the investment community. Reasonable access to the Senior Management ensures analysts and investors are able to engage with key executives within the Group.

STATEMENT ON **CORPORATE GOVERNANCE**

Corporate Website

The corporate website of SapuraKencana at www.sapurakencana.com provides quick access to information on the Group. Information on the website includes amongst others, the Group's corporate profile, Board profiles, announcements to Bursa Malaysia, press releases, share information, financial results, Terms of Reference of Audit Committee and Nomination Committee, and corporate news. The Company's website is regularly updated to provide current and comprehensive information about SapuraKencana Group.

Annual Report

SapuraKencana's Annual Report provides comprehensive coverage of the Group's operations and financial performance. The Annual Report is also printed in summary form together with a digital version in CD-ROM format. An online version of the Annual Report is also available on the Company's website.

Media Coverage

Media coverage of the Group and its business activities is initiated proactively at regular intervals to provide wider publicity and to improve the general understanding of the Group's business among investors and the public.

General Meetings

General Meetings are the principal forum for dialogues with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. During general meetings, question and answer sessions are open to all shareholders present. The Board, Senior Management of the Group, as well as the Company's auditors are present to respond to issues raised during general meetings. During FY2016, the Chairman informed shareholders of their rights to demand a poll vote at the commencement of the fourth AGM.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

Financial Reporting

The Board is assisted by the Audit Committee in reviewing the information on annual audited financial statements and announcements on unaudited quarterly financial results to be disclosed to shareholders. This ensures the accuracy, adequacy and completeness of the information thereof as well as compliance with the applicable financial reporting standards.

The Board takes responsibility for presenting balanced and meaningful assessments of the financial performance and prospects of the Group. The financial statements are drawn up in accordance with the provisions of the Act and the applicable approved Financial Reporting Standards in Malaysia. The Statement by Directors pursuant to Section 169(15) of the Act is set out on page 92 of this Annual Report.

Relationship with External Auditors

The external auditors, Messrs Ernst & Young, report to the Board their findings which are included as part of the Company's financial reports each year. In doing so, the Company has established a transparent arrangement to meet the professional requirements by the auditors. The Audit Committee also reviews the results of the annual audit, the audit report and management letters, including Management's responses thereon with the auditors. Two private sessions between the auditors and the Audit Committee, in the absence of the Management team, were held during the period under review.

The suitability and independence of external auditors are annually reviewed and monitored by the Audit Committee. The Audit Committee has a set of criteria in assessing the suitability and independence of the external auditors. Written assurance from the external auditors is also sought in confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Statement of Directors' Responsibility

The Company and the Group's financial statements are drawn up in accordance with the applicable approved accounting standards. The Board has the responsibility for ensuring that the financial statements of the Company and the Group provide a true and fair view of the affairs of the Company and the Group. A statement on Directors' responsibilities in preparing the financial statements is set out on page 85 of this Annual Report.

REPORT OF AUDIT COMMITTEE

THE BOARD OF DIRECTORS ("BOARD") OF SAPURAKENCANA PETROLEUM BERHAD ("SAPURAKENCANA" OR "COMPANY") IS PLEASED TO PRESENT REPORT OF THE AUDIT COMMITTEE ("REPORT") INCLUDING A SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016 ("FY2016").

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Terms of Reference of the Audit Committee ("Terms of Reference") are prepared and adopted by the Board based on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR") and the Malaysian Code on Corporate Governance 2012. The Terms of Reference are available on the website of SapuraKencana.

COMPOSITION

The Audit Committee comprises three members, all of whom are Independent and Non-Executive Directors. This is in line with the requirements of paragraphs 15.09(1)(a) and 15.09(1)(b) of the MMLR.

All members of the Audit Committee are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities. The Audit Committee therefore, meets the requirements of paragraph 15.09(1)(c) of the MMLR.

MEETINGS

A total of ten meetings were held during FY2016. The details of attendance of each member are as follows:

Members	Attendance	Percentage
Gee Siew Yoong *(Appointed as Chairman w.e.f. 20 October 2015)*	10 out of 10	100%
Tan Sri Datuk Amar (Dr) Hamid Bugo	10 out of 10	100%
Mohamed Rashdi Mohamed Ghazalli	10 out of 10	100%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *(Retired as Chairman and member w.e.f. 16 June 2015)*	2 out of 6	33%

The Audit Committee takes cognisance of its responsibility to ensure that the financial statements of the SapuraKencana Group ("Group") comply with the applicable Financial Reporting Standards. The Senior Vice President, Group Strategy and Finance and the Senior Vice President, Group Strategy and Regional Development were present at the Audit Committee meetings to deliberate the financial results of the Group as well as internal control and governance matters arising from internal audit reports. This provided a platform for direct interaction between the members of the Audit Committee and the Management.

In order to ensure reliability of the results and compliance with the applicable Financial Reporting Standards, the external auditors were engaged to conduct limited reviews of the quarterly financial results of the Group before they were presented to the Audit Committee for deliberation. The results were subsequently recommended to the Board for approval.

REPORT OF **AUDIT COMMITTEE**

The audit partner of the external auditors attended five Audit Committee meetings and presented both the auditors' report on the annual audited financial statements and the auditors' review of the unaudited quarterly financial results of the Group for FY2016.

The Chief Internal Auditor and when required, the representatives of the business units, were invited to attend Audit Committee meetings on matters pertaining to the internal audit reports tabled at the meetings to address any concerns raised by the Audit Committee.

The Chairman of the Audit Committee provided a summary of discussions and deliberations at its meetings.

The secretary of the Audit Committee meetings recorded the deliberations by the members at the meetings with regard to issues discussed and the outcome of these discussions. The minutes of the Audit Committee meetings were distributed to the Audit Committee members for their approval and confirmed at the subsequent meeting. The minutes were then tabled at the ensuing Board meetings for notation.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

Over the course of FY2016, the Audit Committee undertook the following activities:

Financial Reporting

- Reviewed the quarterly financial results and performance of the Group and recommended the same for the approval of the Board;
- Reviewed the audited financial statements of SapuraKencana for FY2016; and
- Reviewed Management's recommendations with respect to payment of dividends prior to it being presented to the Board for approval.

Internal Audit

- Reviewed the Group Internal Audit Plan ("Audit Plan");
- Reviewed the internal audit reports prepared by Group Internal Audit ("GIA") and deliberated major and critical findings including Management's responses, the mitigation action plans and deadlines for closure; and
- Reviewed the effectiveness of the GIA function.

External Audit

- Reviewed and discussed the Audit Planning Memorandum of the Group for FY2016;
- Conducted private discussions in the absence of Management and the Company Secretary;
- Discussed the auditor's reviews of the financial statements of the Group;
- Reviewed significant audit and accounting matters identified during statutory audit on the Group;
- Discussed the Memorandum of Suggestions in respect of the financial statements for FY2016; and
- Reviewed the independence of the external auditors and recommended their appointment to the Board for approval at the Annual General Meeting.

Related Party Transactions

The Audit Committee reviewed and deliberated on all related party transactions to be entered into by the Company and its subsidiaries and subsequently made its recommendations for the Board's consideration.

In forming its recommendation, the Audit Committee takes into consideration whether the proposed related party transactions are:

(i) in the best interests of the Group;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interests of our minority shareholders.

Annual Report

The Audit Committee reviewed the audited financial statements, the Statement on Corporate Governance, Report of the Audit Committee, Statement on Risk Management and Internal Control, Additional Compliance Information as well as the Statement on Director's Responsibility, for inclusion in the Annual Report prior to recommending the same for the consideration and approval of the Board.

REPORT OF **AUDIT COMMITTEE**

INTERNAL AUDIT FUNCTION

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Group's operations. It helps the Group to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance processes within the Group.

GIA, an in-house function which reports directly to the Audit Committee, has the principal responsibility for undertaking a regular and systematic review of the systems and internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

During FY2016, GIA carried out the following activities:

(i) Prepared and presented the Audit Plan which included budget and human capital planning for the review and approval by the Audit Committee;

(ii) Performed annual risk profiling on all companies including joint venture companies within the Group and thereafter formed the basis of the Audit Plan for the Group;

(iii) Based on the approved Audit Plan:

- Performed compliance review on Policies and Procedures, limits of authority and other statutory and regulatory requirements within the Group; and
- Reviewed the adequacy and effectiveness of Policies and Procedures, internal controls, risk management and governance activities to provide suitable recommendations to the Management for implementation within the Group.

(iv) Prepared audit reports and sought Management's responses on controls tested, action plan(s) with specific timeline to rectify deficiencies identified in the existing internal control systems and thereafter, incorporated the pertinent information into the final reports which were then circulated to the Audit Committee;

(v) Presented audit reports during the Audit Committee meetings for deliberation;

(vi) Carried out follow-up review and updated the Audit Committee on the status; and

(vii) Performed ad-hoc and special reviews as requested by the Management with the approval of the Audit Committee.

The cost incurred for the internal audit function of the Group during FY2016 was approximately RM4.2 million.

STATEMENT ON RISK **MANAGEMENT AND INTERNAL CONTROL**

ELEMENTS OF SOUND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board of Directors ("Board") acknowledges its responsibilities in establishing a sound risk management framework and internal control system as well as reviewing its adequacy and effectiveness at SapuraKencana Petroleum Berhad Group ("Group"). The Board ensures the system addresses and manages the Group's key areas of risk within an acceptable risk profile to increase the likelihood of the Group's policies being complied with and its business objectives being achieved. The system provides reasonable but not absolute assurance against material misstatement, loss or fraud.

ROLES AND RESPONSIBILITIES OF RISK MANAGEMENT AND INTERNAL CONTROL

In carrying out its oversight roles and responsibilities, the Board has set the tone and direction for embedding an effective risk management and internal control environment in all aspects of the Group's activities.

Policies and procedures have been established for the Group to ensure adequacy and effectiveness of risk management and internal control system. During the financial year under review, the Board actively reviewed the risk management framework, processes and responsibilities as well as assessed the extent of reasonable assurance that all identified risks were monitored and managed within a tolerable level.

Management of the Group is accountable for providing assurance to the Board that risk management policies and internal control system are implemented and monitored. The Board received assurance from the President and Group Chief Executive Officer ("PGCEO"), the Senior Vice President of Group Strategy and Regional Development and the Senior Vice President of Group Strategy and Finance that risk management and internal control system of the Group are operating adequately and effectively.

Based on the assurances provided and with the implementation of a risk management framework as well as the adoption of an internal control system, the Board is of the opinion that the risk management and internal control system for the year under review, up to the date of the issuance of the Group's financial statements, are adequate and effective to safeguard shareholders' investments and all stakeholders' interests.

KEY PROCESSES ON RISK MANAGEMENT AND INTERNAL CONTROL

The key processes that have been established in reviewing the adequacy and effectiveness of risk management framework and internal control system include the following:

Group Risk Management

The Risk Committee was established to oversee the assessment of processes relating to the Group's risks and controls. The Risk Committee shall determine that the Management has implemented policies to ensure that the Group's risks are identified and evaluated, and that adequate control measures are in place to address these risks.

A risk management framework was prepared based on the concept of Enterprise Risk Management which incorporated the process of assessing, reporting, treating, monitoring and reviewing the risks within the Group.

The framework is operationalised by the respective Risk Management function of each business division whose primary role is to facilitate the risk management process and to ensure coordination of Group-wide risk management activities. The Group's risk management framework also provides regular reviews and reporting. The key elements of these processes are as follows:

(a) Reporting of key risks to the Board through the Risk Committee on a quarterly basis;

(b) Reporting of key risks by business divisions to the PGCEO as part of monthly business review meetings;

(c) Reviewing key risks within each business division at least on a quarterly basis;

(d) Reporting of key risks by business divisions in their annual business plans; and

(e) Continuous engagements with business divisions to promote a proactive risk management culture within operations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Group Internal Audit ("GIA")

GIA reports functionally to the Audit Committee and administratively to the Executive Director, Strategy and Operational Support. The main roles and responsibilities of GIA is to provide independent, objective assurance and consulting activities designed to add value and improve the business and work activities of the Group. GIA discharged its role by recommending systematic and disciplined approaches to evaluate and improve the effectiveness of risk management, governance and internal control processes.

During the financial year, audits were performed on the Groups' subsidiaries, joint-venture business and corporate support functions of which the timing and frequency were based on the level of risks assessed. These audits were carried out based on the Internal Audit Plan which was reviewed and approved by the Audit Committee. In addition, GIA performed special reviews and other audit engagements upon request by the Management.

GIA also followed-up with Management on the implementation of the recommendations highlighted in the internal audit reports and thereafter reported the status to the Audit Committee.

Further activities of the GIA are outlined in the Report of the Audit Committee on page 81 of this Annual Report.

Review of Statement by External Auditors

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control ("Statement") and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, nor is the Statement factually inaccurate.

The Statement is made in accordance with a resolution passed by the Board on 10 May 2016.

ADDITIONAL COMPLIANCE INFORMATION

PURSUANT TO PARAGRAPH 9.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("MMLR")

SANCTIONS AND/OR PENALTIES

During the financial year ended 31 January 2016 ("FY2016"), no sanctions and/or penalties were imposed on SapuraKencana Petroleum Berhad ("SapuraKencana" or "Company") and its subsidiaries, Board of Directors ("Board") or Management by the relevant regulatory bodies.

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors of SapuraKencana and its subsidiaries for FY2016 was RM1,562,000.00.

SHARE BUY-BACK

During FY2016, there was no share buy-back by the Company during FY2016.

OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options or convertible securities during FY2016.

AMERICAN DEPOSITORY RECEIPT OR GLOBAL DEPOSITORY RECEIPT

The Company did not sponsor any American Depository Receipt or Global Depository Receipt during FY2016.

RESULTS VARIATION

There was no variation between the financial results in the audited financial statements for FY2016 and the unaudited financial results for FY2016 announced by the Company on 25 March 2016.

PROFIT GUARANTEE

There was no profit guarantee given during FY2016.

LIST OF PROPERTIES

The Company does not own any material properties during FY2016 as defined in the MMLR.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries involving the Board and major shareholders' interests during FY2016 save as disclosed in Note 37 to the financial statements as set out on pages 178 and 179 of this Annual Report.

STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

SapuraKencana TMC Sdn. Bhd. ("SKTMC"), a wholly-owned subsidiary of SapuraKencana had, on 15 June 2015, made a lodgement to the Securities Commission Malaysia for the launch of a Multi-Currency Islamic Medium Term Notes Programme of up to RM7.0 billion in nominal value (or in USD equivalent) ("Multi-Currency Sukuk Programme").

On 8 September 2015, SKTMC made its first issuance of USD200.0 million in nominal value of unrated Sukuk Murabahah under the Multi-Currency Sukuk Programme. The second issuance of RM176.0 million in nominal value of unrated Sukuk Murabahah was subsequently made on 29 January 2016.

All of the proceeds raised from the unrated Sukuk Murabahah have been utilised to part refinance SKTMC's existing financings.

STATEMENT ON **DIRECTORS' RESPONSIBILITY**

FOR THE AUDITED FINANCIAL STATEMENTS

The Companies Act, 1965 ("Act") requires the Board of Directors ("Board") to prepare financial statements which give a true and fair view of the state of affairs together with the results and cash flows of the Company and the Group for each financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements for the financial year ended 31 January 2016 ("FY2016") have been prepared in accordance with the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board and provisions of the Act.

In preparing the financial statements for FY2016 set out on pages 86 to 226 of this Annual Report, the Board considers that the Company and the Group have adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Board also acknowledges that the Company and the Group have prepared the financial statements on a going concern basis.

The Board has the responsibility for ensuring that the Company and the Group maintain accounting records that disclose the financial position of the Company and the Group with reasonable accuracy which enable them to ensure that the financial statements are in compliance with the Act.

The Board also has the overall responsibility to take such steps that are reasonably available for them to safeguard the assets of the Company and the Group as well as to prevent and detect fraud in addition to other irregularities.

This Statement on Directors' Responsibility is made in accordance with a resolution passed by the Board on 10 May 2016.

FINANCIAL STATEMENTS

DIRECTORS' **REPORT**

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are as described in Note 42 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed in the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year, net of tax	(791,445)	271,646
Attributable to:		
Owners of the Parent	(791,555)	271,646
Non-controlling interests	110	-
	(791,445)	271,646

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIRECTORS' REPORT (CONT'D.)

DIVIDENDS

The amounts of dividends paid by the Company since 31 January 2015 were as follows:

	RM'000
In respect of the financial year ended 31 January 2016:	
Tax exempt (single-tier) interim dividend of 1.35 sen per ordinary share, on 5,971,797,087 ordinary shares, declared on 15 June 2015 and paid on 28 August 2015	80,619

The directors do not recommend any final dividend in respect of the financial year ended 31 January 2016.

DIRECTORS

Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Hamzah bin Bakar
Tan Sri Dato' Seri Shahril bin Shamsuddin
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo
Dato' Shahriman bin Shamsuddin
Mohamed Rashdi bin Mohamed Ghazalli
Gee Siew Yoong
Ramlan bin Abdul Malek
Datuk Muhamad Noor bin Hamid (Appointed on 14 April 2015)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (Retired on 16 June 2015)
John Fredriksen (Retired on 16 June 2015)
Eduardo Navarro Antonello (Resigned on 20 October 2015)
Svend Anton Maier (Appointed on 20 October 2015 and resigned on 9 May 2016)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 37 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.2.2015 '000	Acquired/ Granted and Vested * '000	Sold '000	As at 31.1.2016 '000
The Company				
Indirect interest				
Dato' Hamzah bin Bakar	1,000	-	200	800
Tan Sri Dato' Seri Shahril bin Shamsuddin	1,007,545	-	-	1,007,545
Dato' Shahriman bin Shamsuddin	1,007,545	-	-	1,007,545
Mohamed Rashdi bin Mohamed Ghazalli	49	-	-	49
Direct interest				
Dato' Hamzah bin Bakar	5,000	-	500	4,500
Tan Sri Dato' Seri Shahril bin Shamsuddin	7,876	9,602	-	17,478
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo	256	-	-	256
Dato' Shahriman bin Shamsuddin	506	-	-	506
Mohamed Rashdi bin Mohamed Ghazalli	98	-	-	98
Ramlan bin Abdul Malek	-	150	-	150

* *Shares granted and vested during the year in relation to the Long Term Incentive Plan.*

Tan Sri Dato' Seri Shahril bin Shamsuddin and Dato' Shahriman bin Shamsuddin by virtue of their interests in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' **REPORT (CONT'D.)**

OTHER STATUTORY INFORMATION

(a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment on receivables and satisfied themselves that there were no known bad debts and that adequate impairment had been made for receivables; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to their expected realisable values.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or the amount of the impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D.)

SIGNIFICANT EVENTS

Significant events are disclosed in Note 44 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 45 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 May 2016.

Dato' Hamzah bin Bakar

Tan Sri Dato' Seri Shahril bin Shamsuddin

STATEMENT BY **DIRECTORS**

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Hamzah bin Bakar and Tan Sri Dato' Seri Shahril bin Shamsuddin, being two of the directors of SapuraKencana Petroleum Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 95 to 225 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2016 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out on page 226 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 May 2016.

Dato' Hamzah bin Bakar

Tan Sri Dato' Seri Shahril bin Shamsuddin

STATUTORY **DECLARATION**

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Chow Mei Mei, being the officer primarily responsible for the financial management of SapuraKencana Petroleum Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 95 to 226 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Chow Mei Mei
at Kuala Lumpur in the Federal Territory
on 10 May 2016

Chow Mei Mei

Before me,
Kalasagar Nair (W513)
Suite D3-U1-13, Block D3
Solaris Dutamas
Jalan Dutamas 1
50480 Kuala Lumpur

INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF SAPURAKENCANA PETROLEUM BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SapuraKencana Petroleum Berhad, which comprise the statements of financial position as at 31 January 2016 of the Group and of the Company, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 95 to 225.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 January 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 ("Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 42 to the financial statements, being financial statements that have been included in the consolidated financial statements.

INDEPENDENT AUDITORS' **REPORT (CONT'D.)**

TO THE MEMBERS OF SAPURAKENCANA PETROLEUM BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D.)

