sapura energy

ANNUAL REPORT 2017

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 SAPURA ENERGY BERHAD

WHAT'S INSIDE

AT A GLANCE

CORPORATE OVERVIEW

LEADERSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

SUSTAINABILITY REPORT


EVENTS

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

6th Annual General Meeting

Sapura Energy Berhad (950894-T)
(Formerly known as SapuraKencana Petroleum Berhad)

Date : 25 July 2017, Tuesday
Time : 10.00 a.m.
Venue : Multi-Purpose Hall, Ground Floor, Sapura@Mines
No. 7, Jalan Tasik, The Mines Resort City
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia

FACTS AT A GLANCE

OUR VALUE CHAIN

EXPLORATION

DEVELOPMENT

STRATEGIC ASSETS SUPPORTING OPERATIONS

ENGINEERING AND CONSTRUCTION

- 2 Major Fabrication Yards
- 1 Minor Fabrication Yard
- 6 Derrick Lay Vessels
- 6 Pipelay Vessels
- 1 Subsea Construction Vessel
- 42 Remotely Operated Vehicles
- 3 Survey Vessels
- 3 Diving/Support Vessels
- 2 Anchor Handling Tug Supply Vessels
- 1 Floatover Launch Barge
- 6 Accommodation Workboats/Barges
- 1 Semi-Submersible Transport Barge

DRILLING

- 8 Tender Barge Rigs
- 8 Semi-Submersible Tender Rigs

EXPLORATION AND PRODUCTION

- Previously referred to as our Energy Segment
- Participating Interest in 9 Production Sharing Contracts
- Operatorship in 6 Production Sharing Contracts

* Other assets include Turbine Maintenance Centre

PRODUCTION

REJUVENATION

DECOMMISSIONING & ABANDONMENT

GLOBAL FOOTPRINT


Russia
Sakhalin
Japan
China
UAE
Dubai
Abu Dhabi
India
Mumbai
Bangkok
Vung Tau
Lumut
Kuala Lumpur
Singapore
Brunei
Jakarta
Timor Sea
Papua New Guinea
Madagascar
Australia
Perth
Bass Strait
New Zealand
Southeast Asia
• Malaysia
• Singapore
• Indonesia
• Brunei
• Thailand
• Philippines
• Vietnam
• Myanmar
GEOTECHNICAL/ GEOPHYSICAL SURVEY
OPERATIONS & MAINTENANCE
FABRICATION
MARINE, DIVING & ROV SERVICES
DRILLING
EXPLORATION & PRODUCTION

HEALTH, SAFETY AND ENVIRONMENT

High standards in Health, Safety and Environment ("HSE") remain a central governing part of our operations at Sapura Energy. We remain deeply committed to our Company's vision of being safe, agile and professional, which includes responsibly managing risks within all aspects of our operations. We execute our work with integrity, honesty and in partnership with all stakeholders; focusing on 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. Sapura Energy has in place a robust and comprehensive risk management system to identify, prevent, mitigate and manage such potential risks. This HSE culture, essentially the way we do business, is firmly embedded at every level throughout our organisation.

Everyone in the Group is responsible for upholding our HSE policies. Every employee and contractor is empowered and has a duty to stop unsafe work when substandard behaviours or conditions are observed.

Our extensive experience in the oil and gas sector, as well as our collaboration with industry and government stakeholders, has led to both the sharing with others and the adoption of HSE best practices. We monitor HSE developments and new initiatives across the industry through these collaborations and this sharing, in addition to our own experience, drives a commitment to continuous improvement in all areas of our organisation.

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

Recipient	Achievement	Awarding Entity
SapuraKencana TL Offshore Sdn Bhd	Gold Merit Award: Excellent Occupational Safety and Health Performance	Malaysian Society of Occupational Safety and Health (MSOSH)
SapuraKencana TL Offshore Sdn Bhd	Certificate of Achievement for the successful completion ahead of schedule for the Kalimantan – Java Phase 1 Pipeline Project	Indonesia's PT Perusahaan Gas Negara (PERSERO) TBK
SapuraKencana Mexicana S.A.P.I. de C.V.	Special Recognition – achievement of the ZERO ACCIDENTS goal during 2016 Project execution	PEMEX Exploración y Producción S.A. de C.V. (PEMEX)
Sapura Fabrication Sdn Bhd	Focused Recognition Award for outstanding performance in Safety for the Baronia Project	PETRONAS Carigali Sdn Bhd
Sapura Technology Solutions Sdn Bhd	100,000 man-hours without LTI	HESS Corporation
Sapura Subsea Services Sdn Bhd	Platinum Safety Award for Excellence (S.A.F.E)	Carigali Hess Operating Company Sdn Bhd
Total Marine Technology Pty Ltd	2015/2016 INPEX Drilling HSE Performance Award	INPEX Drilling
Total Marine Technology Pty Ltd	Safe Way Award for the fifth time	Industrial Foundation for Accident Prevention (IFAP)/CGU Insurance
Sapura Drilling Division	Global Rig of the Year, 2016 – SKD T18	Chevron Thailand Exploration & Production OE/HES Award
Sapura Drilling Division	People's Choice Award (safety video) – SKD Pelaut	Brunei Shell Petroleum Company Sdn Bhd
Sapura Drilling Division	Shell Rig of the Year for the ninth time – SKD Pelaut	Royal Dutch Shell Plc
Sapura Drilling Division	MSOSH Gold Award, 2016 – SKD T10	Malaysian Society for Occupational Safety & Health (MSOSH)
Sapura Drilling Division	MSOSH Gold Award, 2016 – SKD T9	Malaysian Society for Occupational Safety & Health (MSOSH)
Sapura Drilling Division	ExxonMobil Recognition Award, 2016 – SKD T9	ExxonMobil Exploration & Production Malaysia Inc
Sapura Drilling Division	SKD Setia 7-years LTI-free Campaign	Chevron Angola

ISO 9001:2015

- SapuraKencana Australia Pty Ltd

ISO 9001:2008

- SapuraKencana TL Offshore Sdn Bhd
- Sapura Subsea Services Sdn Bhd *(formerly known as SapuraKencana Subsea Services Sdn Bhd)*
- Total Marine Technology Pty Ltd
- SapuraKencana GeoSciences Sdn Bhd
- Sapura Technology Solutions Sdn Bhd *(formerly known as SapuraKencana Technology Sdn Bhd)*
- SapuraAcergy Sdn Bhd

ISO 14001:2004

- SapuraKencana TL Offshore Sdn Bhd
- Sapura Subsea Services Sdn Bhd
- Sapura Fabrication Sdn Bhd *(formerly known as SapuraKencana HL Sdn Bhd)*
- Total Marine Technology Pty Ltd
- SapuraAcergy Sdn Bhd

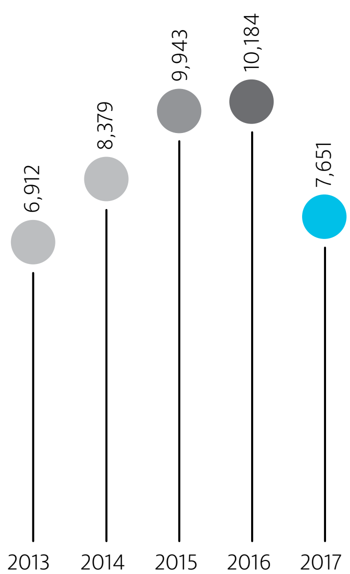
OHSAS 18001:2007

- SapuraKencana TL Offshore Sdn Bhd
- Sapura Subsea Services Sdn Bhd
- Sapura Fabrication Sdn Bhd
- Total Marine Technology Pty Ltd
- SapuraAcergy Sdn Bhd

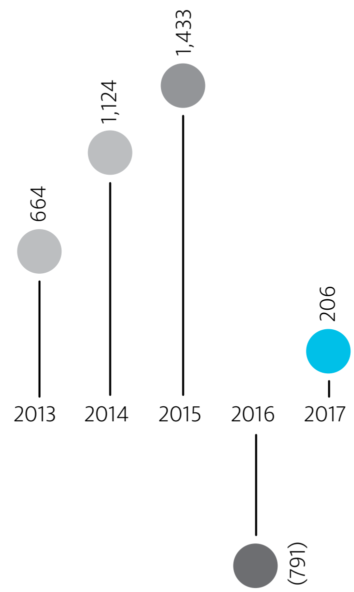
5-YEAR GROUP FINANCIAL SUMMARY

Financial year ended	2013 RM'mil	2014 RM'mil	2015 RM'mil	2016 RM'mil	**2017 RM'mil**
Operating results					
Revenue	6,912	8,379	9,943	10,184	**7,651**
Profit/(loss) before tax	830	1,208	1,616	(713)	**385**
Profit/(loss) after tax	664	1,124	1,433	(791)	**206**
Key Statement of Financial Position data					
Cash and cash equivalents	1,026	1,387	1,257	1,948	**3,520**
Total Assets	15,197	26,614	34,563	36,492	**37,449**
Borrowings	5,941	12,361	16,953	18,329	**18,647**
Total Liabilities	8,454	16,413	22,570	24,279	**24,369**
Shareholders fund	6,337	10,195	11,986	12,207	**13,076**
Earnings per share (sen)	10.48	18.92	23.93	(13.25)	**3.50**
Net assets per share (RM)	1.27	1.70	2.01	2.04	**2.19**
Net debt to equity (times)	0.78	1.08	1.31	1.34	**1.16**

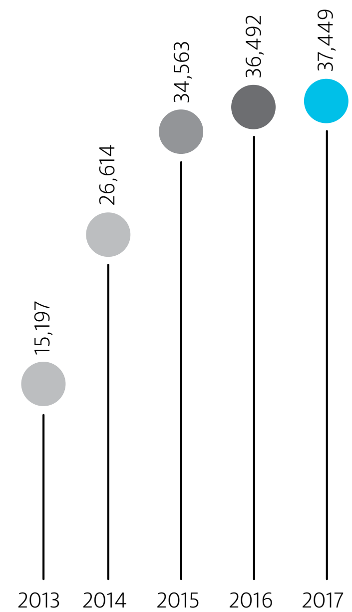
Revenue
(RM 'mil)



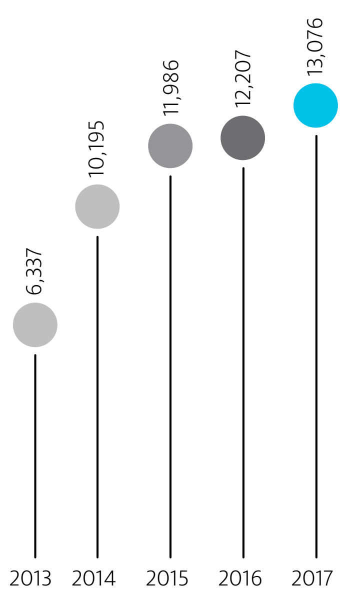
Profit/(loss) after tax
(RM 'mil)



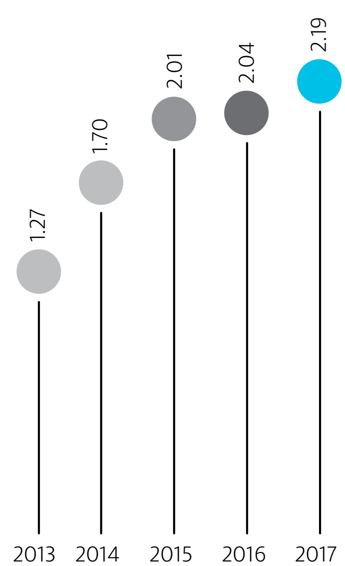
Total Assets
(RM 'mil)



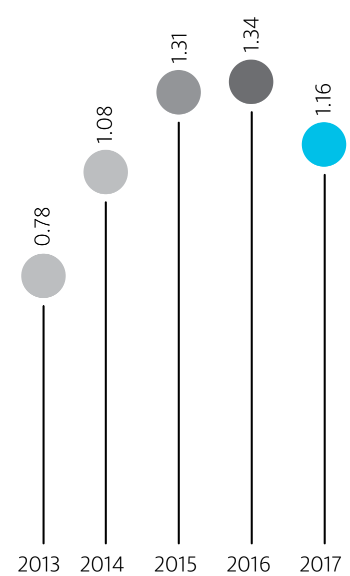
Shareholders fund
(RM 'mil)



Net assets per share
(RM)



Net debt to equity
(times)



CHAIRMAN'S STATEMENT

DATO' HAMZAH BAKAR
Chairman

Dear Shareholders,

The financial year ended 31 January 2017 ("FY2017") continued to be challenging for the oil and gas industry. In response to prolonged low and volatile oil prices, producers continued to consolidate their costs and defer capital expenditure plans, resulting in a significant reduction in the number of projects being implemented.

To remain competitive in a challenging environment, Sapura Energy Berhad ("Sapura Energy") and its subsidiaries ("the Group") rebased our costs and enhanced our efficiencies. These steps enabled the Group to win new contracts worth RM6.3 billion globally, strengthening our footprint in existing markets with new service offerings, while opening doors to new geographies such as Turkey.

Our own Exploration and Production (previously referred to as Energy Segment) business achieved significant capital expenditure reduction for its SK310 B15 development and production enhancement infill drilling campaigns in producing fields. We remain confident of our in-house capabilities to economically deliver on future gas development plans for SK408 that will provide long-term visibility to the Group's revenue profile.

Critical decisions were made by our senior leadership team to ensure the long-term viability of the business. The initiative to reprioritise our capex plans, revisiting investment decisions and reoptimising the Group's capital management structure, were all coordinated and executed proactively, while the environment was still favourable. The Board commends the foresight, transparency and the intellectual rigour involved in crafting solutions that would protect value for our shareholders.

In FY2017, we secured new contracts worth
RM6.3
billion

We celebrated LTI-free milestones for several of our assets and facilities:

12 years on SKD Pelaut

7 years on SKD Setia

7 years at the Kemaman Supply Base

6 years on East Belumut A Oil Production Platform

5 years on East Piatu Oil and Gas Production Platform

Value creation is a key driver of our strategy, as it underpins our long-term business sustainability. In this regard, we have produced a Sustainability Report which provides details on how we seek to nurture enablers that drive our capabilities. The report provides clarity on how we are performing in matters that are important to us as an organisation.

A key aspect of sustainability is adherence to the highest standards of safety, and it gives me great pride to note that we have maintained our record of zero fatalities in all our activities globally and achieved a number of other safety milestones. During the financial year, we celebrated 12 years without lost time injury ("LTI") on our drilling rig SKD Pelaut; seven years without LTI on SKD Setia; seven years without LTI at the Kemaman Supply Base; six years without LTI on East Belumut A Oil Production Platform; and five years without LTI on the East Piatu Oil and Gas Production Platform. At the same time, we recognise that safety is an ongoing journey and will continue to strengthen our processes to keep all our employees and contractors safe.

ACKNOWLEDGEMENTS

We are currently undergoing one of the most challenging periods in recent oil and gas history. I am pleased to report that we have become leaner and stronger as an organisation. This is because of the combined support and efforts of various stakeholders whom I would like to acknowledge.

I would like to thank our shareholders for their continuing support and their faith in our business and operations; our customers, for their trust in our ability to deliver; and our financiers, business associates as well as partners, for their continued support and confidence in us. Rest assured that the Group will always honour all our commitments.

To my colleagues on the Board of Directors, thank you for your dedication, wisdom and counsel which have helped Sapura Energy maintain an even keel as we managed both a challenging environment and our extensive transformation. On behalf of the Board, I would like to welcome two new members – YM Tunku Alizakri Raja Muhammad Alias, who joined us as a Non-Independent Non-Executive Director on 1 September 2016; and YBhg Datuk Ramlan Abdul Rashid, who began to serve as an Independent Non-Executive Director as of 23 September 2016.

Finally, on behalf of the Board, I would like to extend a heartfelt gratitude to the entire team at Sapura Energy for ensuring we remain on a steady path in our ongoing journey. Our Management have taken personal pay cuts for two years in a row while doubling their efforts to craft innovative strategies to ensure the Company survives these trying times, proving beyond doubt their sincerity, passion and faith in Sapura Energy. Recognising the challenges faced by our industry, all our employees have put in tremendous effort to carry through our transformation. For their hard work and personal sacrifices, I wish personally to record my appreciation.

It has certainly been a challenging period. But we have proven that there is great strength to be derived from teamwork, and synergies to be created by collaboration. Such strength and synergy, in turn, have resulted in a more resilient Sapura Energy – one that is able to overcome any adversity.

Together, we shall move forward.