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out on page 226 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountant ("MIA Guidance") and the directive of Bursa Malaysia Securites Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ismed Darwis bin Bahatiar
No. 2921/04/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
10 May 2016

CONSOLIDATED AND SEPARATE
INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	3	10,184,031	9,943,019	669,045	925,840
Cost of sales	4	(7,623,676)	(7,110,993)	-	-
Gross profit		2,560,355	2,832,026	669,045	925,840
Other income	5	480,209	379,185	86,947	117,311
Other expenses		(309,838)	(246,556)	-	-
Administrative expenses		(671,786)	(879,309)	(336,380)	(490,310)
		2,058,940	2,085,346	419,612	552,841
Provision for impairment	6	(2,029,252)	(54,935)	-	-
Deposit on acquisition of oil and gas assets written off	44(f)	(172,503)	-	-	-
Finance costs	7	(760,170)	(666,566)	(147,966)	(126,253)
Share of profit from associates and joint venture companies		190,346	252,117	-	-
(Loss)/profit before tax	8	(712,639)	1,615,962	271,646	426,588
Income tax expense	11	(78,806)	(182,502)	-	-
(Loss)/profit net of tax		(791,445)	1,433,460	271,646	426,588
Profit attributable to:					
Owners of the Parent		(791,555)	1,432,752	271,646	426,588
Non-controlling interests		110	708	-	-
		(791,445)	1,433,460	271,646	426,588
(Loss)/earnings per share attributable to owners of the Parent (sen per share)					
Basic/Diluted	12	(13.25)	23.93		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED AND SEPARATE **STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
(Loss)/profit net of tax	(791,445)	1,433,460	271,646	426,588
Other comprehensive income:				
Items that may be reclassified to income statements in subsequent periods:				
Foreign currency translation	1,069,587	655,379	-	-
Share of other comprehensive income of joint venture and associated companies	22,512	60,986	-	-
Total other comprehensive income	1,092,099	716,365	-	-
Total comprehensive income for the year	300,654	2,149,825	271,646	426,588
Total comprehensive income attributable to:				
Owners of the Parent	301,550	2,149,176	271,646	426,588
Non-controlling interests	(896)	649	-	-
	300,654	2,149,825	271,646	426,588

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED AND SEPARATE **STATEMENTS OF FINANCIAL POSITION**

AS AT 31 JANUARY 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Non-current assets					
Property, plant and equipment	14	14,905,658	13,770,854	27,029	27,304
Expenditure on oil and gas properties	15	4,707,681	5,555,063	-	-
Intangible assets	16	8,241,482	7,739,990	-	-
Investment in subsidiaries	17	-	-	9,112,537	9,020,515
Investment in associates	18	11,533	45,066	-	-
Investment in joint venture companies	19	1,556,969	1,331,657	-	-
Deferred tax assets	20	211,360	352,977	39,464	39,464
Trade receivables	23	28,937	50,162	-	-
		29,663,620	28,845,769	9,179,030	9,087,283
Current assets					
Inventories	21	572,236	636,629	-	-
Amount due from subsidiaries	22	-	-	2,565,985	2,223,543
Trade and other receivables	23	4,114,059	3,620,805	16,400	12,731
Tax recoverable		194,554	203,030	18,455	11,087
Cash and cash equivalents	25	1,947,527	1,256,551	44,764	24,796
		6,828,376	5,717,015	2,645,604	2,272,157
Total assets		36,491,996	34,562,784	11,824,634	11,359,440

CONSOLIDATED AND SEPARATE
STATEMENTS OF FINANCIAL POSITION (CONT'D.)
AS AT 31 JANUARY 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	26	5,992,155	5,992,155	5,992,155	5,992,155
Share premium	27	2,074,255	2,074,255	2,074,255	2,074,255
Shares held under trust	28	(80,000)	(80,000)	(80,000)	(80,000)
Other reserves	29	1,821,934	728,829	-	-
Retained profits		2,398,609	3,270,783	831,317	640,290
		12,206,953	11,986,022	8,817,727	8,626,700
Non-controlling interests		6,054	6,950	-	-
Total equity		12,213,007	11,992,972	8,817,727	8,626,700
Non-current liabilities					
Borrowings	30	16,238,029	15,854,690	499	327
Amount due to subsidiaries	32	-	-	1,341,450	1,626,000
Trade and other payables	33	24,112	683,786	-	-
Provisions for assets retirement obligation	34	202,809	151,350	-	-
Deferred tax liabilities	20	1,269,502	1,425,025	-	-
		17,734,452	18,114,851	1,341,949	1,626,327
Current liabilities					
Amount due to subsidiaries	32	-	-	1,326,847	695,981
Borrowings	30	2,091,138	1,098,576	276	230
Trade and other payables	33	4,338,600	3,191,979	337,835	410,202
Provisions for assets retirement obligation	34	33,126	72,217	-	-
Income tax payable		81,673	92,189	-	-
		6,544,537	4,454,961	1,664,958	1,106,413
Total liabilities		24,278,989	22,569,812	3,006,907	2,732,740
Total equity and liabilities		36,491,996	34,562,784	11,824,634	11,359,440

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016

	Note	<---- Attributable to the owners of the parent ----> <---- Non-distributable ----> Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Other reserves RM'000	Distributable Retained profits RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 February 2015		5,992,155	2,074,255	(80,000)	728,829	3,270,783	11,986,022	6,950	11,992,972
Total comprehensive income		-	-	-	1,093,105	(791,555)	301,550	(896)	300,654
		5,992,155	2,074,255	(80,000)	1,821,934	2,479,228	12,287,572	6,054	12,293,626
Transactions with owners:									
Dividends on ordinary shares	13	-	-	-	-	(80,619)	(80,619)	-	(80,619)
Total transactions with owners		-	-	-	-	(80,619)	(80,619)	-	(80,619)
At 31 January 2016		5,992,155	2,074,255	(80,000)	1,821,934	2,398,609	12,206,953	6,054	12,213,007

	Note	<---- Attributable to the owners of the parent ----> <---- Non-distributable ----> Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Other reserves RM'000	Distributable Retained profits RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 February 2014		5,992,155	2,074,255	-	12,405	2,115,986	10,194,801	6,301	10,201,102
Total comprehensive income		-	-	-	716,424	1,432,752	2,149,176	649	2,149,825
		5,992,155	2,074,255	-	728,829	3,548,738	12,343,977	6,950	12,350,927
Transactions with owners:									
Purchase of shares held under trust	28	-	-	(80,000)	-	-	(80,000)	-	(80,000)
Dividends on ordinary shares	13	-	-	-	-	(260,252)	(260,252)	-	(260,252)
Effect arising from step acquisition of a subsidiary		-	-	-	-	(17,703)	(17,703)	-	(17,703)
Total transactions with owners		-	-	(80,000)	-	(277,955)	(357,955)	-	(357,955)
At 31 January 2015		5,992,155	2,074,255	(80,000)	728,829	3,270,783	11,986,022	6,950	11,992,972

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016

		<------------------ Non-distributable		--------------->	Distributable	
	Note	**Share capital RM'000**	**Share premium RM'000**	**Shares held under trust RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 February 2015		5,992,155	2,074,255	(80,000)	640,290	8,626,700
Total comprehensive income		-	-	-	271,646	271,646
		5,992,155	2,074,255	(80,000)	911,936	8,898,346
Transactions with owners:						
Dividends on ordinary shares	13	-	-	-	(80,619)	(80,619)
		-	-	-	(80,619)	(80,619)
At 31 January 2016		5,992,155	2,074,255	(80,000)	831,317	8,817,727
At 1 February 2014		5,992,155	2,074,255	-	473,954	8,540,364
Total comprehensive income		-	-	-	426,588	426,588
		5,992,155	2,074,255	-	900,542	8,966,952
Transactions with owners:						
Purchase of shares held under trust	28	-	-	(80,000)	-	(80,000)
Dividends on ordinary shares	13	-	-	-	(260,252)	(260,252)
		-	-	(80,000)	(260,252)	(340,252)
At 31 January 2015		5,992,155	2,074,255	(80,000)	640,290	8,626,700

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016

	2016 RM'000	2015 RM'000
Cash flows from operating activities		
(Loss)/profit before tax	(712,639)	1,615,962
Adjustments for:		
Amortisation of intangible assets	33,624	39,333
Amortisation of expenditure on oil and gas properties	445,311	535,443
Depreciation of property, plant and equipment	929,879	715,079
Net gain on disposal of property, plant and equipment	(233)	(815)
Changes in provision (Note 33(a))	(80,947)	(63,526)
Net fair value loss on derivatives	-	139
Share of profits from associates and joint venture companies	(190,346)	(252,117)
Gain arising from acquisition of subsidiaries	-	(214,758)
Impairment on receivables	871	8,087
Provision for impairment on:		
- Expenditure on oil and gas properties	1,397,266	54,935
- Property, plant and equipment	603,732	-
- Investment	28,254	-
Property, plant and equipment written off	33,281	4,747
Deposit on acquisition of oil and gas assets written off	172,503	-
Expenditure on oil and gas properties written off	28,313	-
Inventories written down	46,761	49,500
Intangible assets written off - customer contracts (Note 16)	21,625	-
Net unrealised foreign exchange loss	42,396	52,328
Interest expense	760,170	666,566
Interest income	(18,245)	(15,272)
Operating profit before working capital changes	3,541,576	3,195,631
(Increase)/decrease in inventories	(19,793)	105,408
Increase in trade and other receivables	(724,176)	(383,326)
Increase/(decrease) in trade and other payables	108,547	(569,064)
Changes in derivatives	-	(2,807)
Changes in balances with joint venture companies and associates	(62,118)	(45,877)
Cash generated from operating activities	2,844,036	2,299,965
Taxes paid	(232,982)	(455,371)
Net cash generated from operating activities	2,611,054	1,844,594

CONSOLIDATED
STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016

	2016 RM'000	2015 RM'000
Cash flows from investing activities		
Additional investment in joint venture companies	(19,846)	(24,370)
Net advances to joint venture companies	(56,112)	(25,393)
Net cash outflow on acquisition of subsidiaries	-	(2,374,938)
Deposit on acquisition of oil and gas assets	-	(144,940)
Proceeds from disposal of property, plant and equipment	20,583	44,964
Purchase of property, plant and equipment	(419,593)	(1,843,775)
Purchase of intangible assets	(774)	(14,606)
Expenditure on oil and gas properties	(271,934)	(486,140)
Interest received	10,972	12,184
Dividends received from a joint venture company	125,022	40,888
Net cash used in investing activities	(611,682)	(4,816,126)
Cash flows from financing activities		
Purchase of shares held under trust (Note 28)	-	(80,000)
Dividends paid on ordinary shares	(200,055)	(140,816)
Net (repayment)/drawdown of term loans, Islamic Facility and Sukuk Programme	(1,029,384)	5,676,914
Net drawdown/(repayment) of hire purchase and finance lease creditors	1,090	(3,320)
Net drawdown/(repayment) of revolving credit	379,281	(2,153,353)
Interest paid	(565,740)	(555,077)
Net cash (used in)/generated from financing activities	(1,414,808)	2,744,348
Net increase/(decrease) in cash and cash equivalents	584,564	(227,184)
Effects of exchange rate changes	106,412	97,074
Cash and cash equivalents at beginning of the year	1,256,551	1,386,661
Cash and cash equivalents at end of year (Note 25)	1,947,527	1,256,551

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016

	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before tax	271,646	426,588
Adjustments for:		
Depreciation of plant and equipment	10,311	13,475
Dividends income	(413,333)	(672,607)
(Gain)/loss on disposal of plant and equipment	(317)	394
Net unrealised foreign exchange loss	33,685	72,308
Interest expense	147,966	126,253
Interest income	(43,556)	(47,481)
Operating profit/(loss) before working capital changes	6,402	(81,070)
Net changes in balances with related companies	263,125	2,456,548
Decrease in other receivables	2,227	10,252
Decrease in other payables	(105,472)	(84,132)
Cash generated from operating activities	166,282	2,301,598
Taxes paid	(7,369)	(6,807)
Net cash generated from operating activities	158,913	2,294,791
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	615	264
Purchase of plant and equipment	(10,334)	(11,052)
Interest received	140	643
Dividends received from subsidiaries	70,500	520,608
Net cash generated from investing activities	60,921	510,463
Cash flows from financing activities		
Purchase of shares held under trust (Note 28)	-	(80,000)
Dividends paid on ordinary shares	(200,055)	(140,816)
Net drawdown/(repayment) of hire purchase creditors	218	(764)
Net repayment of revolving credit	-	(280,553)
Net repayment of term loan and Sukuk Programme	-	(2,391,250)
Interest paid	(29)	(32,619)
Net cash used in financing activities	(199,866)	(2,926,002)
Net increase/(decrease) in cash and cash equivalents	19,968	(120,748)
Cash and cash equivalents at beginning of year	24,796	145,544
Cash and cash equivalents at end of year (Note 25)	44,764	24,796

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS
31 JANUARY 2016

1. CORPORATE INFORMATION

SapuraKencana Petroleum Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at Menara SapuraKencana Petroleum, Solaris Dutamas, 1, Jalan Dutamas 1, 50480 Kuala Lumpur and the principal place of business is located at Level 6, Menara SapuraKencana Petroleum, Solaris Dutamas, 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are as described in Note 42 to the financial statements. There were no significant changes in the nature of these activities during the financial year, other than as disclosed in the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 May 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements have been prepared on the historical cost basis unless otherwise disclosed in the accounting policies below.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 February 2015, the Group and the Company adopted the following new and amended MFRS and IC Interpretations:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRS 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRS 2011 - 2013 Cycle	1 July 2014

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective

The standards and interpretation that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of interest in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of application except as discussed below:

Amendments to MFRS 101: Disclosure Initiative

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective (cont'd.)

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: *Revenue*, MFRS 111: *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9: *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139: *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in income statement.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to income statement or where applicable, transferred directly to retained profit. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

Business Combinations (cont'd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in income statement or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in income statement. The accounting policy for goodwill is set out in Note 2.11(a).

Acquisition of subsidiaries that meets that conditions of a merger is accounted for using the merger method. Under the merger method of accounting, the results of subsidiaries presented as if the merger had been effected throughout the current and previous years. In the consolidated financial statements, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve.

2.5 Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

2.6 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's or joint venture's profit or loss for the period in which the investment is acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Investments in associates and joint ventures (cont'd.)

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate or a joint venture after date of acquisition. When the Group share of losses in an associate or joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139: *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136: *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in income statement. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

2.7 Investments in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRS applicable to the particular assets, liabilities, revenues and expenses.

2.8 Transaction with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is only probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income statement as incurred.

Dry docking costs which enhance the useful lives of the assets are capitalised when incurred and the remaining carrying amount of the cost during the previous dry docking, if any, is derecognised. The costs capitalised is amortised over a period of 60 months or the period until the next drydocking date, whichever is shorter.

Depreciation is computed on a straight line basis over the estimated useful life of the assets as follows:

Leasehold land	1% - 2%
Building and structure	1% - 2%
Vessels, remotely operated vehicles ("ROV") and saturation diving system ("SAT System")	4% - 20%
Tender assisted drilling rigs, and plant and machinery	3% - 50%
Other equipments, tools and implements	20%
Equipments, furniture and motor vehicles	10% - 50%

Freehold land has an unlimited useful life and therefore is not depreciated.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed off and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in income statement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in income statement when the asset is derecognised.

Amortisation is computed on a straight line basis over the estimated useful life of the assets as follows:

Patents	10 years
Intellectual property rights	5 years
Software	3 years
Customer contracts	Remaining contractual period

Other development cost is amortised over the period of expected sales from the related projects on a straight line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Expenditure on oil and gas properties

Expenditure on oil and gas properties is stated at cost less accumulated amortisation, depreciation, depletion and any impairment. Expenditure on oil and gas properties comprise the following:

(a) Risk Sharing Contract ("RSC")

Cost comprises the purchase price or construction cost and any costs directly attributable in making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Amortisation is computed on a straight line basis over the remaining term of the RSC.

The carrying amount is derecognised at the end of contract or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition is included in the income statement when the asset is derecognised.

(b) Production Sharing Contract ("PSC")

(i) Oil and gas Properties

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development well is capitalised within oil and gas properties.

Amortisation of producing oil and gas properties is computed based on the unit of production method using:

(a) total proved and probable reserve for capitalised acquisition costs; and
(b) total proved and probable developed reserves for capitalised exploration and development costs.

Changes in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in the accounting estimate.

Cost associated with production and general corporate activities are expensed in the period incurred.

(ii) Exploration and development expenditure

The Group follow the successful efforts method of accounting for the exploration and development expenditure.

(a) Exploration and evaluation expenditure

Costs directly associated with exploration wells, including acquisition costs and drilling costs, are initially capitalised as intangible assets until the results have been evaluated.

If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as exploration and evaluation assets. All such carried costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are written off.

When a development plan is commercially viable and approved by the relevant authorities, the related exploration and evaluation costs are transferred to development in progress in expenditures on oil and gas properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Expenditure on oil and gas properties (cont'd.)

(b) Production Sharing Contract ("PSC") (cont'd.)

(ii) Exploration and development expenditure (cont'd.)

(b) Development expenditure

Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalised as incurred. The amount capitalised includes attributable interests and other financing costs incurred on exploration and development before commencement of production.

Upon commencement of production, the exploration and development expenditure initially capitalised as development in progress are transferred to oil and gas properties.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset that has a finite economic useful life may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell or its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in income statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in income statement. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in income statement as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has positive intention and ability to hold the investment to maturity.

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial assets (cont'd.)

(d) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceeding categories.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

2.15 Impairment of financial assets carried at amortised cost

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets are impaired when there is objective evidence as a result of one or more events that the present value of estimated discounted future cash flows is lower than the carrying value. Any impairment losses are recognised immediately in the income statement.

Financial assets are continuously monitored and allowances applied against financial assets consist of both specific impairments and collective impairments based on the Group's and the Company's historical loss experiences for the relevant aged category and taking into account general economic conditions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.17 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period for which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.17 Construction contracts (cont'd.)

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is classified as amount due from customers on contract. When progress billings exceed costs incurred plus recognised profits (less recognised losses) the balance is classified as amount due to customers on contracts.

2.18 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first-in-first-out method. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Provisions

(a) Provision for asset retirement obligations

Decommissioning and restoration costs are recognised when the Group has the obligation to dismantle and remove a facility or an item of oil and gas properties and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

A corresponding item of plant, property and equipment of an amount equivalent to the provision is also created. The change in the present value of the provision for the expected costs due to the passage of time is included within finance costs.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment to the provision and the corresponding oil and gas properties.

(b) Provision for restructuring costs

Provision for restructuring costs is recognised when the Group has approved a detailed formal restructuring plan, and has raised a valid expectation in those affected that it will carry out the restructuring by either starting to implement that plan or announcing its main features to those affected. Future operating losses are not provided for.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Provisions (cont'd.)

(c) Other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in income statement. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Financial liabilities (cont'd.)

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the original or modified terms of a debt instruments. Financial guarantee contracts are classified as deferred income and are amortised to income statement using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in income statement upon discharge of the guarantee contract becomes probable, an estimate of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income statement.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in income statement in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.22 Employee benefits

(a) Short term benefit

Wages, salaries and bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated leave. Short term non-accumulating compensated leave such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivables.

(a) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method, as described in Note 2.17.

(b) Offshore drilling services

Revenue generated from day-rate based contracts are recognised over the period the service is rendered.

Mobilisation fees are deferred and recognised on a straight-line basis over the period that the related drilling services are performed.

Demobilisation fees are recognised as and when the services are rendered, or at a point when it becomes known and certain that demobilisation fee can be charged to the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.24 Revenue (cont'd.)

(c) Oilfield development and production

(i) Sale of oil and gas and its related products

Revenue from sale of oil and gas and its related products are recognised in the income statement when the risks and rewards of ownership have been transferred to the buyer.

(ii) Revenue from petroleum cost reimbursement

Capital and operating costs are reimbursed based on the actual costs incurred. Capital cost is reimbursed over a certain period subsequent to commencement of gas production. Operating cost is reimbursed on a current basis.

(iii) Remuneration fees

Remuneration fees is recognised on accrual basis based on effective internal rate of return of the project.

(d) Revenue from other services

Revenue from other services is recognised net of service taxes and discounts (if applicable) as and when the services are performed.

(e) Interest income

Interest income is recognised on accrual basis using the effective interest method.

(f) Dividend income

Dividend income is recognised when the Group and Company's right to receive payment is established.

(g) Intellectual property rights, trademarks and branding fees

Intellectual property rights, trademarks and branding fees are charged to subsidiaries for the use of the Company's intellectual property rights, trademarks and brand.

2.25 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in income statement except to the extent that the tax relates to items recognised outside income statement, either in other comprehensive income or directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Income taxes (cont'd.)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided for the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

2.27 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.28 Shares held under trust

When shares of the Company, that have not been cancelled, recognised as equity are purchased by the Company, the amount of consideration paid is recognised directly in equity. Purchased shares are classified as shares held under trust and presented as a deduction from total equity.

2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group or the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.30 Hedge accounting

The Group uses derivatives to manage its exposure to foreign currency risk, interest rate risk and liquidity risk, including forward currency contracts and cross currency interest rate swaps. The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationship are classified as:

(a) Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

(b) Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

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FINANCIAL STATEMENTS (CONT'D.)
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Hedge accounting (cont'd.)

(c) Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in income statement as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to income statement when the hedged transaction affects income statement, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are removed and included in the initial carrying amount of the non-financial asset or liability. The Group has elected not to apply basis adjustments to hedges of forecast transactions that result in the recognition of a non-financial asset or a non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects income statement.

2.31 Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.31 Significant accounting judgements and estimates (cont'd.)

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Judgements made in applying accounting policies

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Treatment of contract variation

Included in the financial statements are values of change orders that have not yet been approved which are at various stages of process with the customers. In this respect, the values are estimated based on the management's assessment and judgement as to the realisable amount.

The complexity of estimation process, risks and uncertainties will affect the amounts reported in the financial statements. Depending on the outcome of negotiations with customers, this could result in reduction/increase in attributable profits/losses.

The directors are of the opinion that the change orders recognised in the financial statements represents the best estimate, with justifiable grounds for the claims submitted and favourable progress of discussions with the customers.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment

(a) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 16.

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.31 Significant accounting judgements and estimates (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(i) Impairment (cont'd.)

(b) Oil and gas properties

In assessing whether an impairment is required for the carrying value of a potentially impaired asset, its carrying value is compared against its recoverable amount. Assets are tested for impairment as part of a cash-generating unit. The recoverable amount is the higher of the asset's fair value less costs to sell and its value-in-use. Due to the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the Group's impairment of oil and gas properties and exploration and evaluation assets is its value-in-use.

In estimating future cash flows for value-in-use of the cash-generating units, the following factors are considered:

- remaining unexpired PSC period;
- crude oil prices;
- future capital and operating expenditures to be spent on the projects which meet the Group's investment criteria and their corresponding incremental reserves potentially to be recovered; and
- current and forecasted market conditions.

The future cash flows are subject to change as new information become available on the above factors and the changes may eventually affect income statement through impairment charges or reversal of impairment. Further details are disclosed in Note 15.

(c) Property, plant and equipment

The Group have performed a review of the recoverable amount of its property, plant and equipment which have indicators of impairment during the financial year. The review led to the recognition of impairment losses as disclosed in Note 6.

Impairment test has been carried out based on variety of estimations, including value-in-use of the CGU of which the specific property, plant and equipment is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows and also to determine the appropriate discount rate to calculate the present value of those cash flows.

The future cash flows are subject to change as new information become available and the changes may eventually affect income statement through impairment charges or reversal of impairment. Further details are disclosed in Note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.31 Significant accounting judgements and estimates (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(i) Impairment (cont'd.)

(d) Loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(ii) Construction contracts

The Group recognises construction contracts revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction contracts costs incurred for work performed to date to the estimated total construction contracts costs.

Significant judgement is required in determining the stage of completion, the extent of the construction contracts costs incurred, the estimated total construction contracts revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(iii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment based on common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iv) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE
FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.31 Significant accounting judgements and estimates (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(v) Estimation of oil and gas reserves

Estimates of recoverable quantities of reserves reported, assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs affect expected future cash flows.

The term "reserves" describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation present at the time of estimation.

Estimation of reserves are reviewed annually. These estimates are inherently imprecise, require the application of judgements and are subject to regular revision based on new information available such as new geological information gathered from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and change in economic factors, including product prices, contract terms and development plans.

Such revisions will impact the Group's financial position and results which includes:

(a) carrying value of oil and gas properties and their corresponding amortisation charges;
(b) carrying value of projects-in-progress;
(c) provisions for decommissioning and restoration; and
(d) carrying value of deferred tax assets/liabilities.

(vi) Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation assets is set out in Note 2.12(b)(ii)(a). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploration or sale, the relevant capitalised amount will be written off in the income statement.

(vii) Provision for asset retirement obligations

Provisions are made for the future decommissioning and restoration of certain oil and gas production facilities and pipelines at the end of their economic lives. Changes in the estimates of costs to be incurred, reserves or in the rate of production may impact income over the remaining economic life of the oil and gas properties.

Most of these decommissioning and restoration events are many years in the future and the precise requirements that will have to be met when the removal events actually occurs are uncertain. Because actual timing and net cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, the carrying amounts of provisions, together with the interest rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to take account of such changes.

(viii) Provision for restructuring costs

The Group is restructuring its business operation in view of the decline in crude oil prices and its effect on the industry.

As a result, the Group has made a provision during the financial year to cover the costs associated with its restructuring plan. The estimated restructuring cost is based on employee cost, number of employees affected and the implementation timeline.

3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Installation of pipelines and facilities	2,844,872	2,281,799	-	-
Engineering, procurement, construction and commissioning	1,859,927	1,960,459	-	-
Offshore drilling services	2,955,766	2,739,126	-	-
Oilfield development and production	1,546,131	2,081,861	-	-
Offshore support, geotechnical, maintenance and consultation services	977,335	879,774	-	-
Dividends income	-	-	413,333	672,607
Management fees from subsidiaries	-	-	184,933	182,284
Intellectual property rights, trademarks and branding fees from subsidiaries	-	-	70,779	70,949
	10,184,031	9,943,019	669,045	925,840

4. COST OF SALES

Cost of sales comprise of costs related to construction contracts, services rendered, sale of crude oil and gas and other inventories sold.

5. OTHER INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income:				
- third parties	13,372	12,445	140	643
- joint venture companies	4,873	2,827	-	-
- subsidiaries	-	-	43,416	46,838
Gain on disposal of property, plant and equipment	233	815	317	-
Gain arising from acquisition of subsidiaries	-	214,758	-	-
Foreign exchange differences:				
- net realised exchange gain	363,143	51,168	43,068	69,001
Changes in provision (Note 33(a))	80,947	63,526	-	-
Miscellaneous income	17,641	33,646	6	829
	480,209	379,185	86,947	117,311

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

6. PROVISION FOR IMPAIRMENT

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Provision for impairment on:				
- expenditure on oil and gas properties (Note 15)	1,397,266	54,935	-	-
- property, plant and equipment (Note 14)	603,732	-	-	-
- investment *	28,254	-	-	-
	2,029,252	54,935	-	-

* This is in relation to the investment in joint ventures which were acquired as subsidiaries.

7. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on borrowings	761,146	677,556	147,966	126,253
Less: Interest expense capitalised in property, plant and equipment (Note 14(c))	(28,593)	(39,769)	-	-
	732,553	637,787	147,966	126,253
Accretion of asset retirement obligations (Note 34)	27,617	28,779	-	-
	760,170	666,566	147,966	126,253

8. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
This is arrived at after charging:				
Employee benefits expense (Note 9)	2,021,352	2,072,148	171,348	220,066
Non-executive directors' remuneration (Note 10)	4,141	5,319	4,079	5,258
Auditors' remuneration:				
- Statutory audits:				
- Group auditors	3,414	3,363	166	166
- Other auditors	116	286	-	-
- Other services:				
- Group auditors	1,562	870	1,166	870
Charter of vessels, barges and rigs and hire of equipment	543,766	488,489	-	-
Depreciation of property, plant and equipment	929,879	715,079	10,311	13,475
Amortisation of intangible assets (Note 16)	33,624	39,333	-	-
Amortisation of expenditure on oil and gas properties (Note 15)	445,311	535,443	-	-
Intangible assets written off - customer contracts (Note 16)	21,625	-	-	-
Property, plant and equipment written off	33,281	4,747	-	-
Expenditure on oil and gas properties written off (Note 15)	28,313	-	-	-
Inventories written down	46,761	49,500	-	-
Rental of premises	61,405	55,952	4,867	5,892
Foreign exchange differences:				
- net unrealised exchange loss	42,396	52,328	33,685	72,308
Impairment on receivables	871	8,087	-	-
Intellectual property rights, trademarks and branding fees (Note 37)	70,000	70,000	70,000	70,000

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Wages and salaries	1,735,560	1,827,237	143,726	196,811
Social security contributions	17,368	18,314	119	147
Contributions to defined contribution plan	88,578	82,727	25,676	21,204
Other benefits	255,342	253,283	1,827	1,904
	2,096,848	2,181,561	171,348	220,066
Represented by:				
Billed to joint venture partners	56,000	51,461	-	-
Capitalised in exploration and evaluation assets	19,496	57,952	-	-
Charged to income statement (Note 8)	2,021,352	2,072,148	171,348	220,066
	2,096,848	2,181,561	171,348	220,066

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration as disclosed in Note 10, Long Term Incentive Plan ("LTIP") granted to eligible executive directors and employees of the Group as disclosed in Note 28 and provision for restructuring cost as disclosed in Note 33(c).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

10. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	54,972	89,707	54,972	89,707
Benefits-in-kind	529	44	529	44
	55,501	89,751	55,501	89,751
Non-Executive:				
Fees	4,100	5,319	4,038	5,258
Other emoluments	41	-	41	-
Total remuneration (Note 8)	4,141	5,319	4,079	5,258
Benefits-in-kind	7	52	7	52
	4,148	5,371	4,086	5,310
	59,649	95,122	59,587	95,061
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration, excluding benefits-in-kind	54,972	89,707	54,972	89,707
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 8)	4,141	5,319	4,079	5,258
Total directors' remuneration excluding benefits-in-kind	59,113	95,026	59,051	94,965

11. INCOME TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:				
Malaysian income tax	164,095	189,363	-	-
Foreign tax	128,132	92,056	-	-
	292,227	281,419	-	-
(Over)/under provided in prior years:				
Malaysian income tax	(42,801)	6,900	-	-
Foreign tax	(20,476)	(3,989)	-	-
	(63,277)	2,911	-	-
	228,950	284,330	-	-
Deferred tax (Note 20):				
Relating to origination of temporary differences	(226,238)	(78,631)	-	-
Under/(over) provided in prior years	76,094	(23,197)	-	-
	(150,144)	(101,828)	-	-
Total income tax expense	78,806	182,502	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Income from petroleum operation in Malaysia is calculated at the Malaysian petroleum income tax rate of 38% (2015: 38%).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2016 RM'000	2015 RM'000
Group		
(Loss)/profit before tax	(712,639)	1,615,962
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	227,652	317,845
Effect of taxation at Malaysian petroleum income tax rate of 38%	(631,254)	130,980
Effect of different tax rates in other countries and jurisdictions	56,493	(100,872)
Effect of income not subject to tax	(105,116)	(126,433)
Effect of double deduction of expenses and tax incentive	(4,418)	(8,687)
Effect of expenses and losses from foreign sources not deductible for tax purposes	440,320	136,280
Effect of share of results of associates and joint venture companies	(60,140)	(63,029)
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(33,316)	(5,979)
Deferred tax assets recognised on previously unrecognised tax allowances carried forward	-	(117,407)
Deferred tax assets not recognised in respect of tax losses and unabsorbed capital allowances	175,768	40,090
Under/(over) provision of deferred tax in prior years	76,094	(23,197)
(Over)/under provision of tax expense in prior years	(63,277)	2,911
Income tax expense for the year	78,806	182,502
Company		
Profit before tax	271,646	426,588
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	65,195	106,647
Effect of income not subject to tax	(99,200)	(168,152)
Effect of expenses not deductible for tax purposes	36,203	55,070
Effect of utilisation of previously unrecognised tax losses	(2,198)	-
Deferred tax assets not recognised	-	6,435
Income tax expense for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016	2015
In respect of financial year:		
(Loss)/profit for the year attributable to owners of the parent (RM'000)	(791,555)	1,432,752
Weighted average number of ordinary shares in issue ('000)*	5,971,797	5,987,066
Basic/Diluted (loss)/earnings per share (sen)	(13.25)	23.93

* The weighted average number of shares in financial year 2015 takes into account the weighted average effect of shares held under trust during the year.

13. DIVIDENDS

	Group and Company	
	2016 RM'000	2015 RM'000
Recognised during the financial year ended:		
Dividends on ordinary shares:		
Tax exempt (single-tier) interim dividend of 1.35 sen per ordinary share, on 5,971,797,087 ordinary shares	80,619	-
First tax exempt (single-tier) interim dividend of 1.35 sen per ordinary share, on 5,992,155,087 ordinary shares	-	80,894
Tax exempt (single-tier) special dividend of 1.00 sen per ordinary share, on 5,992,155,087 ordinary shares	-	59,922
Second tax exempt (single-tier) interim dividend of 2.00 sen per ordinary share, on 5,971,797,087 ordinary shares	-	119,436
	80,619	260,252

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land and buildings RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs, vessels and SAT system under construction RM'000	Total RM'000
Group								
At 31 January 2016								
Cost								
At 1 February 2015	4,568	490,225	4,388,038	11,218,934	27,732	386,407	442,349	16,958,253
Additions	-	11,655	62,331	203,376	1,519	24,582	593,681	897,144
Disposals	-	-	(1,439)	(27,367)	-	(5,089)	-	(33,895)
Write-off	-	-	-	(40,985)	-	(6,840)	-	(47,825)
Reclassification/ transfer	-	11,887	50,621	15,771	-	(80,989)	(43,890)	(46,600)
Transfer from inventories	-	-	86,253	-	-	-	-	86,253
Exchange differences	-	-	482,557	1,510,883	-	9,235	46,766	2,049,441
At 31 January 2016	4,568	513,767	5,068,361	12,880,612	29,251	327,306	1,038,906	19,862,771

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Leasehold land and buildings RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs, vessels and SAT system under construction RM'000	Total RM'000
Group (cont'd.)								
At 31 January 2016 (cont'd.)								
Accumulated depreciation and impairment								
At 1 February 2015	-	44,823	745,899	2,193,995	15,720	186,962	-	3,187,399
Depreciation charge for the year	-	8,622	194,025	678,101	3,143	45,988	-	929,879
Impairment	-	20,576	169,014	413,202	-	940	-	603,732
Disposals	-	-	(497)	(8,844)	-	(4,204)	-	(13,545)
Write-off	-	-	1,523	(11,597)	-	(4,470)	-	(14,544)
Reclassification/ transfer	-	-	(27,382)	(6,943)	-	(12,275)	-	(46,600)
Exchange differences	-	-	27,910	281,555	-	1,327	-	310,792
At 31 January 2016	-	74,021	1,110,492	3,539,469	18,863	214,268	-	4,957,113
Net carrying amount								
At 31 January 2016	4,568	439,746	3,957,869	9,341,143	10,388	113,038	1,038,906	14,905,658

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Leasehold land and buildings RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs, vessels and SAT system under construction RM'000	Total RM'000
Group								
At 31 January 2015								
Cost								
At 1 February 2014	4,568	465,021	2,591,130	9,181,575	17,158	243,820	2,289,182	14,792,454
Additions	-	25,204	162,257	401,302	10,574	95,205	474,986	1,169,528
Acquisition of subsidiaries	-	-	-	-	-	7,089	-	7,089
Disposals	-	-	(1,479)	(454,953)	-	(3,359)	-	(459,791)
Write-off	-	-	-	(19,973)	-	-	-	(19,973)
Reclassification	-	-	1,460,296	1,156,796	-	-	(2,617,092)	-
Transfer from expenditure on oil and gas properties	-	-	-	-	-	1,427	-	1,427
Exchange differences	-	-	175,834	954,187	-	42,225	295,273	1,467,519
At 31 January 2015	4,568	490,225	4,388,038	11,218,934	27,732	386,407	442,349	16,958,253

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Leasehold land and buildings RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs, vessels and SAT system under construction RM'000	Total RM'000
Group (cont'd.)								
At 31 January 2015 (cont'd.)								
Accumulated depreciation and impairment								
At 1 February 2014	-	36,268	593,986	1,516,474	13,772	113,407	-	2,273,907
Depreciation charge for the year	-	8,555	148,007	512,185	1,948	44,384	-	715,079
Disposals	-	-	(1,277)	(412,192)	-	(2,173)	-	(415,642)
Write-off	-	-	-	(15,226)	-	-	-	(15,226)
Exchange differences	-	-	5,183	592,754	-	31,344	-	629,281
At 31 January 2015	-	44,823	745,899	2,193,995	15,720	186,962	-	3,187,399
Net carrying amount								
At 31 January 2015	4,568	445,402	3,642,139	9,024,939	12,012	199,445	442,349	13,770,854

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Equipment, furniture and motor vehicles RM'000
At 31 January 2016	
Cost	
At 1 February 2015	56,826
Additions	10,334
Disposal	(2,217)
At 31 January 2016	64,943
Accumulated depreciation	
At 1 February 2015	29,522
Depreciation charge for the year (Note 8)	10,311
Disposal	(1,919)
At 31 January 2016	37,914
Net carrying amount	
At 31 January 2016	27,029
At 31 January 2015	
Cost	
At 1 February 2014	47,091
Additions	11,052
Disposal	(1,317)
At 31 January 2015	56,826
Accumulated depreciation	
At 1 February 2014	16,706
Depreciation charge for the year (Note 8)	13,475
Disposal	(659)
At 31 January 2015	29,522
Net carrying amount	
At 31 January 2015	27,304

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) In view of the decline in crude oil prices, the effects of which has resulted in oil companies in general reducing and/or deferring capital expenditure, the Group has performed a review of the recoverable amount of its property, plant and equipment that are subject to impairment during the financial year. The review led to the recognition of impairment losses of RM603.7 million (2015: RM Nil) as disclosed in Note 6 to the financial statements.

Included in the total impairment is an impairment loss on tender assisted drilling rigs with recoverable amounts of RM2.9 billion. In determining the value-in-use of this asset, the cash flows were discounted at a post-tax rate of 9.0%.

Impairment tests have been carried out based on value-in-use of the CGU of which the specific property, plant and equipment is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows and also to determine the appropriate discount rate to calculate the present value of those cash flows.

The rate used to discount future cash flows is subject to change in economic conditions and is reviewed annually.

(b) The net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Motor vehicles	1,533	2,146	1,016	1,376
Plant and machinery	20,458	22,175	-	-
	21,991	24,321	1,016	1,376

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 31.

(c) During the year, the Group and the Company acquired property, plant and equipment by the following means:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash, payables and prepayment	868,551	1,129,759	10,334	11,052
Borrowing costs capitalised (Note 7)	28,593	39,769	-	-
	897,144	1,169,528	10,334	11,052

(d) The net carrying amounts of property, plant and equipment pledged as securities for borrowings are as follows:

	Group	
	2016 RM'000	2015 RM'000
Vessels, ROVs and SAT system	-	36,448

15. EXPENDITURE ON OIL AND GAS PROPERTIES

	Oil and Gas Properties RM'000	Exploration and Evaluation Assets RM'000	Total RM'000
Group			
At 31 January 2016			
Cost			
At 1 February 2015	2,487,806	3,887,009	6,374,815
Additions	30,361	241,573	271,934
Change in decommissioning liabilities (Note 34)	(340)	-	(340)
Write off (Note 8)	-	(28,313)	(28,313)
Reclassification	895,121	(895,121)	-
Exchange differences	406,946	532,864	939,810
At 31 January 2016	3,819,894	3,738,012	7,557,906
Accumulated depletion, depreciation and amortisation/impairment			
At 1 February 2015	819,752	-	819,752
Impairment during the year (Note 6)	1,047,842	349,424	1,397,266
Charge for the year (Note 8)	445,311	-	445,311
Exchange differences	174,758	13,138	187,896
At 31 January 2016	2,487,663	362,562	2,850,225
Net carrying amount			
At 31 January 2016	1,332,231	3,375,450	4,707,681

15. EXPENDITURE ON OIL AND GAS PROPERTIES (CONT'D.)

	Oil and Gas Properties RM'000	Exploration and Evaluation Assets RM'000	Total RM'000
Group			
At 31 January 2015			
Cost			
At 1 February 2014	926,921	-	926,921
Acquisition of subsidiaries	1,153,307	3,386,560	4,539,867
Additions	283,347	202,793	486,140
Change in decommissioning liabilities (Note 34)	(52,672)	-	(52,672)
Transfer to property, plant and equipment	(1,427)	-	(1,427)
Exchange differences	178,330	297,656	475,986
At 31 January 2015	2,487,806	3,887,009	6,374,815
Accumulated depletion, depreciation and amortisation/impairment			
At 1 February 2014	157,249	-	157,249
Impairment during the year (Note 6)	54,935	-	54,935
Charge for the year (Note 8)	535,443	-	535,443
Exchange differences	72,125	-	72,125
At 31 January 2015	819,752	-	819,752
Net carrying amount			
At 31 January 2015	1,668,054	3,887,009	5,555,063

Included in oil and gas properties is cost related to development in progress.

(a) Production Sharing Contracts

The Group secures the rights to carry out exploitation of petroleum resource activities via various joint venture arrangements with Petroliam Nasional Berhad (PETRONAS).

Under the terms of the various PSC that the Group as PSC contractor has entered into, the PSC contractors bear all costs. The PSC contractors fund the work outlined in the approved work programme and budget and may recover their costs in barrels of crude oil or gas equivalent, in accordance with the terms of the respective PSCs. Remaining unrecovered costs in any quarter can be carried forward for recovery against production of crude oil or gas equivalent in subsequent quarter/ quarters. The contractors' share of production also includes an element of profit.

15. EXPENDITURE ON OIL AND GAS PROPERTIES (CONT'D.)

(a) Production Sharing Contracts (cont'd.)

Title to all equipment and other assets purchased or acquired by PSC contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent are vested with the host authority. The contractors retain the right to use those assets for the duration of the relevant PSCs.

Impairment

	2016 RM'000	2015 RM'000
Provision for impairment (Note 6)	1,397,266	54,935

Continued low crude oil prices in the global economy has prompted the Group to carry out impairment assessment on its expenditure on oil and gas properties. The recoverable amount of RM4,085.7 million which comprises of a few PSC blocks (2015: RM808.5 million for one PSC block) was determined from value-in-use calculations, using cash flow projection. Value-in-use was determined by discounting the future cash flows generated from the continuing use of the cash-generating units applying a post-tax discount rate of 9.0% (2015: 9.0%). The rate used to discount future cash flows is subject to change in economic conditions and is reviewed annually.

(b) Risk Sharing Contracts

Expenditure on Risk Sharing Contract ("RSC") represent the costs incurred as per the RSC agreement with PETRONAS. According to the agreement, the Group will incur costs on development, drilling, offshore pipeline, offshore well head process and host platform modification and will recover the expenditure on quarterly basis over the RSC operating period from the commencement of the production of first gas. The title of the constructed asset rests with PETRONAS, however as per the risk service contract, the Group is entitled to use the assets constructed to produce gas from the Berantai field for the period of the RSC. Berantai's gas reserve belongs to PETRONAS, hence the Group will not perform any reserve booking. The Group will recover the costs together with remuneration fee set out in the contract. Reimbursement of the expenditure will be made from agreed percentage of ceiling of the field revenue. Should the share of field revenue available be insufficient in any period, such shortfall be carried forward to subsequent quarter.

The Berantai field commenced its first gas production on 20 October 2012.