DATO' HAMZAH BAKAR
Chairman

GROUP CORPORATE STRUCTURE

SAPURA ENERGY BERHAD

Subsidiaries

- **Sapura Drilling Asia Sdn Bhd** *(Formerly known as SapuraKencana Drilling Tioman Sdn Bhd)*
- **Sapura Energy Ventures Sdn Bhd**
- **Sapura Subsea Services Sdn Bhd** *(Formerly known as SapuraKencana Subsea Services Sdn Bhd)*
- **Sapura Technology Solutions Sdn Bhd** *(Formerly known as SapuraKencana Technology Sdn Bhd)*
- **SapuraKencana Enerji Çözümleri Anonim Şirketi**
- **SapuraKencana GeoSciences Sdn Bhd**
- **Total Marine Technology Pty Ltd**

JV

- **L&T Sapura Offshore Private Limited**
- **L&T Sapura Shipping Private Limited**
- **Seabras Sapura Holding GmbH**
- **Seabras Sapura Participações S.A.**

Note:

1. *This chart is not a complete list of Sapura Energy's subsidiaries, joint ventures and associates. For the complete list of companies and shareholdings, please refer to Notes 18, 19 and 43 to the Financial Statements of this Annual Report.*

- **Sapura Exploration and Production Sdn Bhd**
  (Formerly known as SapuraKencana Energy Sdn Bhd)
- **Sapura Fabrication Sdn Bhd**
  (Formerly known as SapuraKencana HL Sdn Bhd)
- **Sapura Pinewell Sdn Bhd**
  (Formerly known as SapuraKencana Pinewell Sdn Bhd)
- **Sapura TMC Sdn Bhd**
  (Formerly known as SapuraKencana TMC Sdn Bhd)
- **SapuraKencana Australia (Holdings) Pty Ltd Group**
- **SapuraKencana Drilling Pte Ltd Group**
- **SapuraKencana Mexicana S.A.P.I. de C.V.**
- **SapuraKencana TL Offshore Sdn Bhd**
- **Kencana Energy Sdn Bhd**

- **SapuraAcergy Sdn Bhd**
- **SapuraAcergy Assets Pte Ltd**
- **Sapura GE Oil & Gas Services Sdn Bhd**
  (Formerly knowns as SapuraKencana GE Oil & Gas Services Sdn Bhd)

Subsidiaries

Joint Venture (JV)

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

Datuk Ramlan Abdul Malek
Non-Independent Executive Director

Datuk Muhamad Noor Hamid
Independent Non-Executive Director

Tunku Alizakri Raja Muhammad Alias
Non-Independent Non-Executive Director

Datuk Ramlan Abdul Rashid
Independent Non-Executive Director

BOARD AUDIT COMMITTEE

Gee Siew Yoong
Chairman

Tan Sri Datuk Amar (Dr) Hamid Bugo

Mohamed Rashdi Mohamed Ghazalli

Datuk Ramlan Abdul Rashid

Datuk Muhamad Noor Hamid

BOARD NOMINATION COMMITTEE

Tan Sri Datuk Amar (Dr) Hamid Bugo
Chairman

Dato' Hamzah Bakar

Gee Siew Yoong

BOARD 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

BOARD RISK MANAGEMENT COMMITTEE

Mohamed Rashdi Mohamed Ghazalli
Chairman

Dato' Shahriman Shamsuddin

Datuk Muhamad Noor Hamid

Datuk Ramlan Abdul Malek

GROUP COMPANY SECRETARY

Izzam Ibrahim
(LS 0008731)

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 9076/78

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

Sapura@Mines
No. 7 Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : (6)03-8659 8800
Fax : (6)03-8659 8848

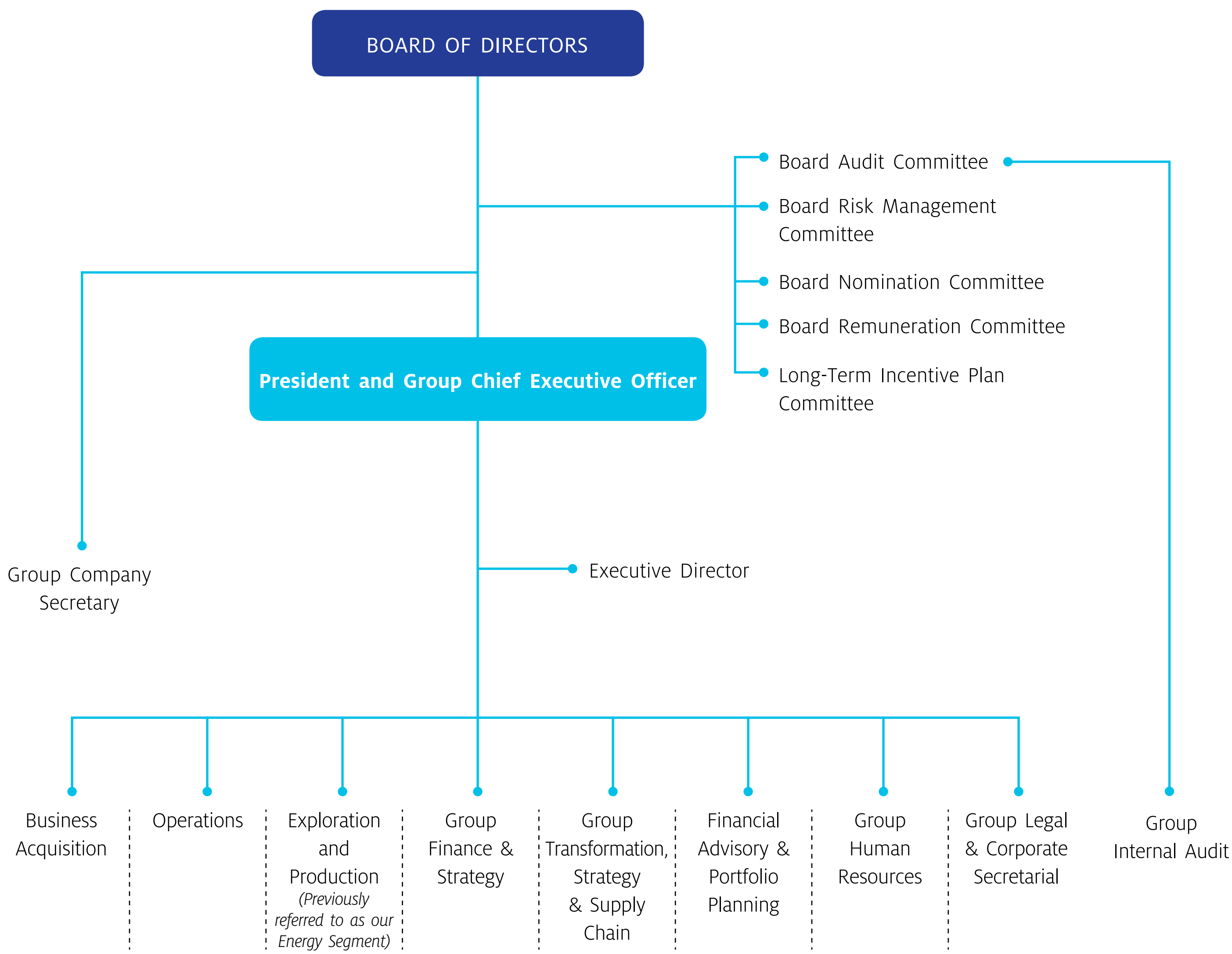
STOCK EXCHANGE LISTING

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

PRINCIPAL BANKERS

ABN AMRO Bank
AmBank 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

GROUP ORGANISATIONAL STRUCTURE



FINANCIAL CALENDAR

2016

25 Mar 2016

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

20 May 2016

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

26 May 2016

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

28 Jun 2016

Announcement of the unaudited consolidated results for the first quarter ended 30 April 2016

26 Jul 2016

Fifth Annual General Meeting

28 Sep 2016

Announcement of the unaudited consolidated results for the second quarter ended 31 July 2016

8 Dec 2016

Announcement of the unaudited consolidated results for the third quarter ended 31 October 2016

2017

31 Mar 2017

Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2017

24 May 2017

Announcement of Audited Financial Statements for the financial year ended 31 January 2017

30 May 2017

Notice of Annual General Meeting and issuance of Annual Report for the financial year ended 31 January 2017

25 Jul 2017

Sixth Annual General Meeting

BOARD OF DIRECTORS

Seated from left to right

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

Dato' Shahriman Shamsuddin
Non-Independent Non-Executive Director

Tan Sri Datuk Amar (Dr) Hamid Bugo
Senior Independent Non-Executive Director

Standing from left to right

Mohamed Rashdi Mohamed Ghazalli
Independent Non-Executive Director

Datuk Muhamad Noor Hamid
Independent Non-Executive Director

Gee Siew Yoong
Independent Non-Executive Director

Datuk Ramlan Abdul Malek
Non-Independent Executive Director

Tunku Alizakri Raja Muhammad Alias
Non-Independent Non-Executive Director

Datuk Ramlan Abdul Rashid
Independent Non-Executive Director

PROFILE OF BOARD OF DIRECTORS

Dato' Hamzah Bakar

Chairman
Non-Independent Non-Executive Director

Nationality/Age/Gender	Malaysian/73/Male
Date of Appointment	9 December 2011

BOARD COMMITTEE MEMBERSHIPS:

- Chairman, Board Remuneration Committee
- Chairman, Long-Term Incentive Plan Committee
- Member, Board Nomination Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Nil

WORKING EXPERIENCE AND OCCUPATION:

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 had 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.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Master of Arts in Public Policy and Administration with Development Economics from the University of Wisconsin, Madison, United States of America
- Bachelor of Science with Honours in Economics from the Queen's University of Belfast, United Kingdom

BOARD COMMITTEE MEMBERSHIPS:

- Member, Board Remuneration Committee
- Member, Long-Term Incentive Plan Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Deputy Chairman, Sapura Industrial Berhad
- Director, Sapura Resources Berhad

WORKING EXPERIENCE AND OCCUPATION:

Tan Sri Dato' Seri Shahril is the President and Group Chief Executive Officer of Sapura Energy.

Tan Sri Dato' Seri Shahril is also the President and Group Chief Executive Officer of Sapura Group, a Malaysian-based conglomerate which operates in various segments that include secured communication technologies, aviation, automotive manufacturing and property investment.

Tan Sri Dato' Seri Shahril is a member of the MIT Sloan Asian Executive Board and a member of the Board of Governors for the Asia School of Business. He is an active participant at the World Economic Forum.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Master of Science in Management of Technology, MIT Sloan School of Management
- Bachelor of Science in Industrial Technology, California Polytechnic State University

Tan Sri Dato' Seri Shahril Shamsuddin

President and Group Chief Executive Officer
Non-Independent Executive Director

Nationality/Age/Gender	Malaysian/56/Male
Date of Appointment	9 December 2011

Tan Sri Datuk Amar (Dr) Hamid Bugo

Senior Independent Non-Executive Director

Nationality/Age/Gender	Malaysian/71/Male
Date of Appointment	27 February 2012 – Independent Non-Executive Director 6 February 2013 – Senior Independent Non-Executive Director

BOARD COMMITTEE MEMBERSHIPS:

- Chairman, Board Nomination Committee
- Member, Board Audit Committee
- Member, Long-Term Incentive Plan Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Chairman, Sarawak Consolidated Industries Berhad
- Chairman, Sapura Resources Berhad

WORKING EXPERIENCE AND OCCUPATION:

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 the Founding Chairman of the Sarawak Biodiversity Centre. He was actively involved in the listing of Mulu National Park as a World Heritage Site. He was also the first Managing Director of Sarawak Information Systems Sdn Bhd (SAINS).

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

Tan Sri Datuk Amar (Dr) Hamid is a recipient of an Excellence Award from the American Association of Conversation Biology.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- PhD (Honorary) Degree in Commerce, Lincoln University, New Zealand
- Master and Bachelor of Arts in Economics, Canterbury University, New Zealand
- Postgraduate Diploma in Teaching, Christchurch Teacher's College, New Zealand
- Postgraduate Certificate in Business Studies, Harvard Institute of Development Studies, United States of America

BOARD COMMITTEE MEMBERSHIP:

- Member, Board Risk Management Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Managing Director, Sapura Resources Berhad
- Executive Director, Sapura Industrial Berhad

WORKING EXPERIENCE AND OCCUPATION:

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

He 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 and property investment.

Dato' Shahriman also currently sits on the Boards of Sapura Technology Sdn Bhd and Sapura Holdings Sdn Bhd.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Master of Science in Engineering Business Management from Warwick University, United Kingdom
- Bachelor of Science in Industrial Technology from Purdue University, United States of America

Dato' Shahriman Shamsuddin

Non-Independent Non-Executive Director

Nationality/Age/Gender	Malaysian/48/Male
Date of Appointment	9 December 2011

Mohamed Rashdi Mohamed Ghazalli

Independent Non-Executive Director

Nationality/Age/Gender	Malaysian/60/Male
Date of Appointment	9 September 2011

BOARD COMMITTEE MEMBERSHIPS:

- Chairman, Board Risk Management Committee
- Member, Board Audit Committee
- Member, Board Remuneration Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Director, Danajamin Nasional Berhad
- Director, Credit Guarantee Corporation Berhad
- Director, Malaysia Venture Capital Management Berhad

WORKING EXPERIENCE AND OCCUPATION:

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.

ACADEMIC/PROFESSIONAL QUALIFICATION:

- Bachelor of Science (Honorary) in Computation, University of Manchester Institute of Science and Technology, United Kingdom

Gee Siew Yoong

Independent Non-Executive Director

Nationality/Age/Gender Malaysian/67/Female

Date of Appointment 5 July 2013

BOARD COMMITTEE MEMBERSHIPS:

- Chairman, Board Audit Committee
- Member, Board Nomination Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Director, Tenaga Nasional Berhad
- Director, Telekom Malaysia Berhad

WORKING EXPERIENCE AND OCCUPATION:

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.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Member, The Malaysian Institute of Certified Public Accountants
- Member, The Malaysian Institute of Accountants
- Attended the International Banking Summer School (IBSS) Cambridge, Massachussetts, United States of America

Datuk Ramlan Abdul Malek

Non-Independent Executive Director

Nationality/Age/Gender Malaysian/62/Male

Date of Appointment 1 March 2014

BOARD COMMITTEE MEMBERSHIP:

- Member, Board Risk Management Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Nil

WORKING EXPERIENCE AND OCCUPATION:

Prior to joining Sapura Energy as Non-Independent Executive Director in March 2014, Datuk Ramlan has 35 years of working experience in upstream Exploration and Production ("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, enhanced-oil-recovery projects, major petroleum infrastructure projects, small fields development and unitisation of petroleum fields straddling boundaries and increasing local services companies participation.

Datuk Ramlan was previously the Vice President, Petroleum Management, E&P Business of PETRONAS prior to retiring in February 2014. His responsibility included the promotion, implementation and regulation of upstream activities in Malaysia. During his tenure in PETRONAS, Datuk Ramlan also help several technical and general management positions in PETRONAS, PETRONAS Carigali Sdn Bhd and PETRONAS Research and Scientific Services. Datuk 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"). He was also a past President of Malaysian Oil & Gas Services Council ("MOGSC").

During his tenure in Sapura Energy including and up to FY2017, Datuk Ramlan had management oversight responsibilities for engineering and construction – Malaysia, corporate supply chain management, corporate legal and internal audit.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Bachelor of Science (Honours) Degree in Chemical Engineering, University of Bath, United Kingdom
- Senior Management Training at INSEAD in France
- Senior Management Training at Cornell University, United States of America

BOARD COMMITTEE MEMBERSHIPS:

- Member, Board Risk Management Committee
- Member, Board Audit Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Director, Malakoff Corporation Berhad
- Director, Lafarge Malaysia Berhad

WORKING EXPERIENCE AND OCCUPATION:

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 as the General Manager of the Pipeline Division in OGP Technical Services Sdn Bhd ("OGP"), a joint venture company between PETRONAS and Nova Corporation of Canada, which 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.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Bachelor of Science (Honours) Degree in Mechanical Engineering, Sunderland Polytechnic, England
- Post Graduate Diploma in Natural Gas Engineering, Institute of Gas Technology in Chicago, Illinois, United States of America
- Management Programme, Wharton Business School of Management, University of Pennsylvania, United States of America

Datuk Muhamad Noor Hamid

Independent Non-Executive Director

Nationality/Age/Gender	Malaysian/65/Male
Date of Appointment	14 April 2015

Tunku Alizakri Raja Muhammad Alias

Non-Independent Non-Executive Director

Nationality/Age/Gender	Malaysian/47/Male
Date of Appointment	1 September 2016

BOARD COMMITTEE MEMBERSHIP:

- Nil

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Nil

WORKING EXPERIENCE AND OCCUPATION:

Tunku Alizakri has broad experience in strategic planning, communication, human resources and marketing. Tunku Alizakri is currently the Deputy Chief Executive Officer (Strategy) of the Employees Provident Fund ("EPF"), a position which he has held since 1 January 2014.

Prior to joining the EPF, Tunku Alizakri was the Chief Marketing Officer and Chief Operating Officer of the Iclif Leadership and Governance Centre. Tunku Alizakri has also held the positions of Director of Strategic Management in Bank Negara Malaysia, Director and Head of Strategy and Corporate Affairs at Digi Telecommunications, and Vice-President and Head of Group Strategic Planning of Maybank.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Master of Business Administration (MBA), Cornell University
- Bachelor of Laws (LLB), King's College, University of London
- Qualified as an advocate and solicitor in the courts of Malaysia
- Qualified as a Barrister (Lincoln's Inn) in the courts of England and Wales

BOARD COMMITTEE MEMBERSHIP:

- Member, Board Audit Committee

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Nil

WORKING EXPERIENCE AND OCCUPATION:

Datuk Ramlan was a Director of NCB Holdings Berhad and Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia). He had served as the Group Chief Operating Officer of MNRB Holdings Berhad ("MNRB") from 2011 to 2014 and was the Deputy Chief Executive Officer/Executive Vice President of MNRB Retakaful from 2010 to 2011. Prior to joining MNRB, Datuk Ramlan was the Chief Executive Officer/Executive Director of MAA from 2002 to 2007. He has held various positions in MAA since 1985.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Master of Arts in Actuarial Science, Ball State University, Indiana, United States of America
- Bachelor of Science (Honours) in Mathematics, Universiti Sains Malaysia
- Qualified Risk Director Program, Institute of Enterprise Risk Practitioners (IERP)
- Global Leadership Development Program, International Centre for Leadership in Finance (IClif)

Datuk Ramlan Abdul Rashid

Independent Non-Executive Director

Nationality/Age/Gender	Malaysian/58/Male
Date of Appointment	23 September 2016


Seadrill
sapura energy

ADDITIONAL INFORMATION IN RELATION TO THE DIRECTORS

1. **Family Relationship with Directors and/or Major Shareholders**
   Save for the following, none of the Directors of Sapura Energy 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.

2. **Conflict of Interest**
   None of the Directors of Sapura Energy has any conflict of interest with the Company.

3. **Convictions for Offences**
   None of the Directors of Sapura Energy has any conviction for offences or has been imposed of any public sanction or penalty by the relevant regulatory bodies within the past five years.

4. **Attendance at Board Meetings**
   The attendance of the Directors at its meetings held during FY2017 are set out on page 85 of this Annual Report.

EXECUTIVE COMMITTEE

From left to right

Datuk Kris Azman Abdullah
Senior Vice President
Exploration and Production

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

Datuk Ramlan Abdul Malek
Executive Director
Strategy and Operational Support

Reza Abdul Rahim
Group Chief Financial Officer/
Senior Vice President
Group Finance and Strategy

Chow Mei Mei
Senior Vice President
Financial Advisory and Portfolio
Planning

Ahmad Zakiruddin Mohamed
Senior Vice President
Operations

Vivek Arora
Senior Vice President
Business Acquisition

Raphael Siri
Senior Vice President
Group Transformation,
Strategy and Supply Chain

PROFILE OF EXECUTIVE COMMITTEE

Tan Sri Dato' Seri Shahril Shamsuddin

President and Group Chief Executive Officer

Nationality	Malaysian
Age/Gender	56/Male
Date of Appointment	9 December 2011

For details of Tan Sri Dato' Seri Shahril Shamsuddin's profile, please refer to page 25 of this Annual Report.

Datuk Ramlan Abdul Malek

Executive Director
Strategy and Operational Support

Nationality	Malaysian
Age/Gender	62/Male
Date of Appointment	1 March 2014

For details of Datuk Ramlan Abdul Malek's profile, please refer to page 30 of this Annual Report.

Datuk Kris Azman Abdullah

Senior Vice President, Exploration and Production

Nationality	Malaysian
Age/Gender	53/Male
Date of Appointment to Key Senior Management position	15 May 2012

Working Experience:

Datuk Kris Azman Abdullah is the Senior Vice President of the Exploration and Production Division of Sapura Energy Berhad.

With more than 15 years of experience in the financial services industry, Datuk Kris has worked in Aseambankers Malaysia Berhad, TA Securities Berhad and Pengurusan Danaharta Nasional Berhad in several senior positions.

Datuk Kris was also the Executive Director of Issues and Investment Division at Securities Commission of Malaysia where he was part of the team responsible for introducing numerous policy changes that made decision-making processes more transparent.

In 2010, he was appointed as the Executive Director of Group Strategy and Business Development at Sapura Group of Companies, where he was involved in the negotiations and closing of Malaysia's first Risk Service Contract oilfield development project in January 2011.

His current portfolio at Sapura Energy includes the development of key strategies and management of the operatorship and partnerships in the development and production of greenfield, brownfield and marginal oil and gas fields, investments and ventures of key production assets, as well as ventures of new field development and production technologies.

Datuk Kris currently sits on the Malaysia-Singapore Business Advisory Council.

Academic/Professional Qualifications:

- Chartered Financial Analyst designation from the Institute of Chartered Accountants in England and Wales (ICAEW)
- Bachelor of Arts (Honours) in Accounting, Michigan State University, United States of America

Reza Abdul Rahim

Group Chief Financial Officer
Senior Vice President, Group Finance and Strategy

Nationality	Malaysian
Age/Gender	41/Male
Date of Appointment to Key Senior Management position	15 May 2012

Working Experience:

Reza Abdul Rahim was first appointed as the Senior Vice President of the Offshore Construction and Subsea Services Division of Sapura Energy Berhad in 2012. In 2015 he was appointed as the Senior Vice President, Group Strategy and Regional Development prior to assuming his current position as the Group Chief Financial Officer / Senior Vice President, Group Finance and Strategy on 1 June 2016.

Prior to the merger between SapuraCrest Petroleum Berhad and Kencana Petroleum Berhad, Reza was Acting Chief Executive Officer for Oil and Gas Construction Services of SapuraCrest, Chief Executive Officer for Energy Ventures and Operations of SapuraCrest and Group Chief Operating Officer of Sapura Group.

Reza has experience in audit, financial management and corporate finance. Previously, he was Senior Vice President and Head of Group Corporate Finance at Axiata Group Berhad and prior to that he was Chief Financial Officer of Sapura Holdings Sdn Bhd and Group Financial Controller of Sapura Technology Berhad.

Academic/Professional Qualifications:

- Member of the Institute of Chartered Accountants in England and Wales (ICAEW)
- Member of the Malaysian Institute of Accountants
- Master of Philosophy in Finance, University of Cambridge
- Bachelor of Science in Accounting and Finance (First Class Honours), The London School of Economics and Political Science

Chow Mei Mei

Senior Vice President, Financial Advisory and Portfolio Planning

Nationality	Malaysian
Age/Gender	51/Female
Date of Appointment to Key Senior Management position	15 May 2012

Working Experience:

Chow Mei Mei is currently the Senior Vice President of Financial Advisory and Portfolio Planning of Sapura Energy Berhad.

Prior to this, she held the position of Senior Vice President, Group Strategy and Finance Division in 2015. She had also served Sapura Energy as its Senior Vice President, Group Strategy and Business Planning Division from 2012 to 2015.

Prior to the merger between SapuraCrest Petroleum Berhad and Kencana Petroleum Berhad, Mei Mei held the position of Executive Director of Group Treasury and Corporate Finance at Sapura Holdings Sdn. Bhd. as well as the Director of Treasury and Corporate Finance at SapuraCrest Petroleum Berhad.

Prior to joining the Sapura Group, Mei Mei had held several senior positions in Sime Darby Berhad's group of companies including Chief Financial Officer of the Energy and Utilities Division, Chief Financial Officer and Head of the Strategy and Business Development of the Motors Division, and Senior Manager and Head of Group Corporate Finance.

Academic/Professional Qualifications:

- Member of the Institute of Chartered Accountants in England and Wales (ICAEW)
- Member of the Chartered Institute of Marketing, United Kingdom
- Bachelor of Arts (Honours) in Business Studies, University of South Wales

Ahmad Zakiruddin Mohamed

Senior Vice President, Operations

Nationality	Malaysian
Age/Gender	46/Male
Date of Appointment to Key Senior Management position	1 August 2012

Working Experience:

Ahmad Zakiruddin Mohamed is the Senior Vice President, Operations in Sapura Energy Berhad. He joined Sapura Energy in 2012 as Vice President, Strategic Business Support overseeing the technical aspects and operational strategic initiatives under the direction of the President and Group Chief Executive Officer.

Zakiruddin started his career at Ranhill Bersekutu Sdn. Bhd. before moving to WS Atkins Consultants Limited, United Kingdom (UK) as a mechanical engineer. He also worked in Detmoravice, Czech Republic under RMC Group PLC, UK prior to his career at Ranhill Engineers & Constructors Sdn. Bhd. and Ranhill Power Sdn. Bhd.

During the period of 2009 to 2012, Zakiruddin was the Chief Executive Officer of Ranhill E&C Sdn. Bhd. and Amona Ranhill Consortium Sdn. Bhd. Zakiruddin has over 20 years of experience working in Malaysia, North Africa and Europe with exposure in a range of industries and sectors.

Academic/Professional Qualifications:

- Certified Chartered Engineer (Engineering Council), United Kingdom
- Member of the Institute of Mechanical Engineers (IMechE), United Kingdom
- Bachelor of Engineering (Honours) in Mechanical Engineering, University of Warwick

Vivek Arora

Senior Vice President, Business Acquisition

Nationality	Indian
Age/Gender	49/Male
Date of Appointment to Key Senior Management position	1 August 2012

Working Experience:

Vivek Arora is currently the Senior Vice President of Business Acquisition of Sapura Energy Berhad.

Vivek has 25 years of experience in oil and gas offshore construction for McDermott ETPM Inc. and Global Offshore International Limited in multiple locations in the Middle East and Asia Pacific.

In 2007, Vivek assumed the role of General Manager at TL Offshore Sdn. Bhd. (now known as SapuraKencana TL Offshore Sdn. Bhd.) and was then appointed as the Chief Operating Officer of International Business at SapuraCrest Petroleum Berhad in 2010. Prior to his current position, he was appointed as the Vice President of Engineering & Construction – International at Sapura Energy from 2012 to 2014.

Academic/Professional Qualifications:

- Bachelor of Engineering, Punjab University, Chandigarh, India

Raphael Siri

Senior Vice President, Group Transformation, Strategy & Supply Chain

Nationality	French
Age/Gender	46/Male
Date of Appointment to Key Senior Management position	1 January 2013

Working Experience:

Raphael Siri was appointed as the Senior Vice President of SapuraKencana Drilling on 1 January 2013 following the acquisition of Seadrill Limited's Tender Rig business by Sapura Energy Berhad. He currently holds the title of Senior Vice President, Group Transformation, Strategy & Supply Chain.

Raphael Siri joined Seadrill Limited in 2011 after 16 years of operational and management experience in Drilling from major oil and gas companies like Schlumberger (Sedco Forex) and Pride International. His extensive engineering portfolio covers different locations across Africa including Algeria, Nigeria and Congo as well as Houston, Texas.

He previously held the position of Director of Operations Preparations in 2011 before assuming the role of Senior Vice President, Asia Pacific of Seadrill Limited in 2013.

Academic/Professional Qualifications:

- Engineering Diploma in Applied Mathematics, Ecole Nationale Supérieure de Techniques Avancées, Paris
- Master in Applied Mathematics, Université de Nice Sophia Antipolis, Nice

Save for Tan Sri Dato' Seri Shahril's declaration which is found on page 35, none of the key executives:

- hold any directorship in public companies and/or listed issuers;
- has any family relationship with any Director and/or major shareholder of the Company;
- has any conflict of interest with the Company; and
- has any conviction for offences or has been imposed of any public sanction or penalty by the relevant regulatory bodies within the past five years.

MANAGEMENT DISCUSSION AND ANALYSIS

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN
President and Group Chief Executive Officer

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

The Group reported a profit after tax ("PAT") of RM206 million in the financial year ended 31 January 2017 ("FY2017"). The Group's aggressive stance towards market expansion and cost reduction has resulted in RM7.7 billion in revenue and profit before tax ("PBT") before impairment of RM668 million.

The industry environment remains challenging with increased competition in the Engineering and Construction, and Drilling (Services segments) due to the widespread cuts in capital expenditure. As a result of the Group's track record to deliver projects as well as benefitting from stringent cost-reduction initiatives, the Group has been competitive and effective in securing new contracts worth RM6.3 billion for this financial year. Notable wins for the Group include the Trans-Anatolian Natural Gas Pipeline ("TANAP") Project in Turkey, Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") of B127 Cluster Pipeline RTR Project in India, KMZ sour gas pipeline in Mexico, long-term well plug and abandonment contract in Brunei, and decommissioning work in Malaysia and Australia.

In Exploration and Production (previously referred to as Energy Segment), we have made significant progress in commercialising our gas fields. The B15 project for the SK310 development is on track for first gas by the third quarter of this year. The additional gas discoveries for SK408 offshore Sarawak enhances our position as an Asian-based independent company and we continue to leverage our in-house expertise to identify new opportunities to add further to the Group's portfolio of resources and reserves.

The Group believes that oil prices will remain range bound in the medium-term, driven by fundamental supply and demand dynamics. The rebalancing of these factors is expected to trigger return of investment appetite for offshore development projects, but we believe the activity levels will remain subdued in the short-term and competition will remain intense.

In these challenging times, our greatest asset is our people. On behalf of the management, I would like to express my gratitude to our people, whom have risen together as a Group, in transforming the way we work, reorganising ourselves to fully leverage our diversity in expertise, without disruption to the day-to-day operations and interactions with our clients.

We would also like to express our appreciation to our clients, partners, lenders and our shareholders, for their continued support and belief in the Group's ability to navigate this challenging environment. The Group remains committed to delivering fit-for-purpose solutions to our clients, and to continue to generate value to our shareholders.

The recently announced new corporate identity is part of celebrating the breadth and depth of our expertise. Leveraging the immense diversity of skills and talent that we possess, we believe the new identity would be able to address a wider scope of the energy value chain globally. The new identity reinvigorates our strategies on global market expansion and cost optimisation, and setting the scene right as the industry finds its way back to recovery.

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN
President and Group Chief Executive Officer

STRATEGIC REVIEW & OUTLOOK

INDUSTRY OUTLOOK

We began the financial year under review with the price of oil dropping to below USD30 per barrel. The continuing oil price declines from the previous year further aggravated the operating environment for the oil and gas industry. This saw oil majors and national oil companies continue to implement drastic measures to drive cost savings, from consolidating assets, downsizing manpower, streamlining operations and delaying capital expenditure ("capex") plans.

The impact of subdued upstream activity on services providers globally was pronounced. The intensified competition from both regional and international players led to increased pressure on both price and margins.

There has been a modest and gradual recovery in oil price during the financial year. Looking ahead, oil price is anticipated to remain range bound due to fundamental supply and demand dynamics. The stability should revive confidence and investment appetite to develop offshore fields. We are already witnessing key offshore projects, for example in the North Sea and Gulf of Mexico, sanctioned due to the 20%-30% reduction in development costs. Simplification in solutions and reduction in costs have brought breakeven levels to under USD50.

Taking these factors into consideration, the Group anticipates the landscape to remain competitive and activities will be concentrated within key geographic locations, such as India and the Middle East, driven by competitive breakeven levels and the demand for energy to enhance its regional economic development.

THE FINANCIAL RESULTS DEMONSTRATE OUR RESILIENCE

Sapura Energy maintained a robust operational and financial performance for the year.

The Group achieved PAT of RM206 million, compared to the previous year's loss after tax of RM791 million. The improving industry environment has led to significantly lower impairment of RM283 million as compared to RM2,029 million in FY2016.

The Group recorded RM7.7 billion in revenue in this financial year. Complemented by our efforts to rebase costs and enhance our operational efficiencies, we achieved PBT before impairment of RM668 million.

ASSETS & CASH POSITION

We continued to strengthen our total assets while improving our net debt to equity ratio from 1.34x to 1.16x with an increase in cash generated from operations. Our cash balance improved from RM1.9 billion in FY2016 to RM3.5 billion in FY2017.

CASH BALANCE

RM3,520
million

DIVIDEND
interim dividend of
1 sen per share

RM60
million

REVENUE

RM7,651
million

PROFIT AFTER TAX

RM206
million

DIVIDEND

As a result of our encouraging performance during the financial year, the Board of Directors on 31 March 2017 declared an interim dividend of 1 sen per share in respect of FY2017. This dividend of RM60 million was paid out on 28 April 2017.

SEGMENTAL RESULTS

ENGINEERING & CONSTRUCTION

Revenue from Engineering & Construction ("E&C") was RM4.5 billion, mainly from EPCIC and T&I projects. This was 20% lower than in FY2016 as a result of the reduced volume of work. For the same reason, and reflecting the decrease in revenue, segment profit also dropped by 68% to RM281 million.

REVENUE

RM4.5 billion

DRILLING

Revenue from Drilling was RM2.0 billion, mainly from activity in Thailand, Malaysia and Brunei. The decrease in revenue by 32% from previous financial year is a result of the reduced drilling activity globally. Segment profit for Drilling decreased by 35% year-on-year to RM376 million.

REVENUE

RM2.0 billion

EXPLORATION & PRODUCTION

Revenue from Exploration and Production ("E&P") (previously referred to as Energy Segment) amounted to RM1.1 billion, which marked a 30% drop year-on-year. This was driven by the drop in average realised oil price as compared to FY2016 as well as the natural decline in the producing fields. The segment recorded profit of RM200 million due to cost savings realised as a result of the various efforts implemented during the year as well as lower depreciation costs.

REVENUE

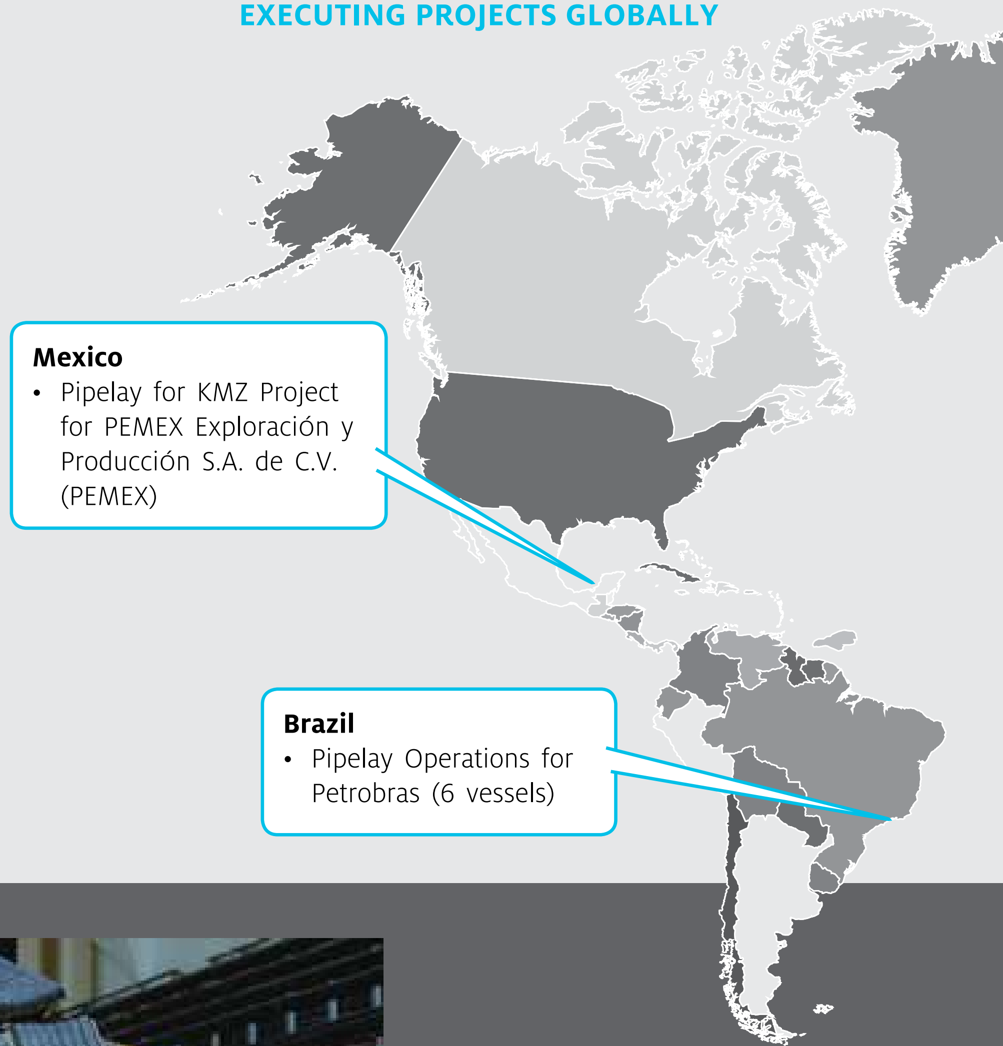
RM1.1 billion

RM6.3 BILLION OF NEW CONTRACT WINS

The Group secured a total of RM6.3 billion in new contracts during the financial year. These new wins were a result of an aggressive campaign towards enhancing our efficiency and productivity in core areas of expertise – such as engineering, project management, fabrication, transport and installation ("T&I"), production drilling and commissioning coupled with efforts to expand our existing markets in Malaysia, Brunei and India and developing new markets such as Turkey and Mexico.