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16. INTANGIBLE ASSETS

	Software Development Costs RM'000	Intellectual Property Right and Patent RM'000	Other Development Costs RM'000	Customer Contracts RM'000	Goodwill RM'000	Total RM'000
Group						
At 31 January 2016						
Cost						
At 1 February 2015	32,556	1,759	19,387	122,296	7,631,514	7,807,512
Additions	704	70	-	-	-	774
Write off (Note 8)	-	-	-	(21,625)	-	(21,625)
Exchange differences	3,032	136	2,958	10,822	545,289	562,237
At 31 January 2016	36,292	1,965	22,345	111,493	8,176,803	8,348,898
Accumulated amortisation						
At 1 February 2015	21,446	1,592	1,907	42,577	-	67,522
Charge for the year (Note 8)	8,096	156	2,138	23,234	-	33,624
Exchange differences	1,364	86	594	4,226	-	6,270
At 31 January 2016	30,906	1,834	4,639	70,037	-	107,416
Net carrying amount						
At 31 January 2016	5,386	131	17,706	41,456	8,176,803	8,241,482

16. INTANGIBLE ASSETS (CONT'D.)

	Software Development Costs RM'000	Intellectual Property Right and Patent RM'000	Other Development Costs RM'000	Customer Contracts RM'000	Goodwill RM'000	Total RM'000
Group						
At 31 January 2015						
Cost						
At 1 February 2014	17,461	1,759	29,896	116,333	7,312,326	7,477,775
Additions	14,606	-	-	-	-	14,606
Reclassification	-	-	(10,870)	-	(17,666)	(28,536)
Exchange differences	489	-	361	5,963	336,854	343,667
At 31 January 2015	32,556	1,759	19,387	122,296	7,631,514	7,807,512
Accumulated amortisation						
At 1 February 2014	9,631	1,454	-	14,244	-	25,329
Charge for the year (Note 8)	10,946	138	1,907	26,342	-	39,333
Exchange differences	869	-	-	1,991	-	2,860
At 31 January 2015	21,446	1,592	1,907	42,577	-	67,522
Net carrying amount						
At 31 January 2015	11,110	167	17,480	79,719	7,631,514	7,739,990

16. INTANGIBLE ASSETS (CONT'D.)

Impairment tests for goodwill

Allocation of goodwill

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified according to business segment as follows:

	Group	
	2016 RM'000	2015 RM'000
Engineering and construction	4,128,395	4,097,321
Drilling	4,048,408	3,534,193
	8,176,803	7,631,514

Key assumptions used in value-in-use calculations

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flow projections covering a 5-10 year period based on a 1-year financial budget approved by the Board of Directors. The Group prepares up to a 10-year period of cash flow projections which reflect the industry cycle.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Revenue growth

Revenue year-on-year growth in the cash flow projections from year 2 to year 10 is from -44.0% to 67.0%.

The revenue growth are based on order book, a percentage on bid book and management expectation.

(ii) Forecasted margin

Gross margins are based on forecast margins for order book, customer contract, management's expectation and past experience for new work.

(iii) Discount rate

The discount rate reflect specific risks relating to the relevant CGU. The post-tax discount rate used by the Group is 9.0%.

(iv) Growth rate beyond 5-year

Cash flow beyond the 5-year period is extrapolated using the growth rates of 1.7% to 3.0%.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values to materially exceed their recoverable amounts.

17. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost	9,119,415	9,027,393
Less: Accumulated impairment losses	(6,878)	(6,878)
	9,112,537	9,020,515

The details of the subsidiaries are set out in Note 42.

18. INVESTMENT IN ASSOCIATES

	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares, at cost	27,765	27,765
Share of post-acquisition reserves	(16,232)	17,301
	11,533	45,066

(i) Details of the associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2016 %	Proportion of Ownership Interest 2015 %
(a) Held through SapuraKencana Technology Sdn. Bhd. (formerly known as Sapura Energy Sdn. Bhd.)				
* Geowell Sdn. Bhd.	Malaysia	Production for wireline, production testing and associated services for oil and gas companies	30	30
Subang Properties Sdn. Bhd.	Malaysia	Dormant	36.2	36.2
(b) Held through SapuraCrest Ventures Sdn. Bhd.				
Labuan Shipyard and Engineering Sdn. Bhd.	Malaysia	Shipbuilding, ship repair, naval craft maintenance and oil and gas fabrication	50	50

* Not audited by Ernst & Young

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18. INVESTMENT IN ASSOCIATES (CONT'D.)

(i) Details of the associates are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2016 %	Proportion of Ownership Interest 2015 %
(c) Held through SapuraKencana Engineering Sdn. Bhd.				
* Best Wide Engineering (M) Sdn. Bhd.	Malaysia	Undertaking of engineering and technical services	30	30
* Matrix Maintenance Sdn. Bhd.	Malaysia	Provision of maintenance services for petrol chemical plants and general industries	30	30

* Not audited by Ernst & Young

The financial statements of the above associates that are not coterminous with those of the Company are as follows:

	Financial year end
(i) Geowell Sdn. Bhd. ("Geowell")	31 December
(ii) Labuan Shipyard and Engineering Sdn. Bhd. ("LSE")	31 December
(iii) Matrix Maintenance Sdn. Bhd. ("Matrix")	31 December
(iv) Best Wide Engineering (M) Sdn. Bhd. ("BWE")	30 November

For the purpose of applying the equity method of accounting, the financial statements of Geowell, LSE, Matrix and BWE have been used and appropriate adjustments have been made for the effects of significant transactions between the respective financial year end and 31 January 2016.

Aggregate information of associates that are not individually material:

	2016 RM'000	2015 RM'000
Share of (loss)/profit before tax	(33,532)	815
Share of total comprehensive (loss)/income	(33,532)	815

19. INVESTMENT IN JOINT VENTURE COMPANIES

	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares, at cost	196,753	183,073
Share of post-acquisition reserves	843,397	687,878
	1,040,150	870,951
Shareholders' advances to joint venture companies	516,819	460,706
	1,556,969	1,331,657

The shareholders' advances are unsecured, not due within twelve months and non-interest bearing except for advances of RM24.7 million (2015: RM103.4 million) provided to a joint venture company, Berantai Floating Production Limited for the acquisition of a Floating Production, Storage and Offloading vessel ("FPSO") for Berantai field activities which is subject to interest rate of LIBOR + 2% per annum.

Details of the joint venture companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2016 %	Proportion of Ownership Interest 2015 %
(a) Held through Probadi Sdn. Bhd.				
* Uzmal Oil Inc.	Uzbekistan	Oilfield production	50	50
(b) Held through SapuraKencana Nautical Essence Sdn. Bhd.				
SapuraAcergy Sdn. Bhd.	Malaysia	Management and operation of vessel and provision of offshore related works	50	50
SapuraAcergy Assets Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of vessels and operational equipment	49	49

* Not audited by Ernst & Young

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

19. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

Details of the joint venture companies are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(c) Held through SapuraAcergy Sdn. Bhd.				
# SapuraAcergy (Australia) Pty. Ltd.	Australia	Management and operation of vessel and provision of offshore related works	50	50
(d) Held through SapuraKencana Nautical Power Pte. Ltd.				
* L&T Sapura Shipping Pvt. Ltd.	India	Vessel owner	40	40
* L&T Sapura Offshore Pvt. Ltd.	India	Provision of engineering and installation services	40	40
(e) Held through SapuraKencana Australia (Holdings) Pty. Ltd. (formerly known as Sapura Australia Pty. Ltd.)				
#^ Peritus International Limited	United Kingdom	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	100	51
#^ Peritus International Pty. Ltd.	Australia	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	100	51
(f) Held through SapuraKencana USA Holdings Incorporated				
^ Peritus International Incorporated	The State of Texas, United States of America	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	100	51

* Not audited by Ernst & Young
\# Audited by affiliates of Ernst & Young, Malaysia
^ Acquired as subsidiary in current financial year

19. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

Details of the joint venture companies are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(g) Held through Peritus International Pty. Ltd.				
^ Peritus International Sdn. Bhd.	Malaysia	Provision of engineering consultancy services for the oil and gas industry	100	51
(h) Held through SapuraKencana Petroleum Ventures Sdn. Bhd. and Sapura Energy Ventures Sdn. Bhd.				
Berantai Floating Production Limited	Federal Territory of Labuan, Malaysia	Provision of leasing of FPSO	49	49
(i) Held through SapuraKencana Engineering Sdn. Bhd.				
* Best Wide MCCS Sdn. Bhd.	Malaysia	Dormant	50	50
(j) Held through SapuraKencana TL Offshore Sdn. Bhd.				
* Seabras Sapura Participações S.A.	Brazil	Investment holding	50	50
* Seabras Sapura Holding, GmbH	Austria	Investment holding	50	50
(k) Held through Seabras Sapura Participações S.A.				
* Sapura Navegação Maritima S.A.	Brazil	Vessel owner and chartering	50	50
(l) Held through Seabras Sapura Holding, GmbH				
* Seabras Sapura PLSV Holding GmbH	Austria	Investment holding	50	50

* Not audited by Ernst & Young
^ Acquired as subsidiary in current financial year

19. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

Details of the joint venture companies are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(m) Held through Seabras Sapura PLSV Holding GmbH				
* Seabras Sapura Holdco Ltd.	Bermuda	Investment holding	50	50
* Sapura Diamante GmbH	Austria	Vessel owner and chartering	50	50
* Sapura Topazio GmbH	Austria	Vessel owner and chartering	50	50
* Sapura Onix GmbH	Austria	Vessel owner and chartering	50	50
* Sapura Jade GmbH	Austria	Vessel owner and chartering	50	50
* Sapura Rubi GmbH	Austria	Vessel owner and chartering	50	50
(n) Held through Seabras Sapura Holdco Ltd.				
* Seabras Sapura Talent Ltd.	Bermuda	Provision for manpower services	50	50
TL Offshore PLSV1 Ltd.	Bermuda	Dormant	50	50
TL Offshore PLSV2 Ltd.	Bermuda	Dormant	50	50
TL Offshore PLSV3 Ltd.	Bermuda	Dormant	50	50
TL Offshore PLSV4 Ltd.	Bermuda	Dormant	50	50
TL Offshore PLSV5 Ltd.	Bermuda	Dormant	50	50
(o) Held through Sapura Navegação Maritima S.A.				
Let's Log Serviços Intergrados de Logística Ltda.	Brazil	Management of general warehouses and deposits	50	50
(p) Held through SapuraKencana Services Sdn. Bhd.				
SapuraKencana GE Oil & Gas Services Sdn. Bhd.	Malaysia	Provision of repair and maintenance services & sales of parts to the energy sector	51	51

* Not audited by Ernst & Young

19. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

The financial statements of the above joint venture companies that are not coterminous with those of the Company are as follows:

		Financial year end
(i)	L&T Sapura Shipping Pvt. Ltd.	31 March
(ii)	L&T Sapura Offshore Pvt. Ltd.	31 March
(iii)	Berantai Floating Production Limited	31 December
(iv)	Best Wide MCCS Sdn. Bhd.	31 December
(v)	Seabras Sapura Holding, GmbH	31 December
(vi)	Seabras Sapura Participações S.A.	31 December
(vii)	Seabras Sapura Talent Ltd.	31 December
(viii)	Sapura Navegação Maritima S.A.	31 December
(ix)	Seabras Sapura PLSV Holding GmbH	31 December
(x)	Sapura Diamante GmbH	31 December
(xi)	Sapura Topazio GmbH	31 December
(xii)	Seabras Sapura Holdco Ltd.	31 December
(xiii)	Sapura Onix GmbH	31 December
(xiv)	Sapura Jade GmbH	31 December
(xv)	Sapura Rubi GmbH	31 December
(xvi)	Let's Log Serviços Intergrados de Logística Ltda.	31 December

For the purpose of applying the equity method of accounting, the financial statements of the above joint venture companies have been used, and appropriate adjustments have been made for the effects of significant transactions between the respective financial year ended and 31 January 2016.

Information relating to the joint ventures:

(a) Sapura Diamante GmbH, Sapura Topazio GmbH, Sapura Onix GmbH, Sapura Jade GmbH and Sapura Rubi GmbH obtained a banking facility for a 10-year term loan for the financing of 5 pipe-laying support vessels. As at 31 January 2016, the loan outstanding balances are USD995.0 million (RM4.1 billion).

(b) As at 31 January 2016, Sapura Navegação Maritama S.A. has an outstanding loan balance of USD205.0 million (RM850.2 million). The loan is for the financing of its pipe-laying vessel.

(c) The loans in (a) and (b) are secured by the vessels, and a total of RM171.1 million cash balance of the joint venture companies mentioned above are pledged as security over the loan as at 31 January 2016.

(d) The details on commitments relating to the Group's interest in the joint venture companies are disclosed in Note 35.

19. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

(e) Summarised financial information of the Group's material joint ventures by operating segments is set out below. Material joint ventures in the Engineering and Construction ("E&C") segment comprises of SapuraAcergy Sdn. Bhd. and its subsidiaries, Seabras Sapura Holding, GmbH and its subsidiaries and Seabras Sapura Participações S.A. and its subsidiaries, whilst Energy Services ("Energy") comprise of Berantai Floating Production Limited.

(i) Summarised statements of financial position:

	2016		2015	
	E&C RM'000	**Energy RM'000**	**E&C* RM'000**	**Energy RM'000**
Cash and cash equivalents	1,032,510	54,972	626,216	67,856
Other current assets	680,937	128,874	751,135	96,697
Total current assets	1,713,447	183,846	1,377,351	164,553
Non-current assets	6,189,039	1,334,574	3,383,248	1,309,030
Total assets	7,902,486	1,518,420	4,760,599	1,473,583
Total current liabilities	2,482,841	277,779	578,227	342,437
Non-current liabilities	4,644,897	579,017	3,296,834	749,900
Total liabilities	7,127,738	856,796	3,875,061	1,092,337
Net assets	774,748	661,624	885,538	381,246

(ii) Summarised statements of comprehensive income:

	2016		2015	
	E&C RM'000	**Energy RM'000**	**E&C* RM'000**	**Energy RM'000**
Revenue	1,266,842	208,673	802,667	252,778
Other expenses	(1,015,884)	(41,677)	(494,058)	(40,028)
Profit before tax	250,958	166,996	308,609	212,750
Income tax expense	(57,984)	(19)	(68,321)	(824)
Profit after tax	192,974	166,977	240,288	211,926
Other comprehensive income	(93,411)	113,401	56,867	-
Total comprehensive income	99,563	280,378	297,155	211,926

* *The comparatives have been changed to conform with the current year presentation*

19. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

(f) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures:

	2016		2015	
	E&C RM'000	**Energy RM'000**	**E&C* RM'000**	**Energy RM'000**
Net assets as at 1 February 2015/2014	885,538	381,246	670,159	169,320
Profit for the year	192,974	166,977	240,288	211,926
Other comprehensive (loss)/income	(93,411)	113,401	56,867	-
Issuance of ordinary shares	39,692	-	-	-
Dividends paid during the year	(250,045)	-	(81,776)	-
Net assets as at 31 January	774,748	661,624	885,538	381,246
Interest in joint ventures	50%	49%	50%	49%
Carrying value of interest in joint ventures	387,374	324,196	442,769	186,811
Shareholders' advances	492,082	24,736	345,517	103,444
Net carrying value of interest in joint ventures	879,456	348,932	788,286	290,255
Dividends paid during the year to the Group	(125,022)	-	(40,888)	-

* *The comparatives have been changed to conform with the current year presentation.*

(g) Aggregate information of joint ventures that are not individually material.

	2016 RM'000	**2015 RM'000**
Share of profit before tax	47,190	46,758
Share of of total comprehensive income	67,055	30,364

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

20. DEFERRED TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 February 2015/2014	1,072,048	(43,369)	(39,464)	(39,464)
Recognised in the income statement (Note 11)	(150,144)	(101,828)	-	-
Acquisition of subsidiaries	-	1,108,107	-	-
Exchange differences	136,238	109,138	-	-
At 31 January	1,058,142	1,072,048	(39,464)	(39,464)
Presented after appropriate offsetting as follows:				
Deferred tax assets	(211,360)	(352,977)	(39,464)	(39,464)
Deferred tax liabilities	1,269,502	1,425,025	-	-
	1,058,142	1,072,048	(39,464)	(39,464)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 February 2015	1,463,023	17,508	1,480,531
Recognised in the income statement	(371,880)	24,891	(346,989)
Exchange differences	165,579	723	166,302
At 31 January 2016	1,256,722	43,122	1,299,844
At 1 February 2014	82,057	4,233	86,290
Recognised in the income statement	(23,884)	10,177	(13,707)
Acquisition of subsidiaries	1,271,909	-	1,271,909
Exchange differences	132,941	3,098	136,039
At 31 January 2015	1,463,023	17,508	1,480,531

20. DEFERRED TAX (CONT'D.)

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Others RM'000	Total RM'000
At 1 February 2015	(330,918)	(63,074)	(14,491)	(408,483)
Recognised in the income statement	148,843	43,585	4,417	196,845
Exchange differences	(29,875)	(2,501)	2,312	(30,064)
At 31 January 2016	(211,950)	(21,990)	(7,762)	(241,702)
At 1 February 2014	(49,321)	(65,951)	(14,387)	(129,659)
Recognised in the income statement	(93,164)	6,256	(1,213)	(88,121)
Acquisition of subsidiaries	(163,802)	-	-	(163,802)
Exchange differences	(24,631)	(3,379)	1,109	(26,901)
At 31 January 2015	(330,918)	(63,074)	(14,491)	(408,483)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000
At 1 February 2015/31 January 2016	4,210
At 1 February 2014/31 January 2015	4,210

Deferred tax assets of the Company:

	Tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Total RM'000
At 1 February 2015/31 January 2016	(5,008)	(38,666)	(43,674)
At 1 February 2014/31 January 2015	(5,008)	(38,666)	(43,674)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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20. DEFERRED TAX (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	625,107	382,542	13,693	22,853
Unabsorbed capital allowances and other deductible temporary differences	577,359	138,636	-	-
	1,202,466	521,178	13,693	22,853

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely against future taxable profit of the respective entities within the Group. Deferred tax assets have not been recognised due to uncertainty of its recoverability as they may not be used to offset against any future profits of other entities in the Group.

21. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
At cost		
Consumable, materials and spares	400,248	429,309
Work-in-progress	141,794	132,129
	542,042	561,438
At net realisable value		
Crude oil	30,194	75,191
	572,236	636,629

The cost of inventories recognised as an expense during the financial year amounted to RM825.6 million (2015: RM1,472.0 million).

During the year, the Group has written down its inventories totalling RM46.8 million (2015: RM49.5 million).

22. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Amount due from subsidiaries	2,737,280	2,394,838
Less: Provision for impairment	(171,295)	(171,295)
	2,565,985	2,223,543

Amount due from subsidiaries are unsecured, interest free and repayable on demand except for RM963.1 million (2015: RM968.3 million) which is subject to interest rates ranging from 4.03% to 8.00% (2015: 3.06% to 8.00%) per annum.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks are disclosed in Note 38.

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non current				
Trade receivables				
Retention sums	14,552	24,338	-	-
Third parties	14,385	25,824	-	-
	28,937	50,162	-	-
Current				
Trade receivables				
Third parties	2,230,782	1,823,834	-	-
Retention sums	26,027	6,469	-	-
Joint venture companies	40,770	4,757	-	-
	2,297,579	1,835,060	-	-
Less: Provision for impairment				
Third parties	(45,826)	(46,364)	-	-
	2,251,753	1,788,696	-	-
Construction contracts:				
Due from customers on contracts (Note 24)	845,433	562,207	-	-
Trade receivables, net	3,097,186	2,350,903	-	-

23. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables				
Amount due from:				
Related parties	30,866	345	315	323
Joint venture companies	233,122	196,389	3,167	5,568
Joint venture partners	409,427	410,127	-	-
	673,415	606,861	3,482	5,891
Deposits and prepayments	166,599	484,712	5,075	5,718
Sundry receivables	176,940	178,410	7,843	1,122
	343,539	663,122	12,918	6,840
Less: Provision for impairment				
Third parties	(81)	(81)	-	-
Other receivables, net	343,458	663,041	12,918	6,840
Total trade and other receivables	4,114,059	3,620,805	16,400	12,731

(a) Trade receivables

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 120 days (2015: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by senior management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables (excluding amount due from customer on contracts)

The ageing analysis of the Group's trade receivables is as follows:

	2016 RM'000	2015 RM'000
Neither past due nor impaired	1,516,824	1,432,161
1 to 30 days past due not impaired	458,672	148,610
31 to 60 days past due not impaired	111,788	129,118
61 to 90 days past due not impaired	60,594	27,522
91 to 120 days past due not impaired	11,698	20,519
More than 121 days past due not impaired	121,114	80,928
	763,866	406,697
Impaired	45,826	46,364
	2,326,516	1,885,222

23. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Most of the Group's trade receivables arise from customers with many years of experience with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Included in trade receivables of the Group are retention sums from contract customers of RM40.6 million (2015: RM30.8 million). These retention sums from contract customers are unsecured, interest free and are expected to be collected in accordance with the terms of the respective contract agreements.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM763.9 million (2015: RM406.7 million) that are past due at the reporting date but not impaired. Management periodically monitors the balances and is of the opinion that current provision is adequate.

The receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the provision accounts used to record the impairment are as follows:

	Group Individually impaired	
	2016 RM'000	2015 RM'000
Trade receivables - nominal amounts	45,826	46,364
Less: Provision for impairment	(45,826)	(46,364)
	-	-

Movement in provision accounts:

	Group	
	2016 RM'000	2015 RM'000
At 1 February 2015/2014	46,364	33,874
Impairment loss recognised	871	8,087
Exchange differences	(1,409)	4,403
At 31 January	45,826	46,364

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in dispute or debtors in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

23. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Other receivables

Other receivables (excluding prepayment) are non trade, unsecured, interest free and repayable on demand.

Included in deposits and prepayments for 2015 is RM144.9 million (USD40.0 million) relating to deposits paid for the acquisition of oil and gas assets. The amount has been written off in the current year as disclosed in Note 44(f).

(c) Amount due from related parties

Related parties are companies in which the directors of the Company have interests.

Amount due from related parties are unsecured, interest free and repayable on demand.