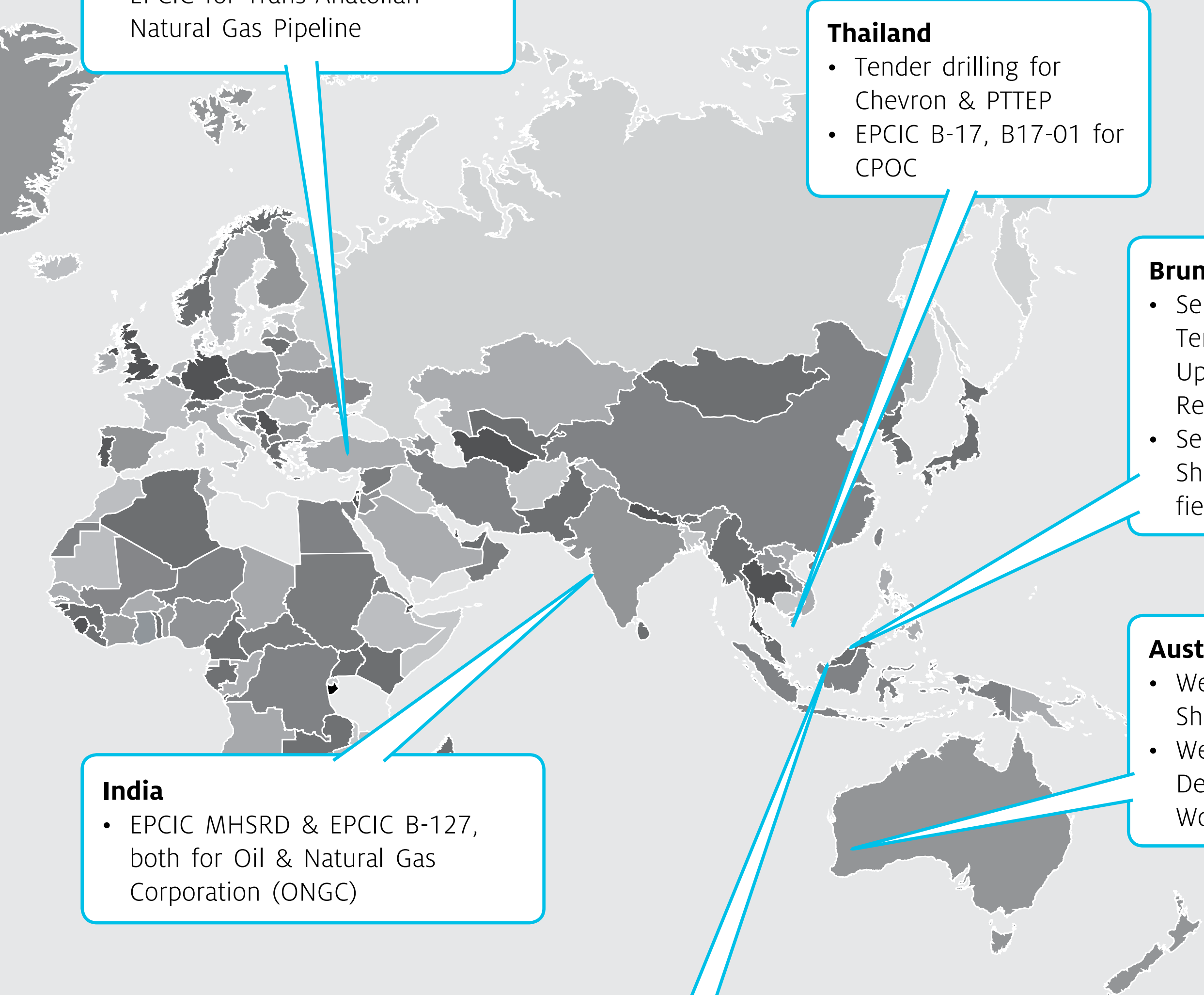
In addition, we have also proactively expanded our capabilities and increased our service offerings encompassing the areas of brownfield rejuvenation, well intervention, plug and abandonment and decommissioning work.

EXECUTING PROJECTS GLOBALLY



Venturing into Turkey through TANAP

In July 2016, Sapura Energy won a contract by Tanap Dogalgaz İletim A.S. for the design and installation of pipelines and fiber optic cables for the TANAP Project in the Dardanelles Strait in Turkey. This was a significant win, both because of the strategic nature of TANAP – as a supplier of natural gas from the Southern Gas Corridor project in Azerbaijan to Europe – and because of the exposure this project gives us to the upstream industry in Europe.



Turkey
- EPCIC for Trans-Anatolian Natural Gas Pipeline

Thailand
- Tender drilling for Chevron & PTTEP
- EPCIC B-17, B17-01 for CPOC

Brunei
- Seria Crude Oil Terminal (SCOT) OES Upgrade Offshore SPM Replacement
- Semi-Tender for Brunei Shell Petroleum (BSP) field developments

Australia
- Well Intervention for Shell Australia
- Well Intervention and Decommissioning for Woodside Energy

India
- EPCIC MHSRD & EPCIC B-127, both for Oil & Natural Gas Corporation (ONGC)

Malaysia
- EPCIC ZAK WHP for Hess
- PC B15 CPP for Sapura E&P
- Decommissioning of D-30 and MOPU Sepat for PCPP and PETRONAS
- EOR Brownfield works for ExxonMobil
- Semi-tender drilling for TLP Malikai, Shell
- T&I F12 – Development Project for PETRONAS (PCSB)
- T&I BNCPP Jacket for Hyundai
- T&I Bunga Pakma for Repsol
- T&I Guntong Pipeline for ExxonMobil
- Tender drilling for PETRONAS (PCSB)

SUCCESSFULLY DELIVERED

96

projects in FY2017

Six 'gems' of vessels for Petrobras

A key highlight of the year was fulfilling our commitment to deliver six pipelay vessels ("PLVs") to Petrobras for work in ultra deepwater offshore Brazil. Prior to FY2017, three PLVs had already been delivered – beginning with Sapura Diamante which commenced work on 28 June 2014, Sapura Topázio which was operational on 30 September 2014, and Sapura Ônix on 4 September 2015. This financial year saw the delivery of the final three PLVs – Sapura Jade which started work on 14 February 2016, Sapura Esmeralda on 6 April 2016; and Sapura Rubi on 14 August 2016.

We also remain committed to safe operations with numerous awards received from key clients.

SapuraKencana TL Offshore Sdn Bhd ★★★★★

Gold Merit Award: Excellent Occupational Safety and Health Performance	Malaysian Society of Occupational Safety and Health (MSOSH)

Sapura Fabrication Sdn Bhd ★★★★★

Focused Recognition Award – Outstanding Performance on Safety, Baronia Project	PETRONAS Carigali Sdn Bhd

SapuraKencana Mexicana S.A.P.I. de C.V. ★★★★★

Special Recognition – achievement of the ZERO ACCIDENTS goal during 2016 Project execution	PEMEX Exploración y Producción S.A. de C.V (PEMEX)

Sapura Technology Solutions Sdn Bhd ★★★★★

100,000 man-hours without LTI	HESS Corporation

Sapura Subsea Services Sdn Bhd ★★★★★	
Platinum Safety Award for Excellence (S.A.F.E)	Carigali Hess Operating Company Sdn Bhd

Sapura Drilling Division ★★★★★	
SKD Setia 7-years LTI-free Campaign	Chevron Angola

Sapura Drilling Division ★★★★★	
Global Rig of the Year, 2016 – SKD T18	Chevron Thailand Exploration & Production OE/HES Award

Sapura Drilling Division ★★★★★	
Shell Rig of the Year (9th time) – SKD Pelaut	Royal Dutch Shell Plc

STRONG GROWTH IN E&P

Our E&P business has continued to maintain its strong performance and is expected to be an important area of growth for the Group in the coming years. As part of our Production Sharing Contract ("PSC") commitments, E&P has drilled 3 additional wells in our PSC blocks offshore East Malaysia, resulting in significant gas discoveries. Since 2014, the team has added nine trillion cubic feet ("TCF") of gas into our reserves and resources portfolio, anchoring our position as a leading regional independent E&P company.

Development of the B15 field within the SK310 PSC is ongoing with good progress made on the offshore facilities with first gas expected in Q3 of 2017 as scheduled.

PROACTIVE STRATEGIC STEPS TO ENSURE BUSINESS SUSTAINABILITY

The management took additional strategic steps to ensure sustainability of operations in a challenging industry environment.

Proactive capital management has always been a key philosophy for the Group. Early engagement with our consortium of regional and international lenders led to a successful refinancing of our debt portfolio worth USD1.5 billion. The refinancing involved raising about USD658 million via a new conventional term loan facility, and issuance of about RM3.3 billion and USD74.8 million of unrated sukuk under our existing 30-year multi-currency sukuk programme, which was announced to Bursa Malaysia on 7 March 2017. Proceeds from the refinancing will be used for early repayments of existing borrowings.

Steps have also been taken to re-prioritise capex plans for both Services and E&P. In Services, capex for new builds was deferred. Within E&P, development capex for SK310 and in-field drilling activities were further optimised to reduce the cash burden.

Further cost savings synergies were achieved through centralisation of our business development, procurement and other key corporate functions such as human resources and finance for services, consolidating into a single location at our headquarters in Mines Resort City, Malaysia.

2017 STRATEGY AT A GLANCE

FURTHER BUSINESS EXPANSION IN KEY MARKETS AND NEW SERVICES

Sapura Energy's business development will focus on strengthening our relationships with national oil companies, oil majors and international independents. Leveraging our established track record within the region, we seek to secure opportunities to work with customers in geographic locations where they operate and where we currently do not serve them.

New offices have been set up in the Middle East to replicate the success of our other regional offices in India, Brazil and Mexico. To minimise new market entry risks, meet our localisation agenda and to further enhance our suite of capabilities, we have appointed regional partners with strong local presence and industry experience.

To replenish our orderbook, we are utilising our core capabilities and strategic assets to address the needs for the infrastructure market that include fabrication and installation of floating marine terminals and laying of sub-sea fiber optic cables.

CONTINUED PRECISION IN EXECUTION FOR OPERATIONS

The Group remains committed to delivering our ongoing work and projects safely, on time and within budget.

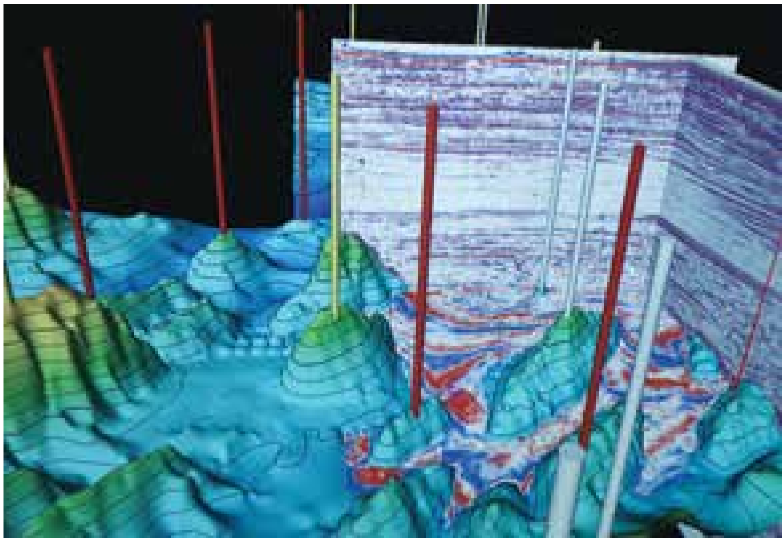
Safety remains a core priority for operations, and is a continuous work-in-progress. The Group continues to identify ways to ensure the safety of its people and assets while also protecting the environment. Our commitment to safety is reflected in wide-ranging plans and initiatives to ensure safety awareness, training and root-cause identification. For further information on our safety initiatives, please refer to our Sustainability Report.

STRENGTHENING OUR POSITION AS A REGIONAL INDEPENDENT OPERATOR

With the SK310 B15 development on track towards achieving first gas by Q3 of 2017, our E&P team is now focused on developing and finalising plans for further commercialisation of the SK408 fields.

These fields, when fully developed, will provide the Group with long-term visibility in revenue. Tapping into our deep internal expertise in geology and reservoir engineering, the team is working to develop solutions that are cost-effective and fit-for-purpose.

Meanwhile, we continue to look actively for other viable potential fields globally to build a larger and diversified portfolio of assets.



KEY RISKS TO THE GROUP

Risk management is embedded in our day-to-day operations. Governance policies and procedures are developed with clear accountabilities for senior management to effectively identify, assess, prevent, record and mitigate all material risks for the Group.

In pushing forward with our strategy and execution plans, key risks have been identified and continuous monitoring undertaken to ensure our exposure to all anticipated risks stays within the Group's overall risk appetite.

Key Group Risks	Key Mitigation Steps
Oil price decline	• Enhance operational efficiencies to reduce cost to meet current price range and operational breakeven levels • Continuous monitoring of industry dynamics, and discussion of any significant shift in industry at senior management level to develop strategic responses to the change
Suppressed orderbook growth	• Tenders in key markets identified and experienced teams deployed to ensure robust pricing decisions • Steps taken to ensure we pre-qualify in new markets to establish a competitive presence
Foreign exchange risk	• Manage multi-currency project environment by hedging to manage foreign exchange risk • Matching the payment for foreign currency payables against receivables denominated in the same currency
Interest rate risk	• Based on our macro-economic view, we believe our current debt profile linked to USD Libor and KLIBOR will remain within a specific range • Management proactively monitors movements in US economy to ensure any anticipated rate hikes remain within our endorsed budget targets
Safety	• Senior management continuously monitors safety performance of all operations and are actively involved in incident investigation as well as subsequent planning for remedial steps • Targets and KPIs are set to ensure robust safety performance • Continuous training and involvement of senior leadership in cascading our strong culture on safety

REBRANDING & REPOSITIONING FOR THE FUTURE

The Group's growth story has been anchored on strong capability building over the years. Starting from topside maintenance work offshore Malaysia, we now have a track record of delivering integrated EPCIC work globally.

To reflect our growth and the development of integrated capabilities to address the entire energy value chain, we have reinvigorated our value proposition and identity for clients and employees.

COMMITMENT TO SUSTAINABILITY

We recognise that, to be sustainable in the long term, we need to ensure not only that we are operationally efficient and cost effective but also that we meet the needs and expectations of our stakeholders that include our shareholders, customers, employees, business partners and local communities.

Underlining our sustainability initiatives are our vision that reinforces a culture of ethics and integrity that guides our stakeholder engagement, and our commitment to ensuring the highest level of safety in our day-to-day operations. We strive to minimise any impact on the environment in all of our operations.

For more information on our sustainability initiatives, please refer to our Sustainability Report.

COMMITMENT TO PEOPLE

We recognise that our people are our key asset hence we focus on attracting and retaining the best talent. We undertake various recruitment efforts locally and internationally to ensure we have a secure pipeline of dynamic talent. We engage regularly with our employees, and provide them with opportunities to grow with the Group.

We believe in seeking out the unique abilities of each employee and enabling them to realise their potential via training and on-the-job experience. We are committed to empowering our people and helping them to develop meaningful and satisfying careers with us. Motivation is critical to maintaining a high-performance culture, which in turn, determines our organisational success.

SUSTAINABILITY REPORT: INTRODUCTION

ABOUT US

SAPURA ENERGY BERHAD IS A GLOBAL INTEGRATED OIL AND GAS SERVICES AND SOLUTIONS PROVIDER OPERATING ACROSS THE UPSTREAM VALUE CHAIN.

The Group's spectrum of capabilities covers exploration, development, production, rejuvenation and decommissioning and abandonment. With a highly-skilled and technically-capable workforce, strategic world-class assets, and strong project management capabilities, the Group today delivers its integrated solutions and expertise in over 20 countries. Headquartered in Malaysia, the Group is committed to purposeful, responsible growth while it strives to develop solutions and expand capabilities at the forefront of the energy 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.

CODE OF CONDUCT

Sapura Energy is committed to conducting our operations in full compliance with all applicable laws and regulations in all the countries in which we operate. We ensure the Group's vision – anchored on trust, honesty and respect – is upheld in all our business dealings. We are, further, committed to continuously enhancing our governance systems to ensure every employee acts in accordance with the Group's Code of Conduct.

REPORT SCOPE

This Sustainability Report covers Sapura Energy's global operations for FY2017. It should be read alongside the Management Discussion and Analysis in this Annual Report that captures both our financial and operational performance.

MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

Dear Stakeholders,

It gives me great pleasure to present Sapura Energy's inaugural Sustainability Report, and to introduce what sustainability means to us, as well as what we hope to achieve for the future.

Sustainability is inherent in our corporate DNA as it is about operating in a manner that safeguards our long-term viability. It is reflected in our business model that seeks to create and deliver value for our stakeholders.

The Group's sustainability agenda has three areas of focus: ensuring operational sustainability, nurturing and developing our talent, and ensuring no harm to our people or environment.

Operational sustainability entails building strong relationships with our clients as well as providing support to local economies and communities. In nurturing people, we hire and continually develop the best talent to drive business success. The safety of our people is a key element of our operations and the Group is proactive in inculcating a strong safety culture throughout the organisation. We will continue our efforts to minimise the impact to the environment from operations.

While developing this report, we have identified areas to fulfil our agenda on sustainability including the formalisation of the appropriate governance structure to provide over-sight on the progress of our initiatives. The Group remains committed to continuously enhance our agenda for the long-term sustainability of our business.

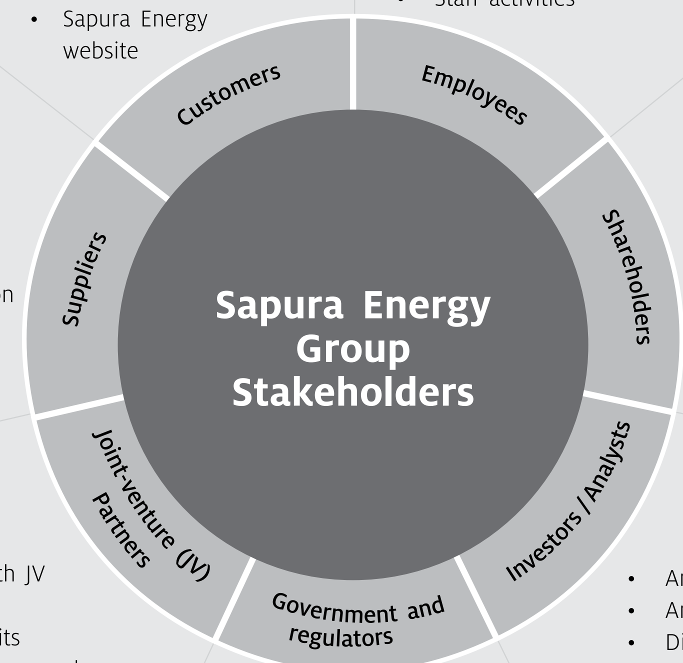
MATERIALITY MATRIX

In order to ascertain matters that are material to Sapura Energy and our stakeholders, we conducted a materiality assessment with the Management team. Using the Global Reporting Initiative ("GRI") framework as a benchmark, we assessed various factors and prioritised them according to their degree of importance. The seven high-priority material matters are as follows:

Ethical Business Practices	Emergency Preparedness	Economic Performance	Workforce Health and Safety	Employee Management	Environmental Management	Energy Efficiency

KEY STAKEHOLDERS AND HOW WE ENGAGE WITH THEM

We have a keen insight on what is important to our stakeholders from a high level of engagement with them.



Customers
- Performance reviews
- Industry conference and networking events
- Customer roadshows
- Sapura Energy website

Employees
- Management-employee townhalls
- Department-level townhalls/engagements
- Intranet
- Staff activities

Suppliers
- Medium to Long-Term Agreements
- Site visit and supervision

Shareholders
- Annual General Meeting
- Board and Board Committees

Joint-venture (JV) Partners
- Meetings with JV Partners
- Joint site visits
- Joint workshops and trainings
- JV Board engagements

Government and regulators
- Participation in surveys
- Facilitating regulatory audit
- Support industry/ government initiatives

Investors / Analysts
- Annual and quarterly reports
- Analyst briefings on financial results
- Direct engagements
- Conferences and investor roadshows
- Sapura Energy website

SUSTAINABLE OPERATIONS

In order to safeguard the sustainability of our business, we ensure our operating model – encompassing every dimension of our business – is designed for the long-term. Essentially, this is anchored on meeting the needs and expectations of our key stakeholders, our clients and communities.

Ensuring client satisfaction

We are committed to building healthy, long-term relationships with clients comprising national oil companies ("NOCs"), international oil companies ("IOCs"), oil majors and independent operators. In order to do this, we strive to deliver the most innovative, fit-for-purpose solutions for every project entrusted to the Group, meeting clients' stringent requirements on safety, quality, schedule and budget.

In FY2017, we successfully delivered projects for customers in Malaysia, Brunei, Thailand, Mexico, Brazil, Trinidad & Tobago, Angola, Vietnam, India and Australia.

We will continue with our approach of 'precision in execution' in all ongoing and future projects to reinforce the trust that our clients have in our ability to deliver.

Contributing to local communities

To ensure the sustainability of our operations in all markets, we integrate ourselves into the local landscapes by hiring local talent and leveraging the local economic infrastructure to meet our operational needs. Today, our regional offices are staffed by more than 80% local hires.

The Group is also committed to capability development in the countries where we operate. This ensures a sustainable pipeline of specialised expertise while developing local skills through technology transfer and providing attractive employment propositions for the local workforce.

SUPPORTING LOCAL ECONOMIES

We strive to ensure a share of our project expenditure is spent locally.

TANAP PROJECT IN TURKEY, WE HAVE SET A TARGET TO SPEND A MINIMUM OF

20%

locally

17%

OF KMZ PROJECT PROCUREMENT WAS SPENT LOCALLY IN MEXICO

Sapura Excellence Training Academy

In 2014, we set up the Sapura Excellence Training Academy in Rio de Janeiro, Brazil to train local talent in specialised skills required for the oil and gas industry. The academy uses simulators in a classroom setting to equip technical personnel with critical pipelay fitting skills and the ability to manage remotely operated vehicles ("ROVs"), which are particularly useful in deepsea and harsh marine environments. To date, approximately 400 people have graduated from the centre.

NURTURING AND DEVELOPING TALENT

Our ability to deliver innovative solutions to customers lies in the knowledge, experience and ingenuity of our people. We recognise, therefore, the importance of recruiting the right people and providing them with the right opportunities to realise their true potential. Anchored on the Group's entrepreneurial spirit, we empower our people to be the best that they can be.

RECRUITMENT

We recruit the best talent based on merit, experience and long-term potential. In order to attract top-calibre candidates, we spread our recruitment net far and wide, both locally and internationally, and target talent at various levels from fresh graduates all the way to experienced hires.

As a Group, we try to maintain a healthy pipeline of talent in various specialisations to ensure sustainability of our pool of expertise, from technical knowledge in oil and gas to key management skills in finance, procurement and HR.

DEVELOPMENT

We have dedicated development programmes for each area of our Group's business, targeting employees at different stages of their career, from the entry level to mid-career up to senior leadership. We also leverage our multinational presence by offering employees the opportunity to work overseas for greater exposure to the oil and gas industry globally.

Our development initiatives form part of an overarching agenda of succession planning for key roles in the organisation.

In tandem with ongoing programmes, the Group is collaborating with the Asia School of Business to roll out additional professional development opportunities for those in their mid-career onwards.

E&C Development Programmes

- *Welder Training Programmes*

  Since 2014, we have worked with Yayasan Peneraju Pendidikan Bumiputera ("Peneraju") to design a comprehensive, industry-relevant programme for welders and fitters. The three-month programme provides basic 6G training to new entrants to the trade at Peneraju centres in Semenyih, Selangor and Seri Manjung, Perak. Most of the candidates are either school leavers or students from Institut Latihan Kemahiran Awam (ILKA) and Institut Latihan Kemahiran Swasta (ILKS).

  At the end of the programme, the participants undertake a Welding Qualification Test (WQT). To date, Peneraju has sponsored more than 300 participants to undergo the programme, with about 60% of them passing the assessment. Some of the successful participants have subsequently been employed at our yard, while others have found employment elsewhere, contributing their skills to the industry.

E&C Development Programmes

- *Young Engineers' Development Programme*

  This two-year programme has been developed to groom top-performing engineering graduates into future leaders. The programme is based on a mentoring model in which the participants engage frequently with prominent and highly experienced members of staff. Those who continue to perform well will be given fast-track opportunities to develop their careers within Sapura Energy. Currently, there are 16 participants in the programme – eight Malaysian, four Indian and four Mexican nationals.

- *Group Global Mobility*

  High-potential employees from any of our global offices are given the opportunity to join another office within our network. The international exposure provides an enriching and very rewarding experience for the employees while allowing our offices to benefit from sharing of best practices. The opportunity is open to employees from any functional background.

From Mexico to Kuala Lumpur

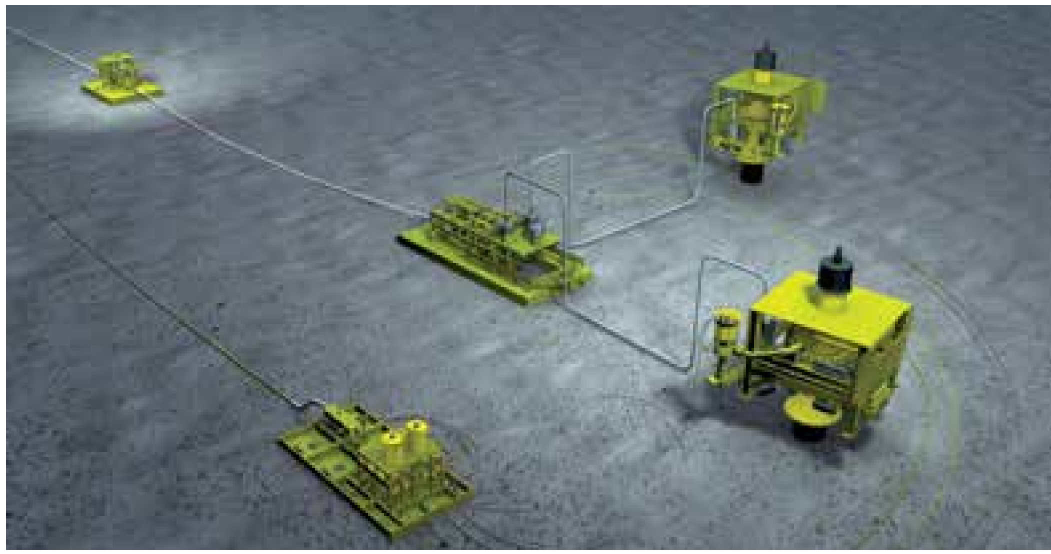
Recently, Diana Gallegos, a civil engineer from Mexico, was transferred to our headquarters in Kuala Lumpur. Diana joined our Mexico office when it was newly set up. As a pioneer, she has had to wear multiple hats, gaining experience in engineering, project management and supply chain management, while also engaging directly with customers. She is enjoying her cross-posting to Kuala Lumpur and says she now has a better understanding of our organisation as a whole, and has also picked up some new skills.

Drilling Development Programmes

The *Assistant Driller Programme* is aimed at building capacity among local talent in offshore drilling expertise. Current participants in the programme are from Malaysia, Thailand and Brunei. Two trainees have been fast-tracked to full-time roles of Assistant Driller within 24 months, a career that could take up to five years under normal circumstances.

E&P Development Programme

Grooming Our Leaders Programme (GOAL) is a programme that provides on-the-job training through scheduled rotation in the various teams that operate within E&P. Participants are expected to develop themselves into either technical specialists or general management roles.



ICAEW Programme

This four-year programme, run in collaboration with the Institute of Chartered Accountants in England and Wales ("ICAEW"), has been designed to provide talented young graduates the opportunity to study part-time for the Chartered Accountant qualification while working with Sapura Energy in finance and accounting.

Senior Leadership

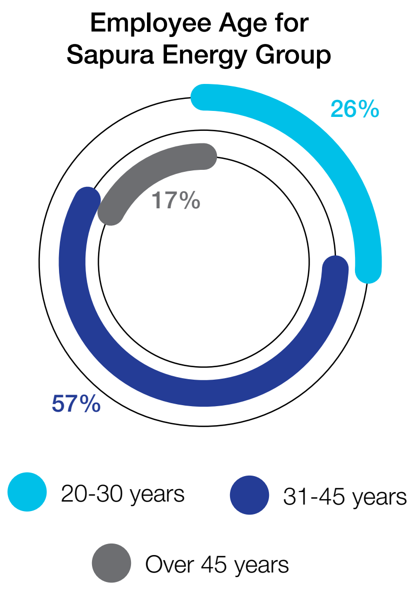
We provide the opportunity for our senior leadership to take part in industry related conferences as well as non-industry specific engagements including sessions organised by the World Economic Forum. These engagements serve as an appropriate platform for them to keep abreast with thought leadership on the world economy and how it dovetails with the inner workings of the industry.

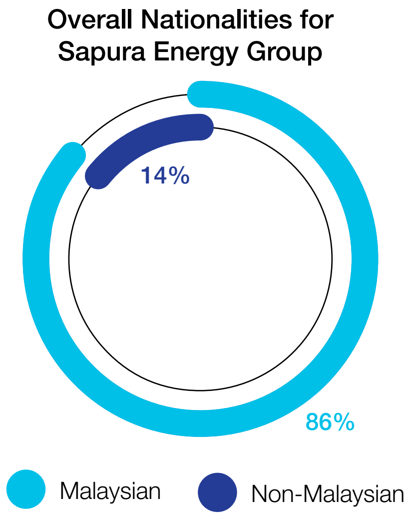
STRENGTH IN DIVERSITY

We believe in the benefits that can be derived from different perspectives, and positively embrace diversity as a key component of our human development agenda. Bringing together people with different knowledge, expertise and capabilities from different backgrounds enriches each person within the group and helps to broaden his or her intellectual horizons.

The Group encourages creativity and innovation by cross-pollinating ideas from different teams. The synergies achieved enable us to tailor specific solutions to meet our customers' unique needs. When the occasion demands, we put together teams for specific projects, selecting people from across the Group who have the necessary knowledge that will ensure the project's success.

Group-wide, we have 31 nationalities. This diversity in prespective is further reinforced by a healthy gender balance, with women representing 30% of the total; as well as a good balance of the different age groups, with those aged between 31-45 years forming a majority.





HEALTH, SAFETY AND ENVIRONMENT

Ensuring no harm to people and the environment

HEALTH AND SAFETY

Safety is our first priority. Safety systems, processes and considerations are integral to our operations as we believe 'only a safe operation is a good operation'.

Everyone is required to play a role in upholding a culture of safety. It is our policy that all employees and subcontractors have the right to stop work when there is any concern to the safety of any person on site or potential damage to assets.

At the same time, we strive to minimise our impact on the environment. We comply with all local laws and regulations related to protecting the environment in the countries where we operate.

HSE GOVERNANCE AND POLICY

Our HSE culture is supported by our Group HSE Policy and Management Systems, which detail the necessary actions that should be taken to avoid the occurrence of incidents. These include hazard identification and management as well as risk prevention and mitigation.

All personnel in the Group have the responsibility to drive HSE activities including continuously enhancing and implementing procedures and policies.

Any incident that takes place is reported and analysed, following which corrective actions are implemented to prevent recurrence. Plans and Procedures are reviewed regularly to ensure that our safeguards are in place and are effective. We do not focus only on our own HSE scorecard but also conduct regular audits on our contractors, especially those involved in high-risk activities.

Safety milestones

We are proud of our safety culture and how far we have come. At the same time, we recognise safety is an ongoing journey and aim to continually improve our safety performance to become a recognised leader. In FY2017, we achieved the following safety milestones:

ZERO LOST TIME INJURY (LTI)

SKD Pelaut
12 years LTI-free

SKD Setia
7 years LTI-free

SKD Jaya
3 years LTI-free

SKD T-17
3 years LTI-free

SKE East Belumut A Oil Production Platform
1 million man-hours and 6 years of operations without LTI

SKE East Piatu Oil and Gas Production Platform
5 years operations without LTI

SKE Kemaman Supply Base
7 years operations without LTI

Accident prevention & campaigns

Our operating companies take the initiative to drive various safety programmes/campaigns of their own. Among the initiatives carried out during the year were:

- Hand and Finger Injury Prevention Campaign
- Dropped object prevention campaign
- Monsoon Season & Monsoon ZIZA Campaign
- Training to improve understanding and criticality of risk

"Every individual in Sapura Energy is somebody's husband or wife, somebody's son or daughter, somebody's friend, sister or brother. At the end of the day, we want every individual that works with us to go home safe to their family and friends. We continuously strive to keep our workplace and our activities safe."

– Ahmad Zakiruddin Mohamed, SVP of Operations

FY2017 QHSE ACHIEVEMENT

Sapura Subsea Services

Platinum Safety Award For Excellence (S.A.F.E)

Carigali Hess Operating Company

SKD T18

SKD Global Rig of the Year, 2016

Chevron Thailand Exploration & Production OE/HES Award

SKTLO

Gold Merit Award: Excellent Occupational Safety and Health Performance

Malaysian Society of Occupational Safety and Health (MSOSH)

Sapura Fabrication

Focused Recognition Award Petronas Carigali

EMPLOYEE HEALTH & WELLBEING

We believe firmly that physical and mental well-being play an important role in ensuring work satisfaction and performance. We encourage and support our employees to adopt wholesome, healthy lifestyles through:

- Organised talks by medical specialists on topics such as stress management and haze.
- Coordinated sporting events from Futsal to Zumba

EMERGENCY PREPAREDNESS

Our ability and preparedness to respond to emergencies are critical to prevent incidents from escalating, to ensure the safety of our people, safeguard the continuity of our operations, protect our assets and prevent damage to the environment. Drills and training exercises are conducted to ensure employees are equipped to respond to and manage emergencies and/or threats such as natural disasters, fire and major accidents. Emergency Response Plans are available for our assets and facilities and periodically tested.

COMMITMENT TO ENVIRONMENTALLY-RESPONSIBLE OPERATIONS

Our commitment to environmental protection begins with a sound understanding of our surroundings and operating environment. We manage and address environmental issues at various stages of each project from project planning, development, execution/operations to decommissioning and site closure. These practices are embedded in our operating environment to minimise the impact of our operations on the environment.

MONITORING OUR ENVIRONMENTAL FOOTPRINT

During the year under review, we have performed various initiatives to proactively protect and minimise the impact to the environment at planning, solution design phase and while in operation.

In planning and designing environmentally-friendly solutions, we have:

- Provided our clients in the Malaysia-Thailand Joint-Development Area (where we delivered and commissioned five platforms) direct support in creating Environmental Monitoring Plans and Energy Efficiency Plans for future operations
- Supported client study to design solutions to meet the minimal flaring requirements for Kasawari field
- Completed Environmental Impact Assessments and produced reports at the design stage of ALL projects executed by the Group

Key activities to protect the environment in our Operations include:

- We use low-sulphur fuel for our pipelay vessels and project support vessels where practicable
- We have a target of zero oil spill in all projects
- We engage licensed contractors to dispose of scheduled wastes

These actions, as with all the other initiatives outlined in this report, are indicative of the emphasis we place on ensuring the sustainability of our business. Our commitment is to keep this emphasis and continuously improve in all aspects of what we do.