(d) Amount due from joint venture companies

Amount due from joint venture companies are unsecured, interest free and repayable on demand, except for RM119.0 million (2015: RM26.1 million) provided to joint venture companies, Seabras Sapura Participações S.A. and its subsidiaries which is subject to fixed interest rate of 3.4% (2015: 3.4%) per annum.

(e) Amount due from joint venture partners

The amount due from joint venture partners is in relation to upstream oil and gas business activities, which are unsecured, interest free and repayable on demand.

24. DUE FROM CUSTOMERS ON CONTRACTS

	Group	
	2016 RM'000	2015 RM'000
Construction contract costs incurred and recognised profit to date	7,275,313	5,693,663
Less: Progress billings	(6,693,319)	(5,187,167)
	581,994	506,496
Due to customers on contracts (Note 33)	263,439	55,711
Due from customers on contracts (Note 23)	845,433	562,207

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash on hand and at banks	1,523,378	768,084	44,764	24,796
Deposits with licensed banks	424,149	488,467	-	-
Cash and cash equivalents	1,947,527	1,256,551	44,764	24,796

Other information on financial risks of cash and cash equivalents are disclosed in Note 38.

The range of the interest rate (per annum) and the range of remaining maturities as at the reporting date are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Interest rate (%)	0.30 - 5.00	0.50 - 5.00	-	-
Maturities (days)	1 - 90	1 - 90	-	-

26. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2016 '000	**2015 '000**	**2016 RM'000**	**2015 RM'000**
Authorised share capital				
Ordinary shares of RM1.00 each				
At 1 February 2015/2014 and 31 January	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid				
Ordinary shares of RM1.00 each				
At 1 February 2015/2014 and 31 January	5,992,155	5,992,155	5,992,155	5,992,155

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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27. SHARE PREMIUM

	Group and Company	
	2016 RM'000	2015 RM'000
At 1 February 2015/2014 and 31 January	2,074,255	2,074,255

28. SHARES HELD UNDER TRUST

	Group and Company			
	Number of shares		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
At 1 February 2015/2014	20,358	-	80,000	-
Purchased during the year	20,150	20,358	54,917	80,000
Granted and vested during the year	(20,150)	-	(54,917)	-
At 31 January	20,358	20,358	80,000	80,000

In the previous financial year, the trustee appointed by the Company purchased 20,358,000 units of its issued ordinary shares from the open market at an average price of RM3.64 per share for the purpose of the share bonus scheme in relation to the LTIP for eligible executive directors and employees through its internally generated funds. The shares remain as shares held under trust in the current financial year.

The shares have no right to vote, dividends and participation in other distribution.

In the current financial year, the trustee appointed by the Company purchased an additional 20,150,000 units of its issued ordinary shares from the open market at an average price of RM2.73 per share for the purpose of the share bonus scheme in relation to LTIP. These shares were granted and vested to the eligible executive directors and employees in the same year. The value of these shares is equal to the weighted average price of the shares at the date of the grant.

The main features of the LTIP scheme are as follows:

(a) The LTIP scheme is intended for eligible executive directors and employees of the Group of which annual grants may be made to attract, retain and incentivise such key employees and directors for the long-term success and growth of the Group as well as to enhance shareholders' value.

(b) The selected employees must elect in writing to participate in the scheme.

(c) The vesting of the new shares may be over a period of 2 years subject to the discretion of LTIP Committee and upon fulfilment of certain performance targets to be determined by the LTIP Committee in its sole and absolute discretion.

29. OTHER RESERVES

	Group	
	2016 RM'000	2015 RM'000
Foreign currency translation reserve	1,805,251	660,012
Revaluation reserve	13,309	13,309
Hedge reserve	(52,134)	-
Capital reserve	3,519	3,519
Merger reserve	51,989	51,989
	1,821,934	728,829

The movement in the reserves are as follows:

	2016 RM'000	2015 RM'000
Foreign currency translation reserve		
At 1 February 2015/2014	660,012	(39,534)
Exchange differences on translation of foreign subsidiaries, joint ventures and associated companies	1,145,239	699,546
At 31 January	1,805,251	660,012
Hedge reserve		
At 1 February 2015/2014	-	(16,878)
Net fair value (loss)/gain on hedged items	(52,134)	16,878
At 31 January	(52,134)	-

The nature and purpose of each category of reserve are as follows:

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Revaluation reserve

This reserve includes the cumulative net change in fair value of vessels above their cost.

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29. OTHER RESERVES (CONT'D.)

(c) Hedge reserve

The hedge reserve represents the share of hedge reserve from joint venture companies.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedge instruments related to hedged transactions.

(d) Capital reserve

The capital reserve comprises profits, which would otherwise have been available for dividend, being used to redeem preference shares of the Company in previous years.

(e) Merger reserve

The merger reserve relates to the excess of the consideration paid over the share capital and reserves of Probadi Sdn. Bhd..

The difference between the recorded carrying value of the investment in Probadi Sdn. Bhd. (that is the value of the shares of the Company issued as consideration) and the value of Probadi Sdn. Bhd. shares transferred to the Company had been treated as a merger reserve in the consolidated financial statements.

30. BORROWINGS

	Group	
	2016 RM'000	**2015 RM'000**
Short term borrowings		
Secured:		
Term loans	-	5,999
Hire purchase and finance lease liabilities (Note 31)	9,709	8,178
	9,709	14,177
Unsecured:		
Revolving credits	1,150,057	639,682
Term loans	916,856	431,774
Bank overdrafts	14,516	12,943
	2,081,429	1,084,399
	2,091,138	1,098,576

30. BORROWINGS (CONT'D.)

	Group	
	2016 RM'000	2015 RM'000
Long term borrowings		
Secured:		
Term loans	-	10,500
Hire purchase and finance lease liabilities (Note 31)	13,605	19,089
	13,605	29,589
Unsecured:		
Term loans	9,561,520	9,029,470
Islamic Facility	5,662,606	6,795,631
Sukuk Programme	1,000,298	-
	16,224,424	15,825,101
	16,238,029	15,854,690
Total borrowings		
Term loans	10,478,376	9,477,743
Islamic Facility	5,662,606	6,795,631
Revolving credits	1,150,057	639,682
Hire purchase and finance lease liabilities (Note 31)	23,314	27,267
Sukuk Programme	1,000,298	-
Bank overdrafts	14,516	12,943
	18,329,167	16,953,266
Maturity of borrowings (excluding hire purchase and finance lease liabilities):		
Within one year	2,081,429	1,090,398
More than 1 year and less than 2 years	2,077,607	7,557,534
More than 2 years and less than 5 years	8,957,280	4,462,755
More than 5 years	5,189,537	3,815,312
	18,305,853	16,925,999

30. BORROWINGS (CONT'D.)

	Company	
	2016 RM'000	2015 RM'000
Short term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 31)	276	230
Long term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 31)	499	327
Total borrowings		
Hire purchase and finance lease liabilities (Note 31)	775	557
	775	557

The range of the interest rates (per annum) as at the reporting date for borrowings, excluding hire purchase and finance lease liabilities was as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Term loans, Islamic Facility and Sukuk Programme	3.17 to 6.40	2.17 to 6.19	-	-
Revolving credits	1.92 to 4.60	1.67 to 4.55	-	-

Included in the borrowings are USD denominated borrowings as follows:

	Group		Group	
	2016 RM'000	2015 RM'000	2016 USD'000	2015 USD'000
US Dollar	14,613,714	13,852,394	3,523,499	3,822,932
Exchange rate	4.1475	3.6235		

30. BORROWINGS (CONT'D.)

Information relating to borrowings:

(i) On 15 June 2015, SapuraKencana announced to Bursa Malaysia that the Group, through its wholly-owned subsidiary, SapuraKencana TMC Sdn. Bhd. ("SKTMC"), lodged and launched a Multi-Currency Islamic Medium Term Notes Programme ("Sukuk Programme") up to RM7.0 billion in nominal value (or its equivalent in US Dollar).

The 30-year Sukuk Programme is not rated and is structured based on the Shariah principle of Commodity Murabahah (via Tawarruq arrangement). Proceeds raised from the inaugural issuance was utilised to part refinance SKTMC's existing borrowing.

(ii) On 8 September 2015, the transaction documents for the Multi-Currency Sukuk Programme were duly executed and the first Sukuk offering of USD200.0 million (RM860 million) in nominal value under the Multi-Currency Sukuk Programme was issued.

(iii) On 14 December 2015, SKTMC signed a Murabahah Term financing facility ("Islamic Facility") of up to USD2.1 billion (or its equivalent in MYR) with a consortium of Malaysian, regional and international banks.

The Islamic Facility is a 6-year multi-currency facility based on the Shariah principle of Murabahah and the proceeds raised were utilised to refinance SKTMC's existing short term Islamic Facility.

The Islamic Facility reflects SKPB Group's continued commitment to retain its status as a Shariah-compliant security under the List of Shariah-Compliant Securities issued by the Shariah Advisory Council of the Securities Commission Malaysia.

(iv) On 29 January 2016, SKTMC made a further issuance of RM176.0 million in nominal value of unrated Sukuk Murabahah under the same Sukuk Programme.

(v) In the previous financial year, SKTMC entered into a facilities agreement with 13 domestic and international financial institutions for multi-currencies credit facilities ("MCF") of up to USD5.5 billion (RM18.4 billion) equivalent comprising term facilities and revolving credit facilities.

The MCF which are unsecured were undertaken as part of the Group's on-going capital management initiatives.

The Group's existing term loans and revolving credits were refinanced through the MCF.

The key terms of the MCF are as follows:

(a) Corporate guarantee from the Company and key subsidiaries;
(b) Negative pledge over existing assets including assets under construction;
(c) Debenture over SKTMC fixed and floating assets; and
(d) First legal charge over certain bank accounts of the Company and SKTMC.

Both the Sukuk Programme and Islamic Facility carry similar terms as MCF.

Other information of financial risks of hire purchase and finance lease liabilities are disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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31. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Future minimum lease payments:				
Not later than 1 year	9,294	9,006	311	260
Later than 1 year and not later than 2 years	8,265	9,337	265	237
Later than 2 years and not later than 5 years	6,440	11,517	298	138
Total future minimum lease payments	23,999	29,860	874	635
Less: Future finance charges	(685)	(2,593)	(99)	(78)
Present value of hire purchase and finance lease liabilities (Note 30)	23,314	27,267	775	557
Analysis of present value of hire purchase and finance lease liabilities:				
Not later than 1 year	9,241	8,178	276	230
Later than 1 year and not later than 2 years	8,167	8,311	235	209
Later than 2 years and not later than 5 years	5,906	10,778	264	118
	23,314	27,267	775	557
Due within 12 months (Note 30)	(9,709)	(8,178)	(276)	(230)
Due after 12 months (Note 30)	13,605	19,089	499	327

The Group's and the Company's hire purchase and finance lease liabilities bore effective interest rates ranging from 4% to 8% (2015: 4% to 8%) per annum.

32. AMOUNT DUE TO SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Current		
Amount due to subsidiaries	1,326,847	695,981
Non-current		
Amount due to a subsidiary	1,341,450	1,626,000

(a) Current liability - Amount due to subsidiaries

Amount due to subsidiaries are unsecured, interest free and repayable on demand, except for the RM278.6 million (2015: RM Nil) relates to utilisation of MCF loan to refinance the merger loan, which is subject to interest rate of 2% + cost of funds and will mature on 11 March 2021.

(b) Non-current liability - Amount due to a subsidiary

Amount due to a subsidiary, SapuraKencana TMC Sdn. Bhd. ("SKTMC") relates to utilisation of MCF loan as explained in Note 32(a).

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks of amount due to subsidiaries are disclosed in Note 38.

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current liability				
Other payables	24,112	683,786	-	-
Current liabilities				
Trade payables				
Third parties	1,869,026	1,590,589	-	-
Construction contracts:				
Due to customers on contracts (Note 24)	263,439	55,711	-	-
	2,132,465	1,646,300	-	-
Other payables				
Staff costs	511,867	471,933	246,880	217,564
Accruals	805,312	507,297	72,053	49,818
Deferred consideration	690,231	-	-	-
Dividend payables	-	119,436	-	119,436
Sundry payables	131,170	366,274	18,902	23,384
	2,138,580	1,464,940	337,835	410,202
Amount due to:				
Joint venture companies	53,748	79,133	-	-
Related parties	13,807	1,606	-	-
	67,555	80,739	-	-
	4,338,600	3,191,979	337,835	410,202

(a) Non-current liability - Other payables

The non-current liability in prior financial year relates to deferred considerations payable to Seadrill Limited arising from acquisition of tender rig business in April 2013 which are due within 3 years and bears interest rate of LIBOR + 5%.

In current financial year, the principal and interest amount of deferred consideration of RM690.2 million payable to Seadrill have been reclassified into current liabilities.

During the year, a total of RM80.9 million (2015: RM63.5 million) was reversed to the income statement as the Group is no longer required to settle the obligation.

33. TRADE AND OTHER PAYABLES (CONT'D.)

(b) Current liability - Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2015: 30 days to 90 days).

(c) Other payables

Other payables are non-interest bearing and the normal credit terms granted to the Group range from 7 days to 90 days (2015: 7 days to 90 days).

Included in the staff costs payable are costs of RM92.0 million in relation to the Group's restructuring plan.

(d) Amount due to joint venture companies and related parties

These amounts are unsecured, non-interest bearing and are repayable on demand.

34. PROVISIONS FOR ASSET RETIREMENT OBLIGATIONS

The movement of provision for decommissioning during the financial year are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
At 1 February 2015/2014	223,567	-
Acquisition of subsidiaries	-	304,665
Addition	-	2,502
Revision	(340)	(59,572)
Payment during the year	(48,480)	(74,293)
Accretion expense (Note 7)	27,617	28,779
Exchange differences	33,571	21,486
At 31 January	235,935	223,567
Current	33,126	72,217
Non-current	202,809	151,350
	235,935	223,567

The current provision for asset retirement obligations represent abandonment cess payable within the next 12 months.

34. PROVISIONS FOR ASSET RETIREMENT OBLIGATIONS (CONT'D.)

During the year, the Group revised its estimated future cost of decommissioning of oil and gas properties resulting from changes in estimated cash flows. The revision was accounted for prospectively resulting in the following:

	Group	
	2016 RM'000	**2015 RM'000**
Decrease in provision	(340)	(59,572)
Decrease in expenditure on oil and gas properties	(340)	(52,672)
Increase in profit	-	6,900

35. COMMITMENTS

	Group	
	2016 RM'000	**2015 RM'000**
(a) Capital expenditure		
Approved and contracted for:		
(i) Property, plant and equipment and oil and gas property	1,722,116	1,468,651
(ii) Investment - Equity commitment in joint venture companies	40,074	145,868
	1,762,190	1,614,519
(iii) Share of capital commitments of joint venture companies *	460,615	1,226,976
	2,222,805	2,841,495
Approved but not contracted for:		
(i) Property, plant and equipment and oil and gas property	265,291	981,894
(ii) Investment - Equity commitment in joint venture companies	38,586	-
	303,877	981,894
	2,526,682	3,823,389

* These capital commitments will be self-funded by the joint venture companies without financial assistance from the Group.

35. COMMITMENTS (CONT'D.)

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
(b) Operating leases				
Non-cancellable operating commitments as lessee				
- Within 1 year	34,295	14,362	3,489	2,016
- Later than 1 year but less than 5 years	16,723	10,224	2,508	465
	51,018	24,586	5,997	2,481

The Group leases premises under non-cancellable operating leases expiring within 3 years (2015: 3 years). The leases have various terms and escalation clauses.

36. CORPORATE GUARANTEES

The fair value of the corporate guarantees given to financial institutions for credit facilities granted to subsidiaries and joint venture companies is deemed immaterial as the value of the underlying collateral provided by the respective subsidiaries is sufficient to cover the outstanding loan amounts.

The corporate guarantees are secured by way of deposits pledged, legal charges over certain vessels and assignment of proceeds from receivables of certain subsidiaries.

The nominal value of the corporate guarantees given by the Group and the Company is as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Secured				
Corporate guarantees given to financial institutions for credit facilities granted to:				
- joint venture companies	1,420,969	713,322	-	-
	1,420,969	713,322	-	-
Unsecured				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	-	-	1,235,628	788,981
	1,420,969	713,322	1,235,628	788,981

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36. CORPORATE GUARANTEES (CONT'D.)

In the prior financial year, the Company together with other key subsidiaries jointly guaranteed the MCF and the Islamic Facility undertaken by SKTMC totalling USD5.5 billion (RM18.4 billion). In the current financial year, SKTMC has refinanced its existing Islamic Facility with new Islamic Facility and Sukuk Programme, which were jointly guaranteed by the Company and other key subsidiaries.

37. RELATED PARTY DISCLOSURES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

	(Income)/expense	
	2016 RM'000	**2015 RM'000**
Group		
(a) Transactions with a subsidiary of a shareholder		
(i) Purchase of technical drilling services	29,576	36,254
(ii) Purchase of information technology support and maintenance services	-	6,616
(iii) Provision of technical drilling services	(34,827)	(26,496)
(b) Transactions with companies connected to directors		
(i) Intellectual property rights, trademarks and branding fees to Corporate shareholders	70,000	70,000
(ii) Rental of office premises	21,662	20,435
Company		
(a) Transactions with subsidiaries		
(i) Dividend income from subsidiaries	(413,333)	(672,607)
(ii) Management fees from subsidiaries	(184,933)	(182,284)
(iii) Intellectual property rights, trademarks and branding fees from subsidiaries	(70,779)	(70,949)
(iv) Interest charged to subsidiaries	(43,416)	(46,838)
(v) Interest charged by a subsidiary	147,937	106,172

37. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions (cont'd.)

	(Income)/expense 2016 RM'000	2015 RM'000
Company (cont'd.)		
(b) Transactions with companies connected to directors		
(i) Intellectual property rights, trademarks and branding fees to Corporate shareholders	70,000	70,000
(ii) Rental of office premises	4,867	5,892

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and on a negotiated basis.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short term employee benefits	112,756	138,090	52,766	84,791
Contributions to defined contribution plan	9,528	16,009	8,275	12,677
	122,284	154,099	61,041	97,468

Included in the total key management personnel compensation are executive directors' remuneration as detailed in Note 10.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk and credit risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign currencies, liquidity and credit risks. The Group operates within clearly defined guidelines approved by the Board and the Group's policy is not to engage in speculative transactions.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group will fluctuate because of changes in market interest rates.

The Group's earnings are affected by changes in interest rates due to the changes in interest bearing financial assets and liabilities. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings.

At the reporting date, approximately 95% of the Group's loans are at floating interest rates. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of Group's profit net of tax (through the impact on interest expense on floating rate borrowings).

	2016		2015	
	Increase/ decrease in basis points	**Effect on profit net of tax Increase/ (decrease) RM'000**	**Increase/ decrease in basis points**	**Effect on profit net of tax Increase/ (decrease) RM'000**
Group				
- Ringgit Malaysia	+ 25	(7,947)	+ 25	(8,257)
- US Dollar	+ 25	(38,043)	+ 25	(30,968)
- Ringgit Malaysia	- 25	7,947	- 25	8,257
- US Dollar	- 25	38,043	- 25	30,968
Company				
- Ringgit Malaysia	+ 25	(4,462)	+ 25	(3,684)
- Ringgit Malaysia	- 25	4,462	- 25	3,684

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Foreign currency risk

Foreign currency (a currency which is other than the functional currency of the Group entities) risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of the changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from revenue or costs and advances that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments.

As at 31 January 2016, approximately 19% (2015: 18%) and 15% (2015: 16%) of the Group's receivables and payables are denominated in foreign currencies respectively.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amount to RM587.8 million (2015: RM288.7 million) and RM4.0 million (2015: RM12.5 million) for the Group and the Company respectively.

In managing the foreign currency rate fluctuations, the Group maintains natural hedge where possible by matching the payments for foreign currency payables against receivables denominated in the same foreign currency.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and Company's profit net of tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Profit net of tax Group Increase/ (decrease)		Profit net of tax Group Increase/ (decrease)	
		2016 **RM'000**	**2015** **RM'000**	**2016** **RM'000**	**2015** **RM'000**
USD/RM	- strengthened 1%	2,982	11,100	6,301	3,730
	- weakened 1%	(2,982)	(11,100)	(6,301)	(3,730)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company may encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. The Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

At the reporting date, approximately 11% (2015: 6%) of the Group's borrowings (Note 30), excluding hire purchase and finance lease, will mature in less than one year based on the carrying amount reflected in the financial statements respectively.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2016			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
Financial liabilities:				
Trade and other payables	3,553,400	-	-	3,553,400
Borrowings	2,721,177	12,723,885	5,307,599	20,752,661
Total undiscounted financial liabilities	6,274,577	12,723,885	5,307,599	24,306,061

	2015			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
Financial liabilities:				
Trade and other payables	2,037,603	723,185	-	2,760,788
Borrowings	1,641,543	12,841,283	3,883,905	18,366,731
Total undiscounted financial liabilities	3,679,146	13,564,468	3,883,905	21,127,519

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	2016			
	On demand or within one year RM'000	**One to five years RM'000**	**More than five years RM'000**	**Total RM'000**
Company				
Financial liabilities:				
Amount due to subsidiaries	1,455,309	1,628,905	-	3,084,214
Other payables	18,902	-	-	18,902
Total undiscounted financial liabilities	1,474,211	1,628,905	-	3,103,116

	2015			
	On demand or within one year RM'000	**One to five years RM'000**	**More than five years RM'000**	**Total RM'000**
Company				
Financial liabilities:				
Amount due to subsidiaries	695,981	1,279,662	680,955	2,656,598
Other payables	23,384	-	-	23,384
Total undiscounted financial liabilities	719,365	1,279,662	680,955	2,679,982

At the reporting date, the counterparty to the financial guarantees have no right to demand cash as no default has occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Credit approvals are performed in accordance to approved Limits of Authority. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

- Corporate guarantees provided by the Group and the Company of RM1,421.0 million (2015: RM713.3 million) and RM1,235.6 million (2015: RM789.0 million) respectively (Note 36).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 23.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2016		2015	
	RM'000	**% of total**	**RM'000**	**% of total**
By country/region				
Malaysia	1,140,811	50%	1,366,416	74%
Asia	409,714	18%	128,510	7%
Australia and Russia	146,682	6%	103,822	6%
Americas and United Kingdom	449,711	20%	45,126	2%
Africa	133,772	6%	194,984	11%
	2,280,690	100%	1,838,858	100%

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions.