CALENDAR OF EVENTS

28 JAN

Sapura Energy Blood Donation Drive
(Menara SapuraKencana Petroleum, Kuala Lumpur)

23-25 MAR

Offshore Technology Conference Asia ("OTC Asia")
(Kuala Lumpur Convention Centre, Kuala Lumpur)

12&13 APR

Invest Malaysia 2016
(Shangri-La Hotel, Kuala Lumpur)

15 APR

Sapura Energy Town Hall
(Kuala Lumpur Convention Centre, Kuala Lumpur)

7 MAY

MyKasih Food Aid Outreach Programme
(Royal Belum State Park, Gerik, Perak)

20&21 MAY

Sahabat Maritim
(Kampung Merchang, Marang, Terengganu)

28 MAY

Sapura Energy Bowling Tournament
(Ampang Superbowl, Berjaya Times Square)

26 JUL

Annual General Meeting
(Sapura@Mines, Seri Kembangan)

2 AUG

Hari Raya Aidilfitri Open House
(Grand Hyatt Hotel, Kuala Lumpur)

1&2 JUN

World Economic Forum on ASEAN
(Shangri-La Hotel, Kuala Lumpur)

27 JUL

Contract Signing Ceremony between SKTLO and TANAP
(Ankara, Turkey)

22-24 AUG

IADC/SPE Asia Pacific Drilling Technology Conference
(Sands Expo & Convention Centre, Singapore)

8 SEP

Bursa Bull Charge 2016
(Bursa Malaysia, Exchange Square, Kuala Lumpur)

25 SEP

Orchid Run & Ride 2016
(Persiaran KLCC, Kuala Lumpur)

8 OCT

MOGSC Futsal Tournament 2016
(Sports Planet Ampang, Kuala Lumpur)

22 SEP

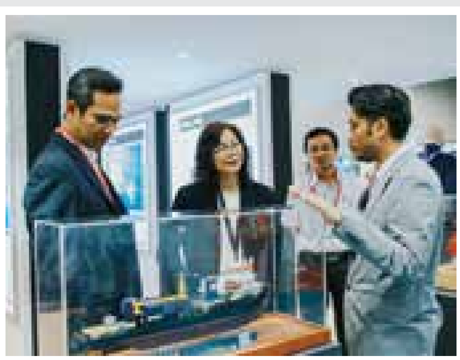
SapuraKencana National Classic
(Tournament Players Club, Kuala Lumpur)

28&30 SEP

Malaysian Oil and Gas Services Exhibition and Conference
(Kuala Lumpur Convention Centre, Kuala Lumpur)

21-23 OCT

CIMB Classic
(Tournament Players Club, Kuala Lumpur)



14-16 NOV

International Petroleum Technology Conference
(Bangkok Convention Centre, CentralWorld, Bangkok, Thailand)

19 NOV

Sapura Energy Futsal Carnival
(Sports Planet Ampang, Kuala Lumpur)

3 DEC

MOGSC Bowling Tournament
(Wangsa Bowl, IOI City Mall, Putrajaya)

16 NOV

Sapura Energy Health Awareness Day
(Sapura@Mines, Seri Kembangan)

22 NOV

INSKEN SME Star Event
(The Royale Chulan Damansara, Petaling Jaya)

11 DEC

Fly with Speed for those in Need
(FLYCYCLE, Verve Shops, Mont Kiara)

STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF SAPURA ENERGY BERHAD IS COMMITTED TO ENSURING THAT HIGH STANDARDS OF CORPORATE GOVERNANCE ARE APPLIED THROUGHOUT SAPURA ENERGY GROUP ("GROUP") PURSUANT TO THE PRINCIPLES AND RECOMMENDATIONS STIPULATED IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("CODE") AND MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") ("MMLR").

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 on 8 December 2016 for deliberation and approval prior to the commencement of the 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 Corporate Governance 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 has been made available at the Company's website at www.sapuraenergy.com. 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 Board will review the Charter as and when required and will update the Charter in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities to ensure its effectiveness.

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

- to review and adopt 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 and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Matters reserved for the Board's approval and delegation of powers to its Committees, the President and Group Chief Executive Officer ("PGCEO") as well as 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 Board 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 HSE performance, amongst others.

Board Balance and Composition

The Board currently comprises five Independent Non-Executive Directors and five 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. In this respect, the current Board composition is balanced at 50% of the members of the Board being Independent Directors. The Board remains steadfast with regard to the importance of having the right composition and shall strive to comply to the recommendation in due course.

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 competencies, skills, knowledge, experience, ethnicity, gender, age and educational background. The Company's Board Diversity Policy seeks to be inclusive and eradicate any form of discrimination, may it be on the basis of gender, age, ethnicity or other factors.

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, law 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.

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 sound judgement to matters of strategy, performance, resources and governance.

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 Directors are aware that they are required to notify the Chairman of the Board prior to accepting any new directorships and to indicate the time expected to be spent on the new appointment. This is set out in the Charter. The Board is satisfied that each member of the Board has spent sufficient time on all Board matters, as evidenced by their attendance record at the Board and Board Committees meetings, 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 for all stakeholders of the Group.

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 judgement 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 "Profile of Board of Directors" section as set out on pages 24 to 35 of this Annual Report.

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 separated. 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 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 Sapura@Mines
No. 7 Jalan Tasik, The Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan
Tel: (6)03-8659 8800
Email: independent@sapuraenergy.com

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Induction and briefing 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 FY2017, briefing programmes for the two newly appointed Directors were provided as well as 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 through the Board Nomination Committee 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 Group Company Secretary for the Board.

The training programmes attended by each of the Directors of the Company for the FY2017 are as follows:

Director	Date	Organiser	Title of Programme
Dato' Hamzah Bakar	20 September 2016	The Economist	Regional Economic Briefing
	28-30 September 2016	Malaysian Oil and Gas Services Council	2016 Malaysia Oil and Gas Services Exhibition and Conference
	6-7 December 2016	The Malaysian Institute of Economic Research (MIER)	National Economic Outlook
Tan Sri Dato' Seri Shahril Shamsuddin	10 March 2016	• Maybank • Asia School of Business	Leadership Think Lab for Invest Malaysia
	23 March 2016	OTC Asia	Offshore Technology Excellence
	4-5 May 2016	MIT Sloan	MIT Sloan Fellowship Leadership Speaker Series
	1-2 June 2016	World Economic Forum	World Economic Forum on ASEAN
	28 September 2016	Malaysian Oil and Gas Services Council	2016 Malaysia Oil and Gas Exhibition and Conference
	14-15 November 2016	PTT Exploration and Production Public Company Limited (IPTC)	International Petroleum Technology Conference Bangkok (IPTC 2016)
	22 November 2016	Institut Keusahawanan (INKSKEN / TERAJU)	SME Excellence
	17-20 January 2017	World Economic Forum	2017 World Economic Forum Davos

Director	Date	Organiser	Title of Programme
Tan Sri Datuk Amar (Dr) Hamid Bugo	2-3 March 2016	Asia Insurance Review, Singapore	4th Asia Insurance Brokers' Summit: The Broker's USP Today – Meeting the Protection Gap of Clients
	24 May 2016	Malaysian Institute of Integrity	International Conference On Political Integrity: Reinforcing Transparency In Political Financing
	2 June 2016	Andrew Fastow, Former CEO of Enron / Sapura Resources Berhad	Financials Hidden In Plain Sight: Why Directors And Management Need To Ask Hard Questions
	13 July 2016	Malaysian Institute of Accountants	Audit Committee Workshop E: Understanding Complex Financial Reporting Under MFRS / IFRS Audit Committee Workshop F: The Statement of Risk Management and Internal Control
	6 August 2016	The Institute for Democracy and Economic Affairs (IDEAS)	Public Forum on "Issues and Challenges of Tackling Corruption in Malaysia"
	6 August 2016	Shenton Song	Sustaining Your Financial Health In Your Golden Years
	17 September 2016	Dr Kuldip Singh	Work Life Balance: The Choice Is Yours
	27 October 2016	The Council of the City of Kuching South	15th World Summit & Expo 2016: Government and Policies
	19 January 2017	Tengis Corporate Services Sdn Bhd	The New Companies Act 2016 – Highlights on Key Changes
Dato' Shahriman Shamsuddin	2 June 2016	Andrew Fastow, Former CEO of Enron / Sapura Resources Berhad	Financials Hidden in Plain Sight: Why Directors And Management Need to Ask Hard Questions?
Encik Mohamed Rashdi Mohamed Ghazalli	16 March 2016	Financial Institution Directors' Education (FIDE)	Cyber Risk Oversight
	2 June 2016	Bursa Malaysia	Sustainability Engagement
	2 November 2016	Financial Institution Directors' Education (FIDE)	Technology Based Innovation
	30 November 2016	Skrine & Co	New Companies Act 2016

Director	Date	Organiser	Title of Programme
Ms Gee Siew Yoong	2 February 2016	Tenaga Nasional Berhad	Inauguration / Official Ceremony of Manjung 4 Power Plant, Sultan Azlan Shah Power Station, Manjung, Perak by HRH Sultan Perak
	3 April 2016	Tenaga Nasional Berhad	Technical visit to Power Station
	17 April 2016	Tenaga Nasional Berhad	Technical visit to Hydroelectric Project with emphasis on environmental issues
	1 June 2016	Sapura Energy Berhad / Bursa Malaysia	Sustainability Engagement Series for Directors / Chief Executive Officer
	23 June 2016	Tenaga Nasional Berhad	Cyber Risk – New Challenge for the Board of Directors
	19 July 2016	TM / TM Board Retreat	Northgate Capital
			Akamai Foster Forward: Grand Challenges facing the internet
	17 August 2016	Tenaga Nasional Berhad	Impact of MFRS 16 Accounting for Lease
	4 November 2016	Tenaga Nasional Berhad	Technical visit to Kubota Power Generation Plant
Datuk Ramlan Abdul Malek	30 March – 1 April 2016	Minority Shareholders Watchdog Group (MSWG)	MSWG Institutional Investors Stewardship (Day 1)
			MSWG Corporate Stewardship (Day 2)
			MSWG Special Investors Workshop (Day 3)
	12 April 2016	Oil and Gas Innovation Forum (OGIF)	MPRC's Oil and Gas Innovation Forum
	1-2 June 2016	World Economic Forum	World Economic Forum on Asean
	8 September 2016	Malaysian Gas Association	7th National Energy Forum
	9 September 2016	Malaysia Petroleum Resources Corporation (MPRC)	MPRC's Industry Talk and Panel Discussion
	13-14 November 2016	PTT Exploration and Production Public Company Limited (PTTEP)	International Petroleum Technology Conference (IPTC) 2016
Datuk Muhamad Noor Hamid	28-30 September 2016	Malaysian Oil and Gas Services Council	2016 Malaysia Oil and Gas Services Exhibition and Conference
	22 November 2016	Malaysian Directors Academy	Companies Act 2016 and its implications to the Directors

Director	Date	Organiser	Title of Programme
Tunku Alizakri Raja Muhammad Alias	1-2 June 2016	World Economic Forum	World Economic Forum on Asean
	10-11 August 2016	Kumpulan Wang Simpanan Pekerja	International Social Security Conference
	23-30 September 2016	Harvard	Applying Behaviour Insights to the Design of Public Policy Course
	9-10 November 2016	Pensions & Investments	World Pension Summit
	14-18 November 2016	ISSA Social Security	World Social Security Forum
Datuk Ramlan Abdul Rashid	28-30 September 2016	Malaysian Oil and Gas Services Council	2016 Malaysia Oil and Gas Services Exhibition and Conference

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 Board 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 Board and Board Committee Papers are distributed in advance to all Board and Board Committees, respectively, 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 three working days prior to meetings. However, Board Papers that are deemed urgent may still be submitted to the Group 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 to 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 apprised 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 relating to their areas of responsibility and to brief and provide clarifications and details on recommendation so as to enable the Board and/or the Board Committees to arrive at a considered and informed decision.

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 FY2017 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	8 out of 8	100%
Dato' Shahriman Shamsuddin	Non-Independent Non-Executive Director	7 out of 8	87.5%
Mohamed Rashdi Mohamed Ghazalli	Independent Non-Executive Director	8 out of 8	100%
Gee Siew Yoong	Independent Non-Executive Director	7 out of 8	87.5%
Datuk Ramlan Abdul Malek	Non-Independent Executive Director	8 out of 8	100%
Datuk Muhamad Noor Hamid	Independent Non-Executive Director	8 out of 8	100%
Tunku Alizakri Raja Muhammad Alias[(a)]	Non-Independent Non-Executive Director	3 out of 4	75%
Datuk Ramlan Abdul Rashid[(b)]	Independent Non-Executive Director	4 out of 4	100%
Sven Anton Maier[(c)]	Non-Independent Non-Executive Director	1 out of 1	100%

Notes:
(a) Appointed with effect from 1 September 2016
(b) Appointed with effect from 23 September 2016
(c) 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 five Independent Directors are independent of management and free from any businesses or other relationships that could materially interfere with the exercise of their independent judgement. 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 Group 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 the Board 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 Board Remuneration Committee evaluates the performance of the Executive Directors against the objectives set by the Board, thereby linking their remuneration to performance.

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. All Non-Executive Directors are paid Directors' remuneration taking into account any additional responsibilities undertaken such as a Director acting as Chairman of a Board Committee and membership of Board Committees.

The remuneration of the Non-Executive Directors which is subject to the approval of the shareholders at the Annual General Meeting ("AGM"), 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 Board Remuneration Committee for the approval of the Board, taking into consideration, amongst 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 Board Remuneration Committee for the approval by the Board. The Executive Directors are not entitled to fees.

Details of the remuneration of the Board for FY2017 by the Company and the Group are as follows:

	Company/ Group (RM'000)
Executive Directors	
Salaries and Other Emoluments[(a)]	88,210
Benefits-in-Kind	474
Total	**88,684**

(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.

	Company (RM'000)	**Group (RM'000)**
Non-Executive Directors		
Fees	3,888	3,950
Other Emoluments	41	41
Benefits-in-Kind	10	10
Total	**3,939**	**4,001**

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	2,411	2,031	4,442
RM84,200,000 – RM84,250,000	1	8,669	75,573	84,242
Total	**2**	**11,080**	**77,604**	**88,684**

Non-Executive Directors	Number of Directors
RM100,000 and below	1[a]
RM100,001 – RM150,000	2[b][c]
RM400,000 – RM450,000	2
RM500,000 – RM550,000	1
RM550,001 – RM600,000	2
RM1,050,000 – RM1,100,000	1

(a) inclusive of a Director who had resigned during FY2017
(b) inclusive of Directors who were appointed during FY2017
(c) fifty per centum of the fees paid to one of the Directors in this band is paid to his nominator

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.

Board Audit Committee

The Board Audit Committee which was established to assist the Board in the execution of its responsibilities currently comprises five Independent Non-Executive members. The Board Audit Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties. The Report of the Board Audit Committee is presented on pages 94 to 97 of this Annual Report.

The members of the Board Audit Committee are as follows:

- Gee Siew Yoong *(Chairman)*
- Tan Sri Datuk Amar (Dr) Hamid Bugo
- Mohamed Rashdi Mohamed Ghazalli
- Datuk Ramlan Abdul Rashid *(appointed with effect from 20 February 2017)*
- Datuk Muhamad Noor Hamid *(appointed with effect from 20 February 2017)*

Board Risk Management Committee

The Board assumes the ultimate responsibility over the effectiveness of the Group's risk management practices by establishing a Board Risk Management Committee to oversee the assessment of processes relating to the Company's risks and controls. The Board Risk Management 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 Board Risk Management Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties.

The members of the Board Risk Management Committee are as follows:

- Mohamed Rashdi Mohamed Ghazalli *(Chairman)*
- Dato' Shahriman Shamsuddin
- Datuk Muhamad Noor Hamid
- Datuk Ramlan Abdul Malek
  (appointed with effect from 4 May 2017)

The key responsibilities of the Board Risk Management 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 Board Risk Management Committee shall ensure that appropriate controls encompassing operational and compliance matters are in place and working as intended.

Details on the Board Risk Management Committee of the Company are set out in the Statement on Risk Management and Internal Control on pages 92 to 93 of this Annual Report.

Board Nomination Committee

The Board 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 Board Nomination Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties. The Terms of Reference was last revised on 28 June 2016 upon the approval of the Board and is available on the website of Sapura Energy at www.sapuraenergy.com.

The members of the Board Nomination Committee are as follows:

- Tan Sri Datuk Amar (Dr) Hamid Bugo *(Chairman)*
- Dato' Hamzah Bakar
- Gee Siew Yoong

The Board Nomination Committee meets at least once a year with additional meetings to be convened, where necessary. During FY2017, the Board Nomination Committee met twice.

Board Appointment Process

The Board 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 Board Nomination Committee taking into consideration the required mix of skills, competencies, experience, ethnicity, age, 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 FY2017, Tunku Alizakri Raja Muhammad Alias and Datuk Ramlan Abdul Rashid were appointed to the Board based on the process above where their respective profile and background were deliberated and considered by the Board Nomination Committee and subsequently recommended for the Board's approval.

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

Re-election and reappointment of Directors

The Board Nomination Committee is also responsible for recommending Directors for re-election and reappointment at the 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.

All Directors retiring by rotation or newly appointed Directors subject to re-election pursuant to the Articles are initially considered by the Board Nomination Committee, taking into consideration their required mix of skills, competencies, experience and other qualities required before they are recommended for re-election by shareholders.

The Board Nomination Committee also assessed the reappointment of the Chairman, Dato' Hamzah Bakar and Tan Sri Datuk Amar (Dr) Hamid Bugo, who are over the age of 70 years and were reappointed as Directors at the last AGM of the Company held on 26 July 2016 pursuant to Section 129(6) of the Companies Act, 1965 which was then in force. With the new Companies Act 2016 which came into force on 31 January 2017, there is no age limit for Directors. Since their reappointment at the last AGM was for a term ending at the conclusion of this forthcoming AGM, they have consented to seek shareholders' approval for the reappointment as Directors at the Sixth AGM of the Company to be held on 25 July 2017. Subsequent thereof, they will be subject to retirement by rotation and re-election in accordance with the Company's Articles.

Independence of Independent Directors

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

The Board Nomination Committee annually reviews and assesses the level of independence of the Independent Directors of the Board in line with the Code. The Board Nomination Committee will also consider the individual Director's ability to exercise independent judgement and to demonstrate the values and principles associated with independence such as impartiality, objectivity and consideration of all stakeholders' interests.

For FY2017, none of the five Independent Directors have served on the Board for more than nine years and the Board Nomination Committee has assessed and concluded that all the Independent Directors continue to demonstrate, conduct and behave in a manner indicative of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company.

Activities undertaken by the Board Nomination Committee during FY2017 were as follows:

(a) Assessed the competencies, commitment and contributions of the Directors standing for re-election or reappointment 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, independence 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.

Board Remuneration Committee

The primary objective of the Board 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 Board 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 Board 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

GROUP COMPANY SECRETARY

The Group 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 Group 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 Group 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 Group 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 Sapura Energy 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

Sapura Energy 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 engagements 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 the 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.

Corporate Website

The corporate website of Sapura Energy at www.sapuraenergy.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, Board Charter and Terms of Reference of Board Audit Committee and Board Nomination Committee. The Company's website is regularly updated to provide current and comprehensive information about Sapura Energy Group.

Annual Report

Sapura Energy'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, questions and answers session 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.

Pursuant to the MMLR, the Company is required to ensure that all resolutions as set out in the notice of AGMs are voted by poll. Hence, all the resolutions set out in the Notice of the forthcoming Sixth AGM will be voted by poll.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

Financial Reporting

The Board is assisted by the Board 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 251(2) of the Companies Act 2016 is set out on page 106 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 Board 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 Board 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 Board Audit Committee. The Board 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.

Being satisfied with Messrs Ernst & Young's performance, independence and suitability, the Board Audit Committee recommended the reappointment of Messrs Ernst & Young as external auditors of the Company for the ensuing financial year, to the Board. The Board at its meeting held on 4 May 2017 approved the recommendation for the approval to be obtained at the forthcoming Sixth AGM of the Company to be held on 25 July 2017.

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 of Directors' responsibilities in preparing the financial statements is set out on page 99 of this Annual Report.

The Statement is made in accordance with a resolution passed by the Board on 4 May 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ELEMENTS OF SOUND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board of Directors of Sapura Energy Berhad acknowledges its responsibilities in establishing a sound risk management framework and internal control system as well as reviewing its adequacy and effectiveness at the Group. The Board ensures the framework and related systems address and manage 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 and amended the risk management framework, processes and responsibilities to suit the new operating structure 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 PGCEO, the Group Chief Financial Officer / Senior Vice President of Group Finance and Strategy and the Senior Vice President of Group Transformation, Strategy and Supply Chain. The Senior Vice President of Group Transformation, Strategy and Supply Chain leads the risk function to ensure 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 Board Risk Management Committee was established to oversee the assessment of processes relating to the Group's risks and controls. The Board Risk Management 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 incorporating the process of assessing, reporting, treating, monitoring and reviewing of the risks within the Group.

The framework is operationalised by each of the Senior Vice Presidents within their area of responsibilities and their primary role to assess, report, treat, monitor and review the risks within their area as well as to ensure consolidation and coordination at Group-wide level with the PGCEO. 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 Board Risk Management Committee on a quarterly basis;

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

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

(d) Continuous engagements with the segments and support functions to nurture a proactive risk management culture, embedded within the organisation.

GROUP INTERNAL AUDIT

Group Internal Audit ("GIA") reports functionally to the Board 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 Board Audit Committee. In addition, GIA performed special reviews and other audit engagements upon request by the Board Audit Committee and 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 Board Audit Committee.

Further activities of the GIA are outlined in the Report of the Board Audit Committee on page 97 of this Annual Report.

Review of Statement by External Auditors

As required by Paragraph 15.23 of the MMLR, 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 4 May 2017.

REPORT OF BOARD AUDIT COMMITTEE

THE BOARD OF DIRECTORS OF SAPURA ENERGY BERHAD IS PLEASED TO PRESENT THE REPORT OF THE BOARD AUDIT COMMITTEE ("REPORT") INCLUDING A SUMMARY OF THE ACTIVITIES OF THE BOARD AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION FOR FY2017.

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

The Terms of Reference of the Board Audit Committee ("Terms of Reference") is prepared and adopted by the Board based on the MMLR and the Code. The Terms of Reference was last revised on 28 June 2016 upon approval of the Board and is available on the website of Sapura Energy at www.sapuraenergy.com.

COMPOSITION

The Board Audit Committee currently comprises five members, all of whom are Independent and Non-Executive Directors. This not only meets but exceeds the minimum requirements on audit committee composition as set out in paragraphs 15.09(1)(a) and 15.09(1)(b) of the MMLR.

The Directors who served as members of the Board Audit Committee during FY2017 are:

Members	Designation
Gee Siew Yoong *(Chairman)*	Independent Non-Executive Director
Tan Sri Datuk Amar (Dr) Hamid Bugo	Senior Independent Non-Executive Director
Mohamed Rashdi Mohamed Ghazalli	Independent Non-Executive Director

Subsequent to FY2017 and prior to the date of this Report, two additional Directors were appointed to the Board Audit Committee as follows:

Datuk Ramlan Abdul Rashid *(Appointed with effect from 20 February 2017)*	Independent Non-Executive Director
Datuk Muhamad Noor Hamid *(Appointed with effect from 20 February 2017)*	Independent Non-Executive Director

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

MEETINGS

A total of eleven meetings were held during FY2017. The details of attendance of each member are as follows:

Members	Attendance	Percentage
Gee Siew Yoong *(Chairman)*	11 out of 11	100%
Tan Sri Datuk Amar (Dr) Hamid Bugo	11 out of 11	100%
Mohamed Rashdi Mohamed Ghazalli	11 out of 11	100%

The Board Audit Committee takes cognisance of its responsibility to ensure that the financial statements of the Group comply with the applicable Financial Reporting Standards. The Executive Director of Strategy and Operational Support, Group Chief Financial Officer / Senior Vice President of Group Finance and Strategy and Chief Internal Auditor were invited to all Board 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 members of the Board Audit Committee and Management.

In order to ensure the reliability of the results and compliance with the applicable Financial Reporting Standards, the external auditors were engaged to conduct a limited review of quarterly financial results of the Group before these were presented to the Board Audit Committee for review and recommendation for the Board's approval and adoption.

The lead audit engagement partner of the external auditors attended five Board Audit Committee meetings in FY2017 held on 24 March 2016, 6 May 2016, 27 June 2016, 27 September 2016 and 5 December 2016 respectively, to present both the auditors' report on the annual audited financial statements and the auditors' review reports on the unaudited quarterly financial results together with that of cumulative quarters for FY2017.

The Chief Internal Auditor and when required, the Senior Vice Presidents were invited to attend Board Audit Committee meetings on matters pertaining to the internal audit reports tabled at the meetings to address any concerns raised by the Board Audit Committee.

The Chairman of the Board Audit Committee provided a summary of discussions and deliberations of its meetings at each Board meeting immediately following any Board Audit Committee meeting.

The Secretary of the Board 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 each Board Audit Committee meeting was tabled for confirmation at the following Board Audit Committee meeting and subsequently presented to the Board for notation.

SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

Over the course of FY2017, the Board Audit Committee undertook the following activities:

Financial Reporting

- Reviewed the unaudited quarterly financial results and performance of the Group for the fourth quarter of FY2016 and the first, second and third quarters of FY2017 at the Board Audit Committee meetings held on 24 March 2016, 27 June 2016, 27 September 2016 and 5 December 2016 respectively, focusing particularly on the changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements and recommended the same for approval by the Board;

- Reviewed the audited financial statements of the Group for FY2016 on 6 May 2016;

- Reviewed recommendations from Management with respect to payment of dividend; and

- The Board Audit Committee's recommendations were presented for approval at the subsequent Board meetings.

Internal Audit

- Reviewed the Group Internal Audit Plan ("Audit Plan") to ensure adequate scope and coverage of the Group's activities and the resource requirements of internal audit to carry out its functions;

- Reviewed the internal audit reports prepared by GIA and deliberated major and critical findings including Management's responses, mitigation action plans and deadlines for closure;

- Reviewed the status of past internal audit recommendations on outstanding issues to ensure that all key risks and controls have been addressed; and

- Reviewed the adequacy and effectiveness of the GIA function.

External Audit

- Reviewed the Audit Planning Memorandum of the Group for FY2017 presented by the external auditors at its meeting on 5 December 2016 and discussed with the external auditors, their audit scope, procedures and reporting requirements;

- Conducted two private discussions in the absence of Management and the Company Secretary on 27 June 2016 and 27 September 2016;

- 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;

- Reviewed the independence, suitability, objectivity and effectiveness of the external auditors and services provided including non-audit services. In this respect, the Board Audit Committee has received written assurance from the external auditors that in accordance with the requirements of all professional and regulatory requirements, they remained independent throughout the conduct of the audit engagement for FY2017. A sum of RM1,142,000 (FY2016: RM1,562,000) was paid out to the external auditors as non-audit fees in relation to FY2017; and

- Considered and recommended to the Board for reappointment of the external auditors and the fees payable to them in respect of the Board's submission to the shareholders for approval at the Company's AGM.

Related Party Transactions

The Board 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 Board 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 Board Audit Committee reviewed the audited financial statements of the Group and the Company for FY2017, Report of the Board Audit Committee, Statement on Risk Management and Internal Control and Additional Compliance Information for inclusion in the Annual Report 2017 prior to recommending the same for consideration and approval of the Board.

INTERNAL AUDIT FUNCTION

Internal auditing is an independent, objective assurance and consulting services designed to add value and improve the Group's operations. It actively facilitates 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.

The internal audit function of the Group was carried out by an in-house GIA and is led by the Chief Internal Auditor. GIA, which reports directly to the Board 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 FY2017, 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 Board Audit Committee;

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

(iii) Based on the Audit Plan which had been approved by the Board Audit Committee:

- 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 Management for implementation within the Group.

(iv) Prepared audit reports and sought Management's responses on controls tested, action plan(s) with specific timeline in regards 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 Board Audit Committee;

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

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

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

The total cost incurred by the GIA in discharging its function and responsibilities during FY2017 was approximately RM3.4 million (FY2016: RM4.2 million).

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 92 to 93 of this Annual Report.

The Statement is made in accordance with a resolution passed by the Board on 4 May 2017.

ADDITIONAL COMPLIANCE INFORMATION

PURSUANT TO PARAGRAPH 9.25 OF THE MMLR

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable to the external auditors of the Company and the Group for FY2017 are as follows:

	Company (RM'000)	Group (RM'000)
Audit fees	166	3,570
Non-Audit fees – Review of interim financial statements – Review of Statement on Risk Management and Internal Control – Review of Production Sharing Contract Financial Statements	696	1,142
Total	**862**	**4,712**

LIST OF PROPERTIES

The Company does not own any material properties during FY2017 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 FY2017 save as disclosed in Note 38 to the financial statements as set out on pages 189 and 190 of this Annual Report.

STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Sapura TMC Sdn. Bhd. ("STMC") (a wholly-owned subsidiary of Sapura Energy Berhad) had, on 22 February 2017 signed a seven-year financing facilities of approximately USD1.5 billion with a consortium of Malaysian, regional and international banks.

Subsequent to the signing, the Group announced on 7 March 2017 the issuances of up to RM3.3 billion and USD74.8 million in nominal value of Unrated Sukuk Murabahah under the existing 30-years multi-currency sukuk programme of up to RM7.0 billion in nominal value.

Proceeds raised from the issuance of the Unrated Sukuk Murabahah were utilised to part refinance STMC's existing borrowings. The Unrated Sukuk Murabahah is structured based on the Shariah principle of Commodity Murabahah (via Tawarruq arrangement). The refinancing exercise is part of the Group's proactive capital management initiative.

All of the proceeds raised from the issuances of the unrated Sukuk Murabahah have been utilised to part refinance STMC's existing borrowings.

STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE AUDITED FINANCIAL STATEMENTS

THE COMPANIES ACT 2016 ("ACT") REQUIRES THE BOARD OF DIRECTORS 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 MMLR, THE FINANCIAL STATEMENTS FOR FY2017 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 FY2017 set out on pages 101 to 223 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 judgements 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 of Directors' Responsibility is made in accordance with a resolution passed by the Board on 4 May 2017.

FINANCIAL STATEMENTS

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 2017.

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 43 to the financial statements.

CHANGE OF NAME

On 24 March 2017, the Company changed its name from SapuraKencana Petroleum Berhad to Sapura Energy Berhad.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	206,164	276,050
Profit attributable to:		
Owners of the Parent	208,316	276,050
Non-controlling interests	(2,152)	–
	206,164	276,050

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.

DIVIDENDS

The amount of dividend paid by the Company since 31 January 2016 was as follows:

	RM'000
In respect of financial year ended 31 January 2017:	
Tax exempt (single-tier) interim dividend of 1.00 sen per ordinary share, on 5,962,751,337 ordinary shares, declared on 31 March 2017 and paid on 28 April 2017	59,628

The financial statements for the current financial year do not reflect this interim dividend which will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 January 2018.

Directors' Report (cont'd.)

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to 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
Datuk Ramlan bin Abdul Malek
Datuk Muhamad Noor bin Hamid
Tunku Alizakri bin Raja Muhammad Alias (Appointed on 1 September 2016)
Datuk Ramlan bin Abdul Rashid (Appointed on 23 September 2016)
Svend Anton Maier (Resigned on 9 May 2016)

** Directors of the Company and its subsidiary(ies)*

The names of the directors of the Company's subsidiary(ies) since the beginning of the financial year to the date of this report, excluding those who are already listed above are:

Ahmad Zakiruddin bin Mohamed
Awang Mohammad bin Haji Brahim
Bundit Kittitanarux
Chow Mei Mei
Datuk Kris Azman bin Abdullah
Fabio Di Giorgi
Geoffrey Neil Walker
John Michael Golden
Johnnes Franciscus Maria Stinenbosch
Karl Winter
Komathi A/P Balakrishnan
Lokman bin Salleh
Md Yusoff bin Mohamad Noor
Mohamad Nasri bin Mehat
Mohamed bin Rastam Shahrom
Mohd Saiman bin Abdullah
Nelson Anderson Cheong Boon Guan
New Cheng Swee
Noor Roslinah binti Hj Metussin
Noordin bin Sulaiman
Norzaidi bin Mohd Zahidin^
Patrick Donald Evers
Paul Standon Colley
Paulette Lopes
Phanindhar Chivukula
Raphael Michel Francois Yves Siri
Ravisankar Venkata Mamidanna
Reza bin Abdul Rahim
Rita Lydia Hartono
Rose binti Mat
Syed Hasan Saifud-Deen Abdul-Basseer Alsagoff
Thavakumar A/L Kandiahpillai
Ungku Suleiman bin Ungku Abdul Aziz
Vivek Arora

^ Alternate director of the subsidiaries

Directors' Report (cont'd.)

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 of the Company 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 38 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors of the Company 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			
The Company	**As at 1.2.2016 '000**	**Acquired/ Vested* '000**	**Sold '000**	**As at 31.1.2017 '000**
Indirect interest				
Dato' Hamzah bin Bakar	800	–	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	4,500	–	4,500	–
Tan Sri Dato' Seri Shahril bin Shamsuddin	17,478	20,334	–	37,812
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
Datuk Ramlan bin Abdul Malek	150	335	–	485

** Shares vested during the financial 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.)

SHARES HELD UNDER TRUST

In the current financial year, the trustee appointed by the Company purchased 48,983,000 units of its issued ordinary shares from the open market at an average price of RM1.63 per share for the purpose of the share bonus scheme in relation to Long Term Incentive Plan ("LTIP").

As at 31 January 2017, a total of 29,403,750 units of the Company's issued ordinary shares is held under trust. Such shares are held at a carrying amount of RM93,304,000 and further relevant details are disclosed in Note 28 to the financial statements.

Subsequent to the year end, on 2 and 3 May 2017, the trustee appointed by the Company purchased 575,300 units of its issued ordinary shares from the open market at an average price of RM2.00 per share for the purpose of the share bonus scheme in relation to LTIP.

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 except as disclosed in Note 37; or

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year except as disclosed in Note 37.

Directors' Report (cont'd.)

OTHER STATUTORY INFORMATION (CONT'D.)

(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.

SIGNIFICANT AND SUBSEQUENT EVENTS

Significant and subsequent events are disclosed in Note 13, 15, 30 and 45 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

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

Auditors' remuneration are disclosed in Note 8 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 May 2017.

Dato' Hamzah bin Bakar

Tan Sri Dato' Seri Shahril bin Shamsuddin

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Hamzah bin Bakar and Tan Sri Dato' Seri Shahril bin Shamsuddin, being two of the directors of Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 113 to 222 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of financial performance and cash flows for the year then ended.

The supplementary information set out on page 223 have been prepared in accordance with the 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 Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 May 2017.

Dato' Hamzah bin Bakar **Tan Sri Dato' Seri Shahril bin Shamsuddin**

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Reza bin Abdul Rahim, being the officer primarily responsible for the financial management of Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 113 to 223 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 Reza bin Abdul Rahim
at Kuala Lumpur in the Federal Territory
on 4 May 2017

Reza bin Abdul Rahim

Before me,

Kapt. (B) Jasni bin Yusoff
No: W465
Lot 1.08, Tingkat 1
Bangunan KWSP, Jalan Raja Laut
50350 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Sapura Energy Berhad
(formerly known as SapuraKencana Petroleum Berhad)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad), which comprise the statements of financial position as at 31 January 2017 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 113 to 222.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 January 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and Other Ethical Responsibility

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that content.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements of the Group and of the Company.

(a) Impairment assessment of goodwill on consolidation, expenditure on oil and gas properties ("OGP"), vessels and drilling rigs

The Group has goodwill on consolidation (Note 16 to the financial statements), OGP (Note 15 to the financial statements), vessels and drilling rigs (Note 14 to the financial statements) that represent approximately 28% (2016: 28%), 15% (2016: 16%) and 46% (2016: 46%) of the Group's total non-current assets respectively.

In accordance with MFRS 136: Impairment of Assets, the Group is required to perform annual impairment test of cash-generating units ("CGUs") or groups of CGUs to which goodwill has been allocated. The Group has allocated the goodwill to CGU or group of CGUs according to Engineering & Construction ("E&C") and Drilling business segment accordingly.

Independent Auditors' Report (cont'd.)

to the members of Sapura Energy Berhad
(formerly known as SapuraKencana Petroleum Berhad)
(Incorporated in Malaysia)

Key Audit Matters (cont'd.)

(a) Impairment assessment of goodwill on consolidation, expenditure on oil and gas properties ("OGP"), vessels and drilling rigs (cont'd.)

For OGP, vessels and drilling rigs, the management have identified them to be tested for impairment in view of the continued low oil price environment and uncertainty in the near future.

The Group estimated the recoverable amounts of its CGUs or group of CGUs to which the goodwill, OGP and drilling rigs are allocated respectively, based on value-in-use ("VIU") method. The vessels' recoverable amounts are based on fair value less cost to sell ("FVLCS") method.