The Group's principal customers with which it conducts business are diversified and there is no significant concentration of credit risk at reporting date.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 23. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 23.

39. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The accounting policies in Note 2.14 and Note 2.20 describe how the categories of financial instruments are measured, and how income and expenses, including changes in fair value, are recognised.

The table below reflects the financial assets and liabilities in the statement of financial position by the categories of financial instrument to which they are assigned:

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
2016				
Group				
Assets				
Trade and other receivables		3,216,036	-	3,216,036
Cash and cash equivalents	25	1,947,527	-	1,947,527
Total financial assets		5,163,563	-	5,163,563
Total non-financial assets				31,328,433
Total assets				36,491,996
Liabilities				
Borrowings	30	-	18,329,167	18,329,167
Trade and other payables		-	3,553,400	3,553,400
Total financial liabilities		-	21,882,567	21,882,567
Total non-financial liabilities				2,396,422
Total liabilities				24,278,989

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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39. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
2015				
Group				
Assets				
Trade and other receivables		3,042,233	-	3,042,233
Cash and cash equivalents	25	1,256,551	-	1,256,551
Total financial assets		4,298,784	-	4,298,784
Total non-financial assets				30,264,000
Total assets				34,562,784
Liabilities				
Borrowings	30	-	16,953,266	16,953,266
Trade and other payables		-	2,721,388	2,721,388
Total financial liabilities		-	19,674,654	19,674,654
Total non-financial liabilities				2,895,158
Total liabilities				22,569,812

39. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
2016				
Company				
Assets				
Amount due from subsidiaries	22	2,565,985	-	2,565,985
Other receivables		6,507	-	6,507
Cash and cash equivalents	25	44,764	-	44,764
Total financial assets		2,617,256	-	2,617,256
Total non-financial assets				9,207,378
Total assets				11,824,634
Liabilities				
Amount due to subsidiaries	32	-	2,668,297	2,668,297
Borrowings	30	-	775	775
Other payables		-	18,902	18,902
Total financial liabilities		-	2,687,974	2,687,974
Total non-financial liabilities				318,933
Total liabilities				3,006,907

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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39. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
2015				
Company				
Assets				
Amount due from subsidiaries	22	2,223,543	-	2,223,543
Other receivables		6,203	-	6,203
Cash and cash equivalents	25	24,796	-	24,796
Total financial assets		2,254,542	-	2,254,542
Total non-financial assets				9,104,898
Total assets				11,359,440
Liabilities				
Amount due to subsidiaries	32	-	2,321,981	2,321,981
Borrowings	30	-	557	557
Other payables		-	23,384	23,384
Total financial liabilities		-	2,345,922	2,345,922
Total non-financial liabilities				386,818
Total liabilities				2,732,740

(b) Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Group	
	Carrying amount RM'000	Fair value RM'000
Financial liabilities:		
As at 31 January 2016:		
Hire purchase and finance lease liabilities	23,314	21,394
As at 31 January 2015:		
Hire purchase and finance lease liabilities	27,267	25,944

39. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	23
Trade and other payables	33
Borrowings (floating rate borrowings, excluding those in Note 39(b))	30
Amount due from subsidiaries	22
Amount due to subsidiaries	32

The carrying amounts of the current financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

40. CAPITAL MANAGEMENT

Capital management refers to implementing measures to maintain sufficient capital to support the Group's business and growth plans. The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and maximise shareholders' value.

One of the key considerations in this regard is to maintain ready access to capital markets and to preserve the Group's ability to repay and service debt obligations over time.

The Group manages its capital structure and monitors capital using a gearing ratio, which is net debt divided by total capital. The Group endeavours to maintain a healthy gearing ratio and regularly monitor the gearing level to ensure compliance with debts covenant. The Group includes within net debt, borrowings (exclude amortisation of transaction cost) less cash and cash equivalents. Capital includes total equity less non-controlling interests.

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Borrowings	30	18,329,167	16,953,266	775	557
Add: Amortisation		209,287	196,692	-	-
Less: Cash and cash equivalents	25	(1,947,527)	(1,256,551)	(44,764)	(24,796)
Net debt/(cash)		16,590,927	15,893,407	(43,989)	(24,239)
Total equity		12,213,007	11,992,972	8,817,727	8,626,700
Less: Non-controlling interests		(6,054)	(6,950)	-	-
Total capital		12,206,953	11,986,022	8,817,727	8,626,700
Net gearing ratio		1.36	1.33	-	-

41. SEGMENT INFORMATION

(a) Operating segments

The Group previously organised its business activities into four major segments as follows:

(i) Offshore Construction and Subsea Services;
(ii) Fabrication, Hook-up & Commissioning;
(iii) Drilling and Energy Services; and
(iv) Corporate

In the current financial year, elements from Offshore Construction and Subsea Services and Fabrication, Hook-up and Commissioning were consolidated to form the Engineering and Construction business.

The Group also assesses the performance of the energy business separately from the drilling services.

As a result, the Group's current business segment is organised as follows:

(i) Engineering and Construction ("E&C");
(ii) Drilling;
(iii) Energy; and
(iv) Corporate

Major activities of the E&C business segment are:

- Installation of offshore platforms, marine pipelines and subsea services;
- Engineering, procurement, construction and commissioning services; and
- Repairs and refurbishment of industrial gas turbines, supply, installation, commissioning and maintenance of point-of sale systems for petrol stations and asset management services for offshore installations.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Corporate assets, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on a negotiated basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Energy RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2016						
Revenue						
External sales	5,628,642	2,955,766	1,599,623	-	-	10,184,031
Inter-segment sales	17,472	-	-	468,753	(486,225)	-
Total revenue	5,646,114	2,955,766	1,599,623	468,753	(486,225)	10,184,031
Results						
Operating results	885,291	575,131	(1,319,086)	154,560	(456,956)	(161,060)
Finance costs						(760,170)
Interest income						18,245
Share of profit from associates and joint venture companies	143,311	-	47,035	-	-	190,346
Profit before tax						(712,639)
Income tax expense						(78,806)
Profit net of tax						(791,445)
Non-controlling interests						(110)
Profit for the year attributable to owners of the Parent						(791,555)

* Inter-segment revenue are eliminated on consolidation

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Energy RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2016 (cont'd.)						
Assets						
Segment assets	8,871,491	10,979,239	5,998,150	452,854	39,043	26,340,777
Investment in associates and joint venture companies	1,252,201	-	320,333	-	(4,032)	1,568,502
Goodwill	4,128,395	4,048,408	-	-	-	8,176,803
Deferred tax assets	17,604	3,229	142,033	39,464	9,030	211,360
Unallocated corporate assets						194,554
Consolidated total assets						36,491,996
Liabilities						
Segment liabilities	1,891,805	1,286,109	1,016,362	395,872	8,499	4,598,647
Borrowings						18,329,167
Deferred tax liabilities	105,299	4,193	1,160,010	-	-	1,269,502
Unallocated corporate liabilities						81,673
Consolidated total liabilities						24,278,989

* Intercompany transactions are eliminated on consolidation

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Energy RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2016 (cont'd.)						
Other Information						
Capital expenditure	152,358	736,825	269,857	10,037	-	1,169,077
Depreciation of property, plant and equipment	292,273	609,378	10,578	17,650	-	929,879
Amortisation of intangible assets	2,497	31,127	-	-	-	33,624
Intangible assets written off - customer contracts	-	21,625	-	-	-	21,625
Amortisation of expenditure on oil and gas properties	-	-	445,311	-	-	445,311
Provision for impairment on receivables, net	871	-	-	-	-	871
Provision for impairment on oil and gas properties	-	-	1,397,266	-	-	1,397,266
Provision for impairment on property, plant and equipment	202,850	400,882	-	-	-	603,732
Provision for impairment on investment	28,254	-	-	-	-	28,254
Changes in provisions	-	(80,947)	-	-	-	(80,947)
Provision for restructuring costs	-	-	-	-	-	92,000

* Intercompany transactions are eliminated on consolidation

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Energy RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2015						
Revenue						
External sales	5,050,378	2,739,126	2,153,515	-	-	9,943,019
Inter-segment sales	170,628	-	-	925,841	(1,096,469)	-
Total revenue	5,221,006	2,739,126	2,153,515	925,841	(1,096,469)	9,943,019
Results						
Operating results	900,483	894,200	650,051	556,873	(986,468)	2,015,139
Finance costs						(666,566)
Interest income						15,272
Share of profit from associates and joint venture companies	148,106	-	104,011	-	-	252,117
Profit before tax						1,615,962
Income tax expense						(182,502)
Profit net of tax						1,433,460
Non-controlling interests						(708)
Profit for the year attributable to owners of the Parent						1,432,752

* Inter-segment revenue are eliminated on consolidation

41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Energy RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2015 (cont'd.)						
Assets						
Segment assets	7,057,633	10,398,541	6,903,620	672,850	(34,104)	24,998,540
Investment in associates and joint venture companies	1,034,282	-	346,473	-	(4,032)	1,376,723
Goodwill	4,097,321	3,534,193	-	-	-	7,631,514
Deferred tax assets	20,143	11,628	271,540	39,464	10,202	352,977
Unallocated corporate assets						203,030
Consolidated total assets						34,562,784
Liabilities						
Segment liabilities	1,315,040	1,276,829	1,065,991	428,698	12,773	4,099,331
Borrowings						16,953,266
Deferred tax liabilities	65,967	1,836	1,357,222	-	-	1,425,025
Unallocated corporate liabilities						92,190
Consolidated total liabilities						22,569,812

* Intercompany transactions are eliminated on consolidation

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FINANCIAL STATEMENTS (CONT'D.)
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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Energy RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2015 (cont'd.)						
Other Information						
Capital expenditure	477,277	666,974	500,367	11,050	-	1,655,668
Depreciation of property, plant and equipment	260,465	437,030	7,018	10,566	-	715,079
Amortisation of intangible assets	4,984	34,349	-	-	-	39,333
Amortisation of expenditure on oil and gas properties	-	-	535,443	-	-	535,443
Provision for impairment on receivables, net	8,087	-	-	-	-	8,087
Provision for impairment on oil and gas properties	-	-	54,935	-	-	54,935
Changes in provisions	-	(63,526)	-	-	-	(63,526)

* Intercompany transactions are eliminated on consolidation

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

41. SEGMENT INFORMATION (CONT'D.)

(b) Geographical information

The Group operates in various geographical areas in the world. In Malaysia, its home country, the Group's areas of operation are installation of pipelines and facilities, engineering, procurement, construction and commissioning, offshore oil and gas drilling services, subsea and offshore support services and geotechnical and maintenance services. Malaysia is also the main country of operation for energy business that involved in exploration, development and production of crude oil and natural gas. Other operations in Malaysia include oilfield development and production, investment holding and provision of management services.

The Group also operates in other countries/regions:

(i) Asia (comprise of Singapore, Indonesia, Brunei, Thailand, India, Hong Kong and China) - installation of pipelines and facilities, provision of engineering, procurement, construction and commissioning, provision for drilling rigs and services, provision of geotechnical and geophysical services to the oil and gas industry and vessel chartering.

(ii) Australia and Russia - installation of pipelines and facilities and development of marine technology and marine chartering, specialising on remotely operated underwater vehicle ("ROV").

(iii) Americas and United Kingdom - installation of pipelines and facilities, provision of technical consulting, advising to oil and gas companies and provision of offshore oil and gas drilling services.

(iv) Africa - provision of offshore oil and gas drilling services.

The following table provides an analysis of the Group's revenue by geographical areas:

Total revenue from external customers	2016 RM'000	2015 RM'000
Malaysia	4,010,853	6,561,640
Asia	3,999,835	1,753,965
Australia and Russia	346,906	518,735
Americas and United Kingdom	935,911	291,400
Africa	890,526	817,279
Consolidated	10,184,031	9,943,019

Majority of our segment assets are highly mobile and moves from one geographical area to another in order to maximise revenue generation opportunities. Consequently, segment assets by geographical area are not presented.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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42. SUBSIDIARIES AND ACTIVITIES

(i) Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(a) Subsidiaries of SapuraKencana Petroleum Berhad				
Total Marine Technology (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100	100
* SapuraKencana Deepwater Pte. Ltd. (formerly known as SapuraCrest Deepwater Pte. Ltd.)	Bermuda	Chartering and hiring out of barges	100	100
SapuraKencana GeoSciences Sdn. Bhd.	Malaysia	Provision of offshore geotechnical and geophysical services	100	100
SapuraKencana Technology Sdn. Bhd. (formerly known as Sapura Energy Sdn. Bhd.)	Malaysia	Investment holding, provision of operation and maintenance services, provision of management services and lease financing	100	100
Petcon (Malaysia) Sdn. Bhd.	Malaysia	License holder for drilling of offshore oil wells	100	100
SapuraCrest Ventures Sdn. Bhd.	Malaysia	Investment holding	100	100
Crest Hidayat (L) Ltd.	Federal Territory of Labuan, Malaysia	Dormant	100	100

* Not audited by Ernst & Young

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)				
Sasaran Perdana Sdn. Bhd.	Malaysia	Dormant	100	100
SapuraKencana Dana SPV Pte. Ltd.	Federal Territory of Labuan, Malaysia	Chartering and hiring out of barges	100	100
SapuraCrest Petroleum Berhad	Malaysia	Dormant	100	100
Probadi Sdn. Bhd.	Malaysia	Investment holding	100	100
SapuraKencana Bayu Padu Sdn. Bhd.	Malaysia	Dormant	100	100
SapuraKencana Nautical Essence Sdn. Bhd.	Malaysia	Investment holding	100	100
SapuraKencana TL Offshore Sdn. Bhd.	Malaysia	Installation of offshore platforms and marine pipelines	100	100
SapuraKencana Marine Engineering Sdn. Bhd.	Malaysia	Provision of telecommunication engineering services and hiring out special equipment	100	100
Geomark Sdn. Bhd.	Malaysia	Investment holding	100	100
Sapura Energy Ventures Sdn. Bhd.	Malaysia	Development and production of petroleum resources	100	100

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)				
Sapura Petroleum Sdn. Bhd.	Malaysia	Investment holding	100	100
Momentum Energy Sdn. Bhd.	Malaysia	Investment holding	100	100
SapuraKencana HL Sdn. Bhd.	Malaysia	Integrated engineering and fabrication of oil and gas production facilities and drilling rigs	100	100
SapuraKencana Onshore Sdn. Bhd.	Malaysia	Engineering, fabrication and construction works	100	100
SapuraKencana Engineering Sdn. Bhd.	Malaysia	Engineering, procurement, construction (fabrication) and commissioning, design and engineering and project management	100	100
SapuraKencana Pinewell Sdn. Bhd.	Malaysia	Offshore and onshore construction support services, hook-up, commissioning, maintenance and de-commissioning services	100	100
SapuraKencana Petroleum Ventures Sdn. Bhd.	Malaysia	Investment holding	100	100
Kencana Energy Sdn. Bhd.	Malaysia	Development and production of petroleum resources	100	100

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)				
SapuraKencana Allied Marine Sdn. Bhd.	Malaysia	Provision of subsea services	100	100
Kencana Petroleum Berhad	Malaysia	Dormant	100	100
SapuraKencana TMC Sdn. Bhd.	Malaysia	Provision of treasury management services	100	100
SapuraKencana Drilling Pte. Ltd.	Federal Territory of Labuan, Malaysia	Investment holding	100	100
SapuraKencana 900 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	100	100
SapuraKencana 1200 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	100	100
SapuraKencana 3500 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	100	100
SapuraKencana FLB-1 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	100	100
SapuraKencana Energy Sdn. Bhd.	Malaysia	Investment holding	100	100
SapuraKencana Fabrication & HUC Sdn. Bhd.	Malaysia	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(b) Held through Probadi Sdn. Bhd. and SapuraKencana Drilling Asia Ltd.				
SapuraKencana Drilling Tioman Sdn. Bhd. (formerly known as Tioman Drilling Company Sdn. Bhd.)	Malaysia	Provision of oil drilling services	100	100
Varia Perdana Sdn. Bhd.	Malaysia	Investment holding and oil drilling management	100	100
(c) Held through Varia Perdana Sdn. Bhd.				
Crest Tender Rigs Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing and chartering of offshore oil and gas rigs	100	100
(d) Held through SapuraKencana TL Offshore Sdn. Bhd.				
# Total Marine Technology Pty. Ltd.	Australia	Development of marine technology and marine chartering, specialising on ROVs	94	94
SapuraKencana Talent Ltd.	Bermuda	In-house recruitment operations for crews/ seafarers	100	100
SapuraKencana 1200 Ltd.	Bermuda	Vessel owner and chartering	100	100
SapuraKencana 3500 Ltd.	Bermuda	Vessel owner and chartering	100	100
SapuraKencana FLB-1 Ltd.	Bermuda	Vessel owner and chartering	100	100

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 JANUARY 2016

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(e) Held through Total Marine Technology Pty. Ltd.				
# SapuraKencana Excersize Pty. Ltd.	Australia	Owner and operator of ROVs for the offshore oil and gas industries	94	94
# SapuraKencana Babalon Pty. Ltd.	Australia	Owner and operator of ROVs for the offshore oil and gas industries	94	94
(f) Held through SapuraKencana GeoSciences Sdn. Bhd.				
SapuraKencana GeoSurvey Sdn. Bhd.	Malaysia	Hydrographic surveys and related services	100	100
SapuraKencana GeoTechnics Sdn. Bhd.	Malaysia	Soil investigation and geotechnical services	100	100
SapuraKencana Jaya Sdn. Bhd.	Malaysia	Chartering of vessels	100	100
(g) Held through SapuraKencana GeoTechnics Sdn. Bhd.				
# SapuraKencana GeoTechnics (S) Pte. Ltd.	Singapore	Soil investigation and geotechnical services	100	100
SapuraKencana Oilserve Sdn. Bhd.	Malaysia	Provision of marine vessel transportation services	100	100

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NOTES TO THE
FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(h) Held through SapuraKencana GeoSurvey Sdn. Bhd.				
# SapuraKencana GeoSurvey Pte. Ltd.	Singapore	Hydrographic surveys and related services	100	100
# SapuraKencana GeoSurvey Pty. Ltd. (formerly known as TL Geohydrographics Pty. Ltd.)	Australia	Hydrographic surveys and related services	100	100
(i) Held through SapuraKencana Oilserve Sdn. Bhd.				
SapuraKencana Oilserve Labuan Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of vessels/ barges	100	100
(j) Held through SapuraKencana Technology Sdn. Bhd. (formerly known as Sapura Energy Sdn. Bhd.)				
SapuraKencana Retail Solutions Sdn. Bhd.	Malaysia	Retail automation systems and maintenance services	100	100
SapuraKencana Project Services Sdn. Bhd.	Malaysia	Systems integration, software development, general engineering, maintenance and related activities	100	100
SapuraKencana Power Services Sdn. Bhd.	Malaysia	Provision of maintenance services to the power utility and oil and gas industries	94.4	94.4
SapuraKencana Diving Services Sdn. Bhd.	Malaysia	Provision of rental equipment	100	100

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(j) Held through SapuraKencana Technology Sdn. Bhd. (formerly known as Sapura Energy Sdn. Bhd.) (cont'd.)				
SapuraKencana Maintenance Services Sdn. Bhd.	Malaysia	Provision of maintenance services to the oil and gas industry	100	100
SapuraKencana Petroleum Technologies Sdn. Bhd.	Malaysia	Provision of trading and maintenance services	99.7	99.7
SapuraKencana Energy Unlimited Sdn. Bhd.	Malaysia	Investment holding and provision of operations and maintenance services to the oil and gas industry	100	100
SapuraKencana Vessels Pte. Ltd. (formerly known as Sarku Vessels Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Leasing of barges, vessels and operational equipment on bareboat basis	100	100
SapuraKencana Services Sdn. Bhd.	Malaysia	Investment holding	100	100
(k) Held through SapuraKencana Energy Unlimited Sdn. Bhd.				
SapuraKencana Resources Sdn. Bhd. (formerly known as Sarku Resources Sdn. Bhd.)	Malaysia	Investment holding and provision of management services	100	100

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(l) Held through SapuraKencana Resources Sdn. Bhd. (formerly known as Sarku Resources Sdn. Bhd.)				
Sarku Engineering Services Sdn. Bhd.	Malaysia	Provision of offshore engineering and diving services and marine support and logistic assistance for the oil and gas industry	100	100
Sarku Semantan Sdn. Bhd.	Malaysia	Special purpose vehicle to facilitate financial facilities transactions	100	100
SapuraKencana Marine Ventures Sdn. Bhd. (formerly known as Sarku Marine Sdn. Bhd.)	Malaysia	Provision of crew, chartering and hiring out of a barge	100	100
SapuraKencana Engineering Offshore Sdn. Bhd. (formerly known as Sarku Engineering Services (Offshore) Sdn. Bhd.)	Malaysia	Chartering and hiring out of barges, vessels and operational equipment including provision of crew	100	100
Sarku Samudera Sdn. Bhd.	Malaysia	Dormant	100	100
Sarku Sambang Sdn. Bhd.	Malaysia	Dormant	100	100
Sarku Utama Sdn. Bhd.	Malaysia	Dormant	100	100

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(l) Held through SapuraKencana Resources Sdn. Bhd. (formerly known as Sarku Resources Sdn. Bhd.) (cont'd.)				
SapuraKencana Prominent Energy Sdn. Bhd. (formerly known as Prominent Energy Sdn. Bhd.)	Malaysia	Dormant	100	100
Sarku 2000 Sdn. Bhd.	Malaysia	Dormant	100	100
(m) Held through Sapura Petroleum Sdn. Bhd.				
# SapuraKencana Nautical Bay Pte. Ltd. (formerly known as Nautical Bay Pte. Ltd.)	Singapore	Provision of manpower and procurement services	100	100
* SapuraKencana Petroleum Inc.	The State of Texas, United States of America	Regional Office for business development and marketing	100	100
* SapuraKencana Oil & Gas DMCC	Dubai, United Arab Emirates	Regional Office for business development and marketing	100	100
SapuraMex Pte. Ltd.	Singapore	Investment holding	100	100
SapuraKencana Engineering & Construction B.V	The Netherlands	Dormant	100	-
(n) Held through SapuraKencana Nautical Bay Pte. Ltd. (formerly known as Nautical Bay Pte. Ltd.)				
# SapuraKencana Nautical Power Pte. Ltd.	Singapore	Investment holding	100	100

* Not audited by Ernst & Young
\# Audited by affiliates of Ernst & Young, Malaysia

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(o) Held through SapuraKencana TL Offshore Sdn. Bhd. and SapuraMex Pte. Ltd.				
SapuraKencana Mexicana S.A.P.I de CV	Mexico	Project management and the installation of offshore pipelines and structure	100	100
(p) Held through SapuraMex Pte. Ltd.				
SapuraKencana 3500 Pte. Ltd.	Singapore	Chartering and hiring out of vessel	100	100
(q) Held through Momentum Energy Sdn. Bhd.				
# SapuraKencana Australia (Holdings) Pty. Ltd. (formerly known as Sapura Australia Pty. Ltd.)	Australia	Investment holding	100	100
(r) Held through SapuraKencana Australia (Holdings) Pty. Ltd. (formerly known as Sapura Australia Pty. Ltd.)				
# SapuraKencana USA Holdings Incorporated	State of Delaware, United States of America	Investment holding	100	100
# SapuraKencana Australia Pty. Ltd.	Australia	Investment holding	100	100
* Peritus Associate Incentive Co Pty. Ltd.	Australia	Investment holding	100	-

* Not audited by Ernst & Young
\# Audited by affiliates of Ernst & Young, Malaysia

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(s) Held through SapuraKencana Australia Pty. Ltd.				
# SapuraKencana Petroleum (Australia) Pty. Ltd. (formerly known as Sapura Petroleum (Australia) Pty. Ltd.)	Australia	Investment holding	100	100
# SapuraKencana Projects Pty. Ltd. (formerly known as SC Projects Pty. Ltd.)	Australia	Investment holding	100	100
# SC Projects Australia Pty. Ltd.	Australia	Investment holding	100	100
# SapuraKencana Constructor Pte. Ltd. (formerly known as Sapura Clough Java Offshore Pte. Ltd.)	Singapore	Vessel owner and chartering	100	100
# SapuraKencana Assets Pty. Ltd.	Australia	Owner and operator of marine assets	100	100
(t) Held through SapuraKencana USA Holdings Incorporated				
Ocean Flow International, LLC	The State of Texas, United States of America	Provision of technical consulting and advising to oil and gas companies	100	100

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(u) Held through SapuraKencana Australia (Holdings) Pty. Ltd. (formerly known as Sapura Australia Pty. Ltd.)				
#^ Peritus International Limited	United Kingdom	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	100	51
#^ Peritus International Pty. Ltd.	Australia	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	100	51
(v) Held through Momentum Energy Sdn. Bhd. and SapuraKencana Australia Pty. Ltd.				
# Normand Sapura Pty. Ltd.	Australia	Sub-charter and provision of project delivery capabilities, technology and proprietary offshore assets	100	100
(w) Held through SapuraKencana USA Holdings Incorporated, SapuraKencana Australia (Holdings) Pty. Ltd. (formerly known as Sapura Australia Pty. Ltd.) and Peritus Associate Incentive Co Pty. Ltd.				
^ Peritus International Incorporated	The State of Texas, United States of America	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	100	51

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^ This was previously an investment in joint venture as disclosed in Note 19

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(x) Held through Peritus International Pty. Ltd.				
^ Peritus International Sdn. Bhd.	Malaysia	Provision of engineering consultancy services for the oil and gas industry	100	51
(y) Held through SapuraKencana Constructor Pte. Ltd. (formerly known as SapuraClough Java Offshore Pte. Ltd.				
# SapuraKencana Projects Singapore Pte. Ltd.	Singapore	Vessel leasing and chartering	100	100
(z) Held through Geomark Sdn. Bhd.				
# Quippo Prakash Pte. Ltd.	Singapore	Dormant	100	100
(aa) Held through SapuraKencana HL Sdn. Bhd.				
SapuraKencana Marine Sdn. Bhd.	Malaysia	Operation and management of fabrication yard	100	100
Kencana Infrastructure Sdn. Bhd.	Malaysia	Dormant	100	100
Kencana Metering Sdn. Bhd.	Malaysia	Dormant	100	100
Kencana Steelworks Sdn. Bhd.	Malaysia	Dormant	70	70

\# Audited by affiliates of Ernst & Young, Malaysia
^ This was previously an investment in joint venture as disclosed in Note 19

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(ab) Held through SapuraKencana HL Sdn. Bhd. and Sapura Petroleum Sdn. Bhd.				
* SapuraKencana Engineering & Construction (India) Pvt. Ltd.	India	Engineering and procurement and construction works in oil and gas	100	-
(ac) Held through SapuraKencana Fabrication & HUC Sdn. Bhd.				
SapuraKencana HUC Sdn. Bhd.	Malaysia	Investment holding	100	100
SapuraKencana Fabricators Sdn. Bhd.	Malaysia	Investment holding	100	100
(ad) Held through SapuraKencana HL Sdn. Bhd. and SapuraKencana Petroleum Ventures Sdn. Bhd.				
SapuraKencana (B) Sdn. Bhd.	Brunei	Investment holding	100	100
(ae) Held through SapuraKencana (B) Sdn. Bhd.				
# RSK Petroleum Sdn. Bhd.	Brunei	To act as service provider for oil and gas industry	70	-
(af) Held through SapuraKencana Onshore Sdn. Bhd.				
SapuraKencana Subsea Sdn. Bhd.	Malaysia	Provision of engineering, fabrication and construction works	100	100
SapuraKencana Assets Sdn. Bhd.	Malaysia	Property investment	100	100

* Not audited by Ernst & Young
# Audited by affiliates of Ernst & Young, Malaysia

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(af) Held through SapuraKencana Onshore Sdn. Bhd. (cont'd.)				
* Kencana Torsco (Hong Kong) Private Limited	Hong Kong	Engineering, fabrication and construction works	100	100
* King Hang Engineering Company Limited	Hong Kong	Provision of engineering works	60	60
(ag) Held through King Hang Engineering Company Limited				
* Dong Guan Hang Hoi Steel Structure Company Limited	China	Provision of engineering works	60	60
(ah) Held through SapuraKencana Petroleum Ventures Sdn. Bhd.				
Kencana Marine Drilling Sdn. Bhd.	Malaysia	Offshore drilling and related services in the oil and gas industry	100	100
# Kencana Marine Rig 1 Pte. Ltd.	Singapore	Dormant	100	100
SapuraKencana Drilling T-19 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	-	100
SapuraKencana Drilling T-20 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	-	100
SapuraKencana Drilling Kinabalu Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	-	100
SapuraKencana Nautilus Sdn. Bhd.	Malaysia	Service provider for offshore support vessels	100	100

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* Not audited by Ernst & Young

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(ai) Held through SapuraKencana Nautilus Sdn. Bhd.				
SapuraKencana Gemia (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Provision of offshore support vessel for the oil and gas industry	100	100
SapuraKencana Teras Ventures Sdn. Bhd. (formerly known as Teras-Kencana Ventures Sdn. Bhd.)	Malaysia	Provision of offshore support vessel for the oil and gas industry	100	67
SapuraKencana Redang (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Provision of offshore support vessel for the oil and gas industry	100	100
Dhow Offshore Sdn. Bhd.	Malaysia	Provision of ship management services	100	100
SapuraKencana Marine Assets (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	100	100
(aj) Held through SapuraKencana Allied Marine Sdn. Bhd.				
SapuraKencana Marine Services Sdn. Bhd.	Malaysia	Provision of vessel related management services	100	100
SapuraKencana Allied Corporation	Federal Territory of Labuan, Malaysia	Vessels owner and letting of dynamic positioning vessels and related equipment	100	100
Maju Hydro Sdn. Bhd.	Malaysia	Dormant	100	100
SapuraKencana AME Corporation	Federal Territory of Labuan, Malaysia	Provision of subsea services	100	100
SapuraKencana Allied Robotics Corporation	Federal Territory of Labuan, Malaysia	Provision of ROVs for rental	100	100

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(ak) Held through SapuraKencana Allied Marine Sdn. Bhd., SapuraKencana Marine Services Sdn. Bhd. and SapuraKencana Allied Corporation				
# SapuraKencana Allied Marine (Thailand) Ltd.	Thailand	Provision of offshore diving and related services and diving equipment for rental	100	100
(al) Held through SapuraKencana Drilling Pte. Ltd. (Labuan)				
# SapuraKencana Drilling Pte. Ltd.	Singapore	Leasing of offshore oil and gas drilling rigs and providing management services	100	100
SapuraKencana Drilling (Bermuda) Ltd.	Bermuda	Investment holding	100	100
SapuraKencana Drilling Resources Ltd.	Bermuda	Provision of crew services	100	100
SapuraKencana Drilling Labuan Leasing Ltd.	Federal Territory of Labuan, Malaysia	Hire and charter of the oil drilling rigs	100	100
(am) Held through SapuraKencana Drilling (Bermuda) Ltd.				
SapuraKencana Drilling T-4 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
SapuraKencana Drilling T-19 Ltd. (formerly known as SapuraKencana T-6 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	-
SapuraKencana Drilling T-7 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100

Audited by affiliates of Ernst & Young, Malaysia

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(am) Held through SapuraKencana Drilling (Bermuda) Ltd. (cont'd.)				
SapuraKencana Drilling T-9 Ltd.	Bermuda	Dormant	100	-
SapuraKencana Drilling T-10 Ltd.	Bermuda	Dormant	100	-
SapuraKencana Drilling T-11 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
SapuraKencana Drilling T-12 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
SapuraKencanaDrilling T-17 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
SapuraKencana Drilling T-18 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
SapuraKencana Drilling Menang Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
SapuraKencana Drilling Berani Ltd.	Bermuda/ Indonesia	Leasing of offshore oil and gas drilling rig	100	100
SapuraKencana Drilling Alliance Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
SapuraKencana Drilling Pelaut Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Seadrill Setia Ltd.	Bermuda	Leasing of drilling rig and providing drilling service to offshore oil and gas industry	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(am) Held through SapuraKencana Drilling (Bermuda) Ltd. (cont'd.)				
SapuraKencana Drilling Esperanza Ltd. (formerly known as Seadrill Esperanza Ltd.)	Bermuda/Equotorial Guinea	Leasing of drilling rig and providing drilling services to offshore oil and gas industry	100	100
SapuraKencana Drilling Jaya Ltd.	Bermuda/Republic of Trinidad & Tobago	Leasing of drilling rig and providing drilling services to offshore oil and gas industry	100	100
SapuraKencana Drilling Raiqa Ltd. (formerly known as SapuraKencana Drilling B374 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
# SapuraKencana Drilling Asia Ltd.	Hong Kong/ Thailand	Provision of oil drilling services	100	100
SapuraKencana Drilling Services Sdn. Bhd.	Malaysia	Provision of oil drilling services	100	100
SapuraKencana Drilling Holdings (Panama) Inc.	Panama	Investment holding	100	100
SapuraKencana Drilling T-19 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	100	-
SapuraKencana Drilling T-20 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	100	-
SapuraKencana Drilling Kinabalu Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	100	-
SapuraKencana Drilling Teknik Berkat Ltd.	Bermuda	Dormant	100	-

Audited by affiliates of Ernst & Young, Malaysia

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 JANUARY 2016

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(am) Held through SapuraKencana Drilling (Bermuda) Ltd. (cont'd.)				
* SapuraKencana Drilling Holdings Ltd.	Hong Kong/Ivory Coast	Provision of oil drilling services	-	100
(an) Held through SapuraKencana Drilling Asia Limited.				
# SapuraKencana Drilling Holdings Ltd.	Hong Kong/Ivory Coast	Provision of oil drilling services	100	-
(ao) Held through SapuraKencana Drilling Holdings (Panama) Inc. and SapuraKencana Drilling Asia Limited.				
# SapuraKencana Drilling Sdn. Bhd.	Brunei	Offshore drilling, workover and development of oil and gas wells	100	100
(ap) Held through SapuraKencana Drilling Asia Ltd. and SapuraKencana Drilling Holdings Ltd.				
SapuraKencana Drilling Angola, LDA	Republic of Angola	Dormant	100	100
(aq) Held through SapuraKencana Drilling Pte. Ltd. (Labuan) and SapuraKencana Drilling Asia Ltd.				
# PT Nordrill Indonesia	Indonesia	Offshore oil and gas construction and drilling services	95	95
(ar) Held through SapuraKencana Energy Sdn. Bhd.				
SapuraKencana Energy Inc.	Bahamas	Investment holding	100	100
* SapuraKencana Energy Resources Ltd.	Bermuda	Employment of manpowers	100	100

* Not audited by Ernst & Young

\# Audited by affiliates of Ernst & Young, Malaysia

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest 2016 %	2015 %
(ar) Held through SapuraKencana Energy Sdn. Bhd. (cont'd.)				
SapuraKencana Energy (JV) Sdn. Bhd.	Malaysia	Investment holding	100	100
SapuraKencana Energy (RSC) Sdn. Bhd.	Malaysia	Investment holding	100	100
(as) Held through SapuraKencana Energy Inc.				
* SapuraKencana Energy Malaysia Inc.	Bahamas	Investment holding	100	100
* SapuraKencana Energy Vietnam Inc.	Bahamas	Investment holding	100	100
(at) Held through SapuraKencana Energy Malaysia Inc.				
SapuraKencana Energy Peninsula Malaysia Inc.	Bahamas/Malaysia	Exploration, development and production of crude oil and natural gas	100	100
SapuraKencana Energy Sabah Inc.	Bahamas/Malaysia	Exploration, development and production of crude oil and natural gas	100	100
SapuraKencana Energy Sarawak Inc.	Bahamas/Malaysia	Exploration, development and production of crude oil and natural gas	100	100
(au) Held through SapuraKencana Energy Vietnam Inc.				
* SapuraKencana Energy Vietnam (Malay Tho Chu) Inc.	Bahamas	Dormant	100	100
* SapuraKencana Energy Vietnam (Cuu Long) Inc.	Bahamas	Dormant	100	100
* SapuraKencana Energy Vietnam (Nam Con Son) Inc.	Bahamas	Dormant	100	100

* Not audited by Ernst & Young

43. JOINT OPERATION ARRANGEMENTS

Details of the joint operation arrangements are as follows:

	Participating Interest 2016 %	2015 %
(a) Peninsular Malaysia		
PM329	70	70
PM323	60	60
PM318	50	50
Abu, Abu Kecil, Bubu, North Lukut and Penara Oil Fields	50	50
Berantai	50	50
(b) Sarawak		
SK408	40	40
SK310	30	30
SK319	25	25
DW2C	20	40
(c) Sabah		
SB331	70	70
SB332	70	70
Tembungo	50	50
SB310	35	-

44. OTHER SIGNIFICANT EVENTS

In addition to the significant events disclosed in Note 30, the other significant events are as follows:

(a) On 11 May 2015, SapuraKencana Petroleum Berhad ("SKPB") through its wholly-owned subsidiary companies within the Engineering and Construction International Division have been awarded contracts with a combined value of USD269.0 million (RM968.4 million based on USD/MYR of RM3.60) in the following countries:

(i) Mexico

SapuraKencana Mexicana S.A.P.I de C.V has been awarded contracts worth between USD41.2 million (RM148.3 million) and USD98.1 million (RM353.2 million) for the installation of structures and superstructures of fixed marine platforms, pipe laying and lifting of major power generation equipment, utilising the DP3 heavy-lift and pipe lay vessel SapuraKencana 3500, in the Marine Regions, Bay of Campeche, Gulf of Mexico by Pemex Exploraciön y Producciön.

The award marks the initiation of SapuraKencana's local operations in Mexico.

(ii) Indonesia

SapuraKencana TLO Sdn. Bhd. ("SKTLO") in consortium with PT Encona Inti Industri of Indonesia (TL Offshore - Encona Consortium) ("Consortium"), has been awarded with the contract for the Work of Offshore and Onshore Pipeline Installation in Respect of the Construction of Kalija 1 Natural Gas Transmission Pipeline of Kepodang - Tambak Lorok Segment (Pekerjaan Pemasangan Pipa Offshore Dan Onshore Sehubungan Dengan Pembangunan Jaringan Pipa Transmisi Gas Bumi Kalija 1 Ruas Kepodang - Tambak Lorok) by PT PGAS Solution.

The award comprises transportation and installation works of 14" x 200 kilometres of gas pipeline from Kepodang field offshore to Onshore Receiving Facility. The work was performed in the Muriah PSC, Central Java, Indonesia.

The total value of the award is a lump sum fee of USD97.5 million (RM351.0 million).

(iii) Vietnam and India

Vietnam

SKTLO has been awarded contracts for the provision of installation services in Vietnam by PTSC Offshore Services Joint Stock Company as follows:

- Installation of Nearshore and Offshore Pipeline for Thai Binh - Ham Rong Gas Distribution & Gathering System Project. Phase 1 located in Block 102-106, Offshore Thai Binh Province, North of Vietnam.

- Installation of the H5-WHP Topside and Pipelines for Te Giac Trang Field Development Project located in Block 16-1, Offshore Vietnam S.R.

- Installation of Offshore Facilities for Thai Binh Development Project Blocks 102 & 106, Offshore Vietnam.

India

SKTLO has been awarded a contract for the provision of transport and installation services for the PB Gas Lift Riser Replacement project at Panna Offshore Field, located approximately 95 kilometres offshore north-west of Mumbai, India by BG Exploration and Production India Limited.

The total value of the awards in Vietnam and India is USD 73.5 million (RM246.6 million).

44. OTHER SIGNIFICANT EVENTS (CONT'D.)

(b) On 13 July 2015, SKPB announced that its wholly-owned subsidiary, SapuraKencana HL Sdn. Bhd. ("SKHL") has been awarded with a lump sum contract by Oil and Natural Gas Corporation Limited for the Mumbai High South Redevelopment Phase - III Project on a turnkey basis.

The scope of works includes but not limited to surveys, design, engineering, procurement, fabrication, transport and installation, hook-up, and commissioning of three new Well Head platforms, around 116 kilometres of submarine pipelines, around 7.5 kilometres of submarine cable, modification works on existing platforms including clamp-on works on two platforms, subsea repair works on three jackets and D1C pile remedial works.

The contract value is approximately USD273.0 million (RM982.8 million) including Taxes and Duties, and excluding the Service Tax in India. The overall project completion is scheduled on 30 April 2017.

The Contract agreement was signed and executed by both parties on 27 June 2015 at Mumbai, India.

(c) On 4 November 2015, SapuraKencana Energy Inc. ("SKE"), a wholly-owned subsidiary of SapuraKencana Petroleum Berhad has secured a Field Development Plan approval from PETRONAS for the SK310 B15 gas field development project. The development will comprise a Central Processing Platform ("CPP") with a 35 kilometres gas evacuation pipeline to be tied into the existing infrastructure.

B15 field is expected to produce 100 MMscfd (million standard cubic feet per day) of hydrocarbon gas for PETRONAS' LNG complex in Bintulu, Sarawak. The first gas delivery is targeted to be in the fourth quarter of 2017.

The B15 field which was discovered in December 2010 is located within the SK310 Production Sharing Contract area, offshore East Malaysia.

SKE via SapuraKencana Energy Sarawak Inc. is the Operator of the SK310 with a 30% participating interest and partners with PETRONAS Carigali Sdn. Bhd. at 40% and Diamond Energy Sarawak Sdn. Bhd., a subsidiary of Mitsubishi Corporation of 30%.

(d) On 7 December 2015, SKPB announced that its wholly-owned subsidiary companies have been awarded contracts and extensions with a combined value of USD72.0 million (RM302.4 million based on USD/MYR of RM4.20).

Details of each of these contracts are summarised below:

(i) Engineering and Construction - Malaysia

Award of Provision of Engineering , Procurement, Construction & Commissioning ("EPCC") for Simultaneous Production and Drilling ("SIPROD") on D35DP-B Contract by Roc Oil (Sarawak) Sdn. Bhd.:

- SKHL has been awarded a contract for the Provision of EPCC for SIPROD on D35DP-B Project by Roc Oil (Sarawak) Sdn. Bhd. ("Contract"). The works involve the preparation of SIPROD package on D35DP-B Platform for a drilling campaign and subsequent well tie-in activities.

The Contract is for a period of approximately 4 months commencing in the fourth quarter of 2015 and completed by the first quarter of 2016.

44. OTHER SIGNIFICANT EVENTS (CONT'D.)

(d) On 7 December 2015, SKPB announced that its wholly-owned subsidiary companies have been awarded contracts and extensions with a combined value of USD72.0 million (RM302.4 million based on USD/MYR of RM4.20). (cont'd.)

Details of each of these contracts are summarised below: (cont'd.)

(ii) Engineering and Construction - International

Award for installation Works Under Additional Development of Vasai East Project:

- SKTLO has been awarded a subcontract from main contractor, L&T Hydrocarbon Engineering Limited ("LTHE") for the Additional Development of the Vasai East Project in India. The works include installation of structures and pipelines and other subsea work at Vasai East which is located in the Arabian Sea approximately 78 kilometres offshore Mumbai.

(iii) Drilling

SapuraKencana Drilling Holdings Limited has been awarded 5 months contract extension by Foxtrot International ("Foxtrot") for the Provision of Semi-Tender Assist Drilling Rig "SKD Alliance" in Cote d'Ivoire. With this extension, the contract is expected to be completed by August 2016.

Additionally, Foxtrot still retains the option to extend the contract by 3 additional wells, which if exercised, will keep the SKD Alliance on contract until the final quarter of 2016.

(e) On 14 January 2016, SKPB announced that its wholly-owned subsidiaries have been awarded contracts and extensions with a combined value of USD117 million (RM503 million based on MYR/USD of RM4.30):

(i) Engineering and Construction - Malaysia

SKHL has been awarded a contract for the provision of Hook-Up and Commissioning Works for KNPG-B Phase II, Kinabalu Non Associated Gas (NAG) Development Project by THHE Fabricators Sdn. Bhd.. This involves the provision of supervision, manpower, equipment and marine spread to carry out the hook-up and commissioning of a Compression System module and High Pressure High Temperature Facilities on the KNPG-B Central Processing Platform.

The contract is for a period of approximately 8 months and works commenced by first quarter of 2016.

(ii) Engineering and Construction - International

SapuraKencana Technology Sdn. Bhd. (formerly known as Sapura Energy Sdn. Bhd.) has been awarded a contract by Hess Exploration & Production Malaysia B.V. for the provision of Engineering, Procurement and Construction of the Subsea Isolation Valve Systems ("SSIV") at Block PM302, North Malay Basin.

The scope of work includes the complete responsibility for carrying out and completing the works for SSIV Skids, subsea Umbilical and Flying Lead, Hydraulic Power Unit ("HPU"), Topside Umbilical Termination Unit ("TUTU"), Umbilical Termination Assembly ("UTA") and the supporting details.

The contract is for a period of approximately 18 months. The works has commenced and is expected to complete around the first quarter of 2017.

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

44. OTHER SIGNIFICANT EVENTS (CONT'D.)

(f) On 22 January 2016, SKPB announced that the conditional sale and purchase agreements ("SPA") on the Proposed Acquisition of Interest in Oil and Gas Assets in Vietnam have been terminated by the parties involved through mutual agreement in accordance with the terms of the SPA.

45. SUBSEQUENT EVENTS

(a) On 4 February 2016, SKPB announced that its wholly-owned subsidiary companies and jointly controlled entities have been awarded contracts and contracts extensions with a combined value of approximately USD382 million (RM1,585.30 million) based on USD/MYR of RM4.15.

Engineering and Construction - International

(i) Sapurakencana GE Oil & Gas Services Sdn. Bhd. ("SKGE"), a joint venture between SapuraKencana Services Sdn. Bhd. and GE Power Systems (Malaysia) Sdn. Bhd., has been awarded by Murphy Sarawak Oil Company Ltd, a contract for comprehensive maintenance of GE-supplied turbomachinery equipment. This long-term service agreement comprises the provision of maintenance services for GE-supplied gas turbines and centrifugal compressors.

(ii) SKGE has been awarded by Petronas Floating LNG1 (L) Ltd, a 10-year contract for comprehensive maintenance of GE-supplied turbomachinery equipment. This long-term service agreement comprises provision of maintenance services for GE-supplied aeroderivative gas turbines, centrifugal compressors and electric generators and electric motors.

The contract is for a period of 10 years with an option to extend for and additional 5 years.

Drilling

(i) SapuraKencana Drilling Jaya Ltd, a wholly-owned subsidiary, has been granted an extension to its contract with BP Trinidad & Tobago LLC ("BP") for the provision of semi-submersible Tender Assist Drilling Rig SKD Jaya ("SKD Jaya").

BP has extended the use of SKD Jaya for its development drilling campaign offshore Trinidad and Tobago for an additional well. The contract expired in April 2016.

NOTES TO THE **FINANCIAL STATEMENTS (CONT'D.)**

31 JANUARY 2016

46. MATERIAL LITIGATION

On 20 February 2006, Sarku Engineering Services Sdn. Bhd. ("SESSB"), a wholly-owned subsidiary of the Company entered into a contract with Oil and Natural Gas Corporation Limited ("ONGC") for the performance of works by SESSB to revamp 26 well platforms located in Mumbai High South field offshore site ("Contract").

On 21 September 2012, SESSB commenced arbitration proceedings by filing a statement of claim against ONGC in relation to disputes pursuant to the Contract for a sum of Indian Rupee ("INR") 1,063,759,201 and USD123,819,632 (including interest, costs, losses and damages).

On 17 December 2012, ONGC has filed their reply to the Statement of Claim. No counter claims have been filed by ONGC. Documents and witness statements have been filed.

Further examination in chief took place in January 2014 whereby revised list of documents were exchanged and has been taken on record.

The cross examination of ONGC's witness commenced on 22nd, 23rd December 2014 and 5th, 6th and 7th January 2015. The final submissions which were expected to take place on 2nd to 3rd February 2015 by ONGC's solicitor, were cancelled by the tribunal.

The final submissions which were fixed on 2nd and 3rd November 2015, were further continued on 9th and 10th May 2016 as SESSB's solicitor required more time to complete the final submission.

The final submission will continue on 4th and 5th July 2016 for rebuttal submission by SESSB solicitor and a reserve day.

SESSB has been advised by its solicitors, that SESSB has a reasonable basis for its claims against ONGC.

There were no other material litigation that may, upon materialisation, have a material effect on the Group's financial results or position, except as disclosed above.

47. SUPPLEMENTARY INFORMATION

The following analysis of realised and unrealised retained profits of the Group and the Company is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements as issued by the Malaysian Institute of Accountants and presented in accordance with the directive issued by Bursa Malaysia.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits of SapuraKencana and its subsidiaries				
- Realised	2,787,915	3,990,221	758,168	528,518
- Unrealised				
- in respect of deferred tax	(1,058,142)	(1,072,048)	39,464	39,464
- in respect of other items of income statement	42,396	52,328	33,685	72,308
	1,772,169	2,970,501	831,317	640,290
Total share of retained profits from joint venture and associates companies				
- Realised	405,397	377,598	-	-
- Unrealised				
- in respect of other items of income statement	58,865	42,999	-	-
	464,262	420,597	-	-
Total retained profits	2,236,431	3,391,098	831,317	640,290
Less: Consolidation adjustments	162,178	(120,315)	-	-
Retained profits	2,398,609	3,270,783	831,317	640,290

The disclosure of realised and unrealised retained profits above is solely for compliance with the directive issued by Bursa Malaysia and should not be used for any other purpose.

ANALYSIS OF **SHAREHOLDINGS**

AS AT 29 APRIL 2016

Authorised Share Capital	:	RM10,000,000,000.00
Issued and Paid-Up Share Capital	:	RM5,992,155,087.00 comprising of 5,992,155,087 Ordinary Shares of RM1.00 each
Class of Security	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per Ordinary Share
No. of Shareholders	:	39,261 shareholders

DISTRIBUTION BY SIZE OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	1,977	5.04	74,381	0.00
100 - 1,000	5,797	14.76	4,419,984	0.07
1,001 - 10,000	22,904	58.34	104,142,373	1.74
10,001 - 100,000	7,432	18.93	215,395,857	3.60
100,001 to less than 5% of issued shares	1,147	2.92	3,209,421,847	53.56
5% and above of issued shares	4	0.01	2,458,700,645	41.03
Total	**39,261**	**100.00**	**5,992,155,087**	**100.00**

TOP 30 SHAREHOLDERS BASED ON RECORD OF DEPOSITORS

	Shareholders	No. of Shares	% of Shares
1	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	814,448,544	13.59
2	SAPURA TECHNOLOGY SDN. BHD.	755,737,460	12.61
3	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (CLIENT)	501,094,841	8.36
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	387,419,800	6.47
5	KHASERA BARU LTD	232,201,313	3.88
6	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	212,171,724	3.54
7	CIMSEC NOMINEES (ASING) SDN. BHD. CIMB FOR KHASERA BARU LTD (PB)	175,000,000	2.92
8	BANK OF TOKYO-MITSUBISHI UFJ (MALAYSIA) BERHAD PLEDGED SECURITIES ACCOUNT FOR SAPURA TECHNOLOGY SDN. BHD.	152,000,000	2.54
9	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. EXEMPT AN FOR DEUTSCHE BANK AG SINGAPORE (MAYBANK SG PWM)	119,000,000	1.99
10	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	99,635,665	1.66

ANALYSIS OF **SHAREHOLDINGS**

AS AT 29 APRIL 2016 (CONT'D.)

	Shareholders	No. of Shares	% of Shares
11	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	93,241,300	1.56
12	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	80,000,000	1.34
13	HSBC NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT AA NOMS SG FOR KHASERA BARU LTD	78,799,000	1.32
14	HSBC NOMINEES (ASING) SDN. BHD. BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	59,059,162	0.99
15	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	57,228,200	0.96
16	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AIA BHD.	56,822,870	0.95
17	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	54,003,364	0.90
18	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	53,816,540	0.90
19	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)	52,005,800	0.87
20	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	49,730,035	0.83
21	LEMBAGA TABUNG HAJI	46,830,200	0.78
22	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB FOR SAPURA CAPITAL SDN. BHD. (PB)	46,387,227	0.77
23	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD FOR SAPURA TECHNOLOGY SDN. BHD. (279838)	45,267,014	0.76
24	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	43,573,285	0.73
25	CARTABAN NOMINEES (ASING) SDN. BHD. GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	25,637,700	0.43
26	PERMODALAN NASIONAL BERHAD	25,600,900	0.43
27	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR UNITED NATIONS JOINT STAFF PENSION FUND	25,000,000	0.42
28	LEMBAGA TABUNG ANGKATAN TENTERA	24,986,700	0.42
29	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. YAYASAN HASANAH (AUR-VCAM)	23,503,300	0.39
30	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR MAYBANK TRUSTEES BERHAD (SKPB SHAREBONUS)	21,263,850	0.35
	Total	**4,411,465,794**	**73.62**

ANALYSIS OF **SHAREHOLDINGS**

AS AT 29 APRIL 2016 (CONT'D.)

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Substantial Shareholders	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
Sapura Technology Sdn. Bhd.	953,004,474	15.90	6,522,000 (1)	0.11
Sapura Holdings Sdn. Bhd.	-	-	1,007,544,718 (2)	16.81
Brothers Capital Sdn. Bhd.	-	-	1,007,544,718 (3)	16.81
Tan Sri Dato' Seri Shahril Shamsuddin	17,478,092	0.29	1,007,544,718 (3)	16.81
Dato' Shahriman Shamsuddin	506,385	0.01	1,007,544,718 (3)	16.81
Khasera Baru Ltd.	605,000,313	10.10	-	-
Tan Sri Mokhzani Mahathir	9,494,121	0.16	610,000,313 (4)	10.18
Employees Provident Fund Board	904,580,100	15.10	-	-
AmanahRaya Trustees Berhad - Skim Amanah Saham Bumiputera	387,419,800	6.47	-	-

Notes:

(1) Deemed interested by virtue of its shareholding in Jurudata Sdn. Bhd. persuant to Section 6A of the Companies Act, 1965 ("Act").

(2) Deemed interested by virtue of being a substantial shareholder of Sapura Technology Sdn. Bhd., Sapura Resources Berhad, Sapura Capital Sdn. Bhd., Indera Permai Sdn. Bhd. and Jurudata Sdn. Bhd. pursuant to Section 6A of the Act.

(3) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings Sdn. Bhd. pursuant to Section 6A of the Act.

(4) Deemed interested by virtue of his indirect interest in Khasera Baru Ltd. and his shareholdings in Kencana Capital Sdn. Bhd. pursuant to Section 6A of the Act.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 APRIL 2016 (CONT'D.)

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Directors	No. of Shares Held	%	No. of Shares Held	%
Dato' Hamzah Bakar	4,000,249	0.07	500,000 (1)	0.01
Tan Sri Dato' Seri Shahril Shamsuddin	17,478,092	0.29	1,007,544,718 (2)	16.81
Tan Sri Datuk Amar (Dr) Hamid Bugo	256,405	0.00 *	-	-
Dato' Shahriman Shamsuddin	506,385	0.01	1,007,544,718 (2)	16.81
Mohamed Rashdi Mohamed Ghazalli	97,864	0.00 *	48,932 (3)	0.00 *
Gee Siew Yoong	-	-	-	-
Ramlan Abdul Malek	150,000	0.00 *	-	-
Datuk Muhamad Noor Hamid	-	-	-	-
Svend Anton Maier (resigned w.e.f. 9 May 2016)	-	-	-	-

* Negligible

Notes:

(1) Deemed interested by virtue of his spouse and son's interests in Adviable Ventures Sdn. Bhd. pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings Sdn. Bhd. ("Sapura Holdings") pursuant to Section 6A of the Act. Sapura Holdings is a substantial shareholder of Sapura Technology Sdn. Bhd., Sapura Resources Berhad, Sapura Capital Sdn. Bhd., Indera Permai Sdn. Bhd. and Jurudata Sdn. Bhd..

(3) Deemed interested by virtue of the shareholding held by his spouse pursuant to Section 134 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FIFTH ANNUAL GENERAL MEETING ("AGM") OF SAPURAKENCANA PETROLEUM BERHAD ("COMPANY") WILL BE HELD AT MULTI-PURPOSE HALL, GROUND FLOOR, SAPURA@MINES, NO. 7, JALAN TASIK, THE MINES RESORT CITY, 43300 SERI KEMBANGAN, SELANGOR DARUL EHSAN, MALAYSIA ON TUESDAY, 26 JULY 2016 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:

AGENDA

1. To receive the Audited Financial Statements together with the Directors and Auditors' Reports for the financial year ended 31 January 2016.

2. To approve the Directors' fees for the financial year ended 31 January 2016. **Resolution 1**

3. To re-elect the following Directors who retire by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible, offer themselves for re-election:

   i) Tan Sri Dato' Seri Shahril Shamsuddin **Resolution 2**

   ii) Gee Siew Yoong **Resolution 3**

4. To reappoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 4**

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129(6) of the Companies Act, 1965:

REAPPOINTMENT OF DIRECTORS PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

"THAT Dato' Hamzah Bakar, a Director whose office shall become vacant at the conclusion of the AGM, be and is hereby reappointed as a Director of the Company to hold office until the conclusion of the next annual general meeting of the Company." **Resolution 5**

"THAT Tan Sri Datuk Amar (Dr) Hamid Bugo, a Director whose office shall become vacant at the conclusion of the AGM, be and is hereby reappointed as a Director of the Company to hold office until the conclusion of the next annual general meeting of the Company." **Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. To consider and if thought fit, to pass the following Ordinary Resolution:

AUTHORITY FOR DIRECTORS TO ISSUE SHARES UNDER SECTION 132D OF THE COMPANIES ACT, 1965

"THAT subject to the provisions of the Company's Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance and that the Directors be and are also hereby empowered to obtain all necessary approvals from the relevant authorities for the issuance and the listing of and quotation for the additional shares so issued on Bursa Malaysia and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 7**

7. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

JASMIN ABDUL RASHID (LS 0009589)
Company Secretary

Kuala Lumpur
26 May 2016

NOTES:

1. **Audited Financial Statements for the financial year ended 31 January 2016**

   This Agenda is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association, the Audited Financial Statements need not be approved by the shareholders and hence, the matter will not be put forward for voting.

2. **Directors' Fees**

   The Directors' fees for the financial year ended 31 January 2016 amounting to RM4,310,000.00.

3. **Proxy Form**

   A member of the Company who is entitled to attend and vote at the AGM is entitled to appoint up to two proxies to attend and vote on a poll in his stead. A proxy may, but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

   Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporate member, shall be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

The instrument appointing a proxy must be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.

4. Corporate Representative

As an alternative to the appointment of a proxy, a corporate member may appoint its corporate representative to attend the AGM pursuant to Sections 147(3) and (4) of the Companies Act, 1965. For this purpose and pursuant to Section 147(5) of the Companies Act, 1965, the corporate member shall provide a certificate under its common seal as prima facie evidence of the appointment of the corporate representative. The corporate member may submit the certificate to the Share Registrar of the Company prior to the commencement of the AGM.

5. Members Entitled to Attend

For the purpose of determining a member who shall be entitled to attend the AGM in accordance with Article 63(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 19 July 2016. Only a depositor whose name appears on the Record of Depositors as at 19 July 2016 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. Reappointment of Directors pursuant to Section 129(6) of the Companies Act, 1965

The proposed Resolutions 5 and 6 in relation to the reappointment of Dato' Hamzah Bakar and Tan Sri Datuk Amar (Dr) Hamid Bugo who are over the age of 70 years, if passed, would enable them to continue in office as Directors of the Company until the conclusion of the next annual general meeting of the Company.

2. Authority for Directors to Issue Shares under Section 132D of the Companies Act, 1965

Subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed Resolution 7 is for the purpose of granting a renewed mandate and if passed, would enable the Directors to issue up to a maximum of ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

The Renewed Mandate will enable Directors to take swift action in case of a need for corporate exercises or fund raising activities or in the event business opportunities arise which involve issuance of new shares and to avoid delay and cost in convening general meetings to approve such issuance of shares. Proceeds raised from the corporate exercises or fund raising activities will be utilised for funding future investment projects, working capital and/or acquisitions.

As at the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the last annual general meeting held on 16 June 2015 which will lapse at the conclusion of the AGM.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

(I) Individuals who are standing for election as Directors at the Fifth Annual General Meeting (“AGM”) of the Company

There is no individual standing for election as Director (excluding directors standing for re-election).

(II) Directors who are standing for re-election or reappointment at the Fifth AGM of the Company

(a) The following Directors are retiring by rotation and standing for re-election pursuant to Article 87 of the Company’s Articles of Association (“Articles”):

- Tan Sri Dato’ Seri Shahril Shamsuddin
- Gee Siew Yoong

(b) Dato’ Hamzah Bakar and Tan Sri Datuk Amar (Dr) Hamid Bugo, Directors whose office shall become vacant at the conclusion of the Fifth AGM, are standing for reappointment pursuant to Section 129(6) of the Companies Act, 1965.

Details of the above Directors who are standing for re-election and reappointment are provided in the “Profiles of Board of Directors” on pages 20 to 28 of this Annual Report. Details of their interests in the securities of the Company are set out in the “Analysis of Shareholdings” on page 230 of this Annual Report.

(III) Ordinary Resolution on Authority for Directors to Issue Shares

Details on the authority for Directors to issue shares in the Company pursuant to Section 132D of the Companies Act, 1965 are provided under the explanatory notes on special business in the Notice of Annual General Meeting set out on page 233 of this Annual Report.

PROXY FORM

CDS Account No.		
Total number of ordinary shares held		
No. of ordinary shares to be represented by each proxy	Proxy 1	Proxy 2

SapuraKencana Petroleum Berhad
(Company No. 950894-T)
(Incorporated in Malaysia)

I/We____
(Full Name as per NRIC/Passport/Certificate of Incorporation in Capital Letters)

of ____
(Full Address)

being a Member of SAPURAKENCANA PETROLEUM BERHAD, do hereby appoint ____________________
(Full Name as per NRIC/Passport in Capital Letters)

of ____
(Full Address)

or failing him/her, ____
(Full Name as per NRIC/Passport in Capital Letters)

of ____
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Multi-Purpose Hall, Ground Floor, Sapura@Mines, No. 7 Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Tuesday, 26 July 2016 at 10.00 a.m. or at any adjournment thereof.

Please indicate with an “X” in the space provided below how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his/her discretion.

Resolutions		For	Against
ORDINARY RESOLUTION 1	Payment of Directors’ fees		
ORDINARY RESOLUTION 2	Re-election of Tan Sri Dato’ Seri Shahril Shamsuddin as Director of the Company		
ORDINARY RESOLUTION 3	Re-election of Ms Gee Siew Yoong as Director of the Company		
ORDINARY RESOLUTION 4	Reappointment of Messrs. Ernst & Young as Auditors of the Company		
ORDINARY RESOLUTION 5	Reappointment of Dato’ Hamzah Bakar as Director of the Company		
ORDINARY RESOLUTION 6	Reappointment of Tan Sri Datuk Amar (Dr) Hamid Bugo as Director of the Company		
ORDINARY RESOLUTION 7	To authorise the Directors to allot and issue shares under Section 132D of the Companies Act, 1965.		

____
Signature/Common Seal of Shareholder

Dated this ______ day of ________ 2016

NOTES:

1. A member of the Company who is entitled to attend and vote at the AGM is entitled to appoint up to two proxies to attend and vote on a poll in his stead. A proxy may, but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“Omnibus Account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
3. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporate member, shall be either under its common seal or signed by its attorney or an officer on behalf of the corporation.
5. The instrument appointing a proxy must be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.

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Stamp

Share Registrar of SapuraKencana Petroleum Berhad

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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www.**sapurakencana**.com

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Solaris Dutamas, 1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia
Tel : (6)03-6209 8000   Fax : (6)03-6209 3800