The recoverable amount based on VIU of CGUs or groups of CGUs involves estimating the future cash inflows and outflows that will be derived from the CGUs or groups of CGUs, and discounting them at appropriate rates. The amount and timing of cash flows in the projection are dependent on key assumptions made, which in turn are affected by expected future market and economic conditions. The key assumptions made are as disclosed in Note 14, 15 and 16 to the financial statements.

We considered this as an area of audit focus due to the magnitude of the carrying values of these assets. In addition, estimating the VIU involves significant judgements; and substantial audit efforts are required in the assessment of possible variations in the basis and assumptions used by the Group in deriving the recoverable amounts of the respective CGUs or groups of CGUs.

Our audit procedures include, amongst others:

(i) Obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs or group of CGUs.

(ii) Evaluated and challenged the key assumptions used by the management in the cash flow projections, in particular, by comparing to past actual outcomes and assessed whether the key assumptions made are reasonable.

(iii) Corroborated the key assumptions with industry analysts' view, management plans and existing contracts, where applicable.

(iv) Assessed the appropriateness of discount rates and the methodologies used to determine the present value of cash flows, in particular, specific inputs to the determination of the discount rate, including the risk-free rate and country risk rates, along with gearing and cost of debt. Such inputs were benchmarked against international and domestic markets in which the Group operates. We also used the service of our internal valuation experts to assist us in this aspect.

(v) Compared the hydrocarbon reserve data used by management to the report provided by the external reservoir evaluation consultant. We also assessed the independence, competency and objectivity of the external reservoir evaluation consultant.

(vi) Performed sensitivity analysis to assess whether any reasonably possible changes in key assumptions will cause the respective carrying values to materially exceed their recoverable amounts.

(vii) Evaluated the presentation and disclosure of significant accounting policies for goodwill on consolidation, OGP, vessels and drilling rigs.

For impairment test of goodwill on consolidation, we have also evaluated the adequacy of the disclosures of each key assumption on which the Group has based its cash flow projections on as disclosed in Note 16 to the financial statements.

Independent Auditors' Report (cont'd.)

to the members of Sapura Energy Berhad
(formerly known as SapuraKencana Petroleum Berhad)
(Incorporated in Malaysia)

Key Audit Matters (cont'd.)

(a) Impairment assessment of goodwill on consolidation, expenditure on oil and gas properties ("OGP"), vessels and drilling rigs (cont'd.)

For recoverable amount that is based on FVLCS, the Group engaged independent valuers to assess the fair value of the vessels.

Our audit procedures include, amongst others:

(i) Consider the independence, reputation and capabilities of the external valuers.

(ii) Assessed the reasonableness of the vessels data used by the independent valuers under comparison method, by benchmarking against available market information.

(b) Recognition of revenue and cost on contract based on percentage-of-completion method

The revenue from contract (Note 3 to the financial statements) recognised based on percentage-of-completion ("POC") method contributed approximately 47% of the Group's revenue. POC method is determined by the proportion of cost incurred for work performed-to-date over estimated total contract cost. The use of POC method requires management to exercise significant judgement in estimating the costs to complete (Note 2.31(b) to the financial statements).

In estimating the total costs to completion the Group considers the completeness and accuracy of its costs estimation including its obligations in respect of contract variations, claims and cost contingencies. The total costs to completion which includes sub-contractor costs can vary with market conditions and unforeseen events during contract period.

Our audit procedures include, amongst others:

(i) Obtained an understanding of the internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls performed by management in estimating the total contract cost, profit margin and percentage-of-completion of the projects.

(ii) Agreeing the work scopes in the estimation of contract cost of significant project to the contractual terms and conditions.

(iii) Evaluated the assumptions applied in estimating the total contract cost of significant projects by examining documentary evidences and considered the historical accuracy of management's forecasts for similar projects.

(iv) Assessed consistency of management's estimates on profit margin, by comparing to past actual outcomes derived from similar projects in previous periods.

(v) Discussed the status of significant projects with the management, cost controllers and project managers and reviewed correspondence with customers. With the knowledge gained from those discussions and the results of our audit procedures, we assessed the adequacy and completeness of costs incurred to-date and cost to completion, and challenged the appropriateness of the estimates made for significant projects, including the effect of variation orders ("VO") and contingencies, where applicable.

(vi) Verified the mathematical accuracy of the revenue and profit based on the percentage-of-completion calculations and where applicable, considered the implications of any changes in estimates.

(vii) Assessed the realisable amount and sighted to documentary evidence that it is probable that the customer will approve the VO.

(viii) Evaluated the presentation and disclosure of significant accounting policies for construction contracts.

Independent Auditors' Report (cont'd.)

to the members of Sapura Energy Berhad
(formerly known as SapuraKencana Petroleum Berhad)
(Incorporated in Malaysia)

Other Information

The directors of the Company is responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRS, IFRS and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance approved standards on auditing in Malaysia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards in Auditing ("ISA"), we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

Independent Auditors' Report (cont'd.)

to the members of Sapura Energy Berhad
(formerly known as SapuraKencana Petroleum Berhad)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also: (cont'd.)

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the director with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 47 to the financial statements on page 223 is disclosed to meet the requirement 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 the 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 Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities 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.

Independent Auditors' Report (cont'd.)

to the members of Sapura Energy Berhad
(formerly known as SapuraKencana Petroleum Berhad)
(Incorporated in Malaysia)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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

Ahmad Zahirudin Bin Abdul Rahim
No. 02607/12/2018 J
Chartered Accountant

Kuala Lumpur, Malaysia
4 May 2017

CONSOLIDATED AND SEPARATE INCOME STATEMENTS

For the financial year ended 31 January 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	3	**7,651,323**	10,184,031	**661,410**	669,045
Cost of sales	4	**(5,953,543)**	(7,623,676)	**–**	–
Gross profit		**1,697,780**	2,560,355	**661,410**	669,045
Other income	5	**1,565,338**	480,209	**65,171**	86,947
Other expenses		**(1,703,594)**	(309,838)	**–**	–
Administrative expenses		**(548,634)**	(671,786)	**(293,100)**	(336,380)
		1,010,890	2,058,940	**433,481**	419,612
Provision for impairment	6	**(282,683)**	(2,029,252)	**–**	–
Deposit on acquisition of oil and gas assets written off		**–**	(172,503)	**–**	–
Finance costs	7	**(799,856)**	(760,170)	**(153,753)**	(147,966)
Share of profit from associates and joint ventures		**456,897**	190,346	**–**	–
Profit/(loss) before tax	8	**385,248**	(712,639)	**279,728**	271,646
Income tax expense	11	**(179,084)**	(78,806)	**(3,678)**	–
Profit/(loss) net of tax		**206,164**	(791,445)	**276,050**	271,646
Profit attributable to:					
Owners of the Parent		**208,316**	(791,555)	**276,050**	271,646
Non-controlling interests		**(2,152)**	110	**–**	–
		206,164	(791,445)	**276,050**	271,646
Earnings/(loss) per share attributable to owners of the Parent (sen per share)					
Basic/Diluted	12	**3.50**	(13.25)		

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 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(loss) net of tax	**206,164**	(791,445)	**276,050**	271,646
Other comprehensive income:				
Items that may be reclassified to income statements in subsequent periods:				
Foreign currency translation differences	**478,551**	1,069,587	**–**	–
Net changes in cash flow hedge	**(21,859)**	–	**–**	–
Share of other comprehensive income of associates and joint ventures:				
– Foreign currency translation differences	**165,202**	75,815	**–**	–
– Net fair value gain/(loss) on hedge items	**58,321**	(53,303)	**–**	–
Total other comprehensive income	**680,215**	1,092,099	**–**	–
Total comprehensive income for the year	**886,379**	300,654	**276,050**	271,646
Total comprehensive income attributable to:				
Owners of the Parent	**888,243**	301,550	**276,050**	271,646
Non-controlling interests	**(1,864)**	(896)	**–**	–
	886,379	300,654	**276,050**	271,646

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 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**15,140,032**	14,905,658	**19,687**	27,029
Expenditure on oil and gas properties	15	**4,398,855**	4,707,681	**–**	–
Intangible assets	16	**8,483,530**	8,241,482	**–**	–
Investment in subsidiaries	17	**–**	–	**9,112,537**	9,112,537
Investment in associates	18	**23,042**	11,533	**–**	–
Investment in joint ventures	19	**1,835,567**	1,556,969	**–**	–
Deferred tax assets	20	**221,571**	211,360	**37,597**	39,464
Trade receivables	23	**39,129**	28,937	**–**	–
Amount due from subsidiaries	22	**–**	–	**108,102**	–
		30,141,726	29,663,620	**9,277,923**	9,179,030
Current assets					
Inventories	21	**458,483**	572,236	**–**	–
Amount due from subsidiaries	22	**–**	–	**1,707,669**	2,565,985
Trade and other receivables	23	**3,234,444**	4,114,059	**23,657**	16,400
Tax recoverable		**95,099**	194,554	**13,805**	18,455
Cash and cash equivalents	25	**3,519,509**	1,947,527	**25,800**	44,764
		7,307,535	6,828,376	**1,770,931**	2,645,604
Total assets		**37,449,261**	36,491,996	**11,048,854**	11,824,634

Consolidated and Separate Statements of Financial Position (cont'd.)

As at 31 January 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	26	**8,066,410**	5,992,155	**8,066,410**	5,992,155
Share premium	27	**–**	2,074,255	**–**	2,074,255
Shares held under trust	28	**(93,304)**	(80,000)	**(93,304)**	(80,000)
Other reserves	29	**2,485,032**	1,821,934	**–**	–
Retained profits		**2,617,980**	2,398,609	**1,107,367**	831,317
		13,076,118	12,206,953	**9,080,473**	8,817,727
Non-controlling interests		**4,190**	6,054	**–**	–
Total equity		**13,080,308**	12,213,007	**9,080,473**	8,817,727
Non-current liabilities					
Borrowings	30	**15,135,967**	16,238,029	**290**	499
Amount due to a subsidiary	32	**–**	–	**1,097,550**	1,341,450
Trade and other payables	33	**347,043**	24,112	**–**	–
Provision for asset retirement obligations	34	**251,967**	202,809	**–**	–
Derivatives	35	**21,859**	–	**–**	–
Deferred tax liabilities	20	**1,282,684**	1,269,502	**–**	–
		17,039,520	17,734,452	**1,097,840**	1,341,949
Current liabilities					
Amount due to subsidiaries	32	**–**	–	**482,074**	1,326,847
Borrowings	30	**3,511,050**	2,091,138	**224**	276
Trade and other payables	33	**3,765,602**	4,338,600	**388,243**	337,835
Provision for asset retirement obligations	34	**28,377**	33,126	**–**	–
Income tax payable		**24,404**	81,673	**–**	–
		7,329,433	6,544,537	**870,541**	1,664,958
Total liabilities		**24,368,953**	24,278,989	**1,968,381**	3,006,907
Total equity and liabilities		**37,449,261**	36,491,996	**11,048,854**	11,824,634

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 2017

		<----- Attributable to the owners of the parent -----							
		<----- Non-distributable -----				Distributable			
	Note	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Other reserves RM'000	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 2016		**5,992,155**	**2,074,255**	**(80,000)**	**1,821,934**	**2,398,609**	**12,206,953**	**6,054**	**12,213,007**
Total comprehensive income		**–**	**–**	**–**	**679,927**	**208,316**	**888,243**	**(1,864)**	**886,379**
		5,992,155	**2,074,255**	**(80,000)**	**2,501,861**	**2,606,925**	**13,095,196**	**4,190**	**13,099,386**
Transactions with owners:									
Purchase of shares held under trust		**–**	**–**	**(80,000)**	**–**	**–**	**(80,000)**	**–**	**(80,000)**
Shares vested during the year		**–**	**–**	**66,696**	**–**	**–**	**66,696**	**–**	**66,696**
Reversal of fair value adjustment		**–**	**–**	**–**	**(5,774)**	**–**	**(5,774)**	**–**	**(5,774)**
Transfer of other reserve		**–**	**–**	**–**	**(11,055)**	**11,055**	**–**	**–**	**–**
Effect of implementation of Companies Act 2016		**2,074,255**	**(2,074,255)**	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners		**2,074,255**	**(2,074,255)**	**(13,304)**	**(16,829)**	**11,055**	**(19,078)**	**–**	**(19,078)**
At 31 January 2017		**8,066,410**	**–**	**(93,304)**	**2,485,032**	**2,617,980**	**13,076,118**	**4,190**	**13,080,308**
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

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 2017

	Note	<---- Non-distributable	---->		Distributable	
		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 2016		**5,992,155**	**2,074,255**	**(80,000)**	**831,317**	**8,817,727**
Total comprehensive income		**–**	**–**	**–**	**276,050**	**276,050**
		5,992,155	**2,074,255**	**(80,000)**	**1,107,367**	**9,093,777**
Transactions with owners:						
Purchase of shares held under trust		**–**	**–**	**(80,000)**	**–**	**(80,000)**
Shares vested during the year		**–**	**–**	**66,696**	**–**	**66,696**
Effect of implementation of Companies Act 2016		**2,074,255**	**(2,074,255)**	**–**	**–**	**–**
Total transactions with owners		**2,074,255**	**(2,074,255)**	**(13,304)**	**–**	**(13,304)**
At 31 January 2017		**8,066,410**	**–**	**(93,304)**	**1,107,367**	**9,080,473**
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)
Total transactions with owners		–	–	–	(80,619)	(80,619)
At 31 January 2016		5,992,155	2,074,255	(80,000)	831,317	8,817,727

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 2017

	2017 RM'000	2016 RM'000
Cash flows from operating activities		
Profit/(loss) before tax	**385,248**	(712,639)
Adjustments for:		
Amortisation of intangible assets	**28,117**	33,624
Amortisation of expenditure on oil and gas properties	**843,253**	445,311
Depreciation of property, plant and equipment	**920,702**	929,879
Net gain on disposal of property, plant and equipment	**(6,976)**	(233)
Changes in provision (Note 33(a))	**–**	(80,947)
Share of profit from associates and joint ventures	**(456,897)**	(190,346)
Impairment on receivables	**–**	871
(Reversal of)/provision for impairment on:		
– Expenditure on oil and gas properties	**(1,198)**	1,397,266
– Property, plant and equipment	**283,881**	603,732
– Investment in joint ventures	**–**	28,254
Shares vested	**66,696**	–
Property, plant and equipment written off	**–**	33,281
Deposit on acquisition of oil and gas assets written off	**–**	172,503
Expenditure on oil and gas properties written off	**25,644**	28,313
Inventories written off/down	**5,370**	46,761
Intangible assets written off – customer contracts (Note 16)	**–**	21,625
Net unrealised foreign exchange (gain)/loss	**(180,997)**	42,396
Finance costs	**799,856**	760,170
Interest income	**(23,798)**	(18,245)
Operating profit before working capital changes	**2,688,901**	3,541,576
Decrease/(increase) in inventories	**128,242**	(19,793)
Decrease/(increase) in trade and other receivables	**1,178,241**	(724,176)
(Decrease)/increase in trade and other payables	**(729,740)**	108,547
Changes in derivatives	**21,859**	–
Changes in balances with joint ventures and associates	**(6,248)**	(62,118)
Cash generated from operating activities	**3,281,255**	2,844,036
Taxes paid	**(145,971)**	(232,982)
Net cash generated from operating activities	**3,135,284**	2,611,054

Consolidated Statement of Cash Flows (cont'd.)

For the financial year ended 31 January 2017

	2017 RM'000	2016 RM'000
Cash flows from investing activities		
Additional investment in joint ventures	**–**	(19,846)
Net advances to joint ventures	**(192,246)**	(56,112)
Proceeds from disposal of property, plant and equipment	**9,756**	20,583
Purchase of property, plant and equipment	**(180,520)**	(419,593)
Purchase of intangible assets	**(687)**	(774)
Purchase of expenditure on oil and gas properties	**(199,417)**	(271,934)
Interest received	**16,287**	10,972
Dividends received from joint ventures	**449,479**	125,022
Net cash used in investing activities	**(97,348)**	(611,682)
Cash flows from financing activities		
Purchase of shares held under trust	**(80,000)**	–
Dividends paid on ordinary shares	**–**	(200,055)
Net repayment of term loans, Islamic Facility and Sukuk Programme	**(676,606)**	(1,029,384)
Net (repayment)/drawdown of hire purchase and finance lease creditors	**(7,949)**	1,090
Net drawdown of revolving credit	**–**	379,281
Finance cost paid	**(824,211)**	(565,740)
Net cash used in financing activities	**(1,588,766)**	(1,414,808)
Net increase in cash and cash equivalents	**1,449,170**	584,564
Effects of exchange rate changes	**122,812**	106,412
Cash and cash equivalents at beginning of the year	**1,947,527**	1,256,551
Cash and cash equivalents at end of year (Note 25)	**3,519,509**	1,947,527

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 2017

	2017 RM'000	2016 RM'000
Cash flows from operating activities		
Profit before tax	**279,728**	271,646
Adjustments for:		
Depreciation of plant and equipment	**15,306**	10,311
Dividends income	**(400,000)**	(413,333)
Loss/(gain) on disposal of plant and equipment	**24**	(317)
Net unrealised foreign exchange (gain)/loss	**(19,278)**	33,685
Interest expense	**153,753**	147,966
Interest income	**(45,887)**	(43,556)
Shares vested	**37,738**	–
Operating profit before working capital changes	**21,384**	6,402
Net changes in balances with related companies	**(400,155)**	263,125
(Increase)/decrease in other receivables	**(4,477)**	2,227
Increase/(decrease) in other payables	**50,751**	(105,472)
Cash (used in)/generated from operating activities	**(332,497)**	166,282
Taxes refund/(paid)	**74**	(7,369)
Net cash (used in)/generated from operating activities	**(332,423)**	158,913
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	**7**	615
Purchase of plant and equipment	**(7,994)**	(10,334)
Interest received	**12,025**	140
Dividends received from subsidiaries	**401,631**	70,500
Purchase of shares held under trust	**(80,000)**	–
Net cash generated from investing activities	**325,669**	60,921
Cash flows from financing activities		
Dividends paid on ordinary shares	**–**	(200,055)
Net (repayment)/drawdown of hire purchase creditors	**(261)**	218
Interest paid	**(11,949)**	(29)
Net cash used in financing activities	**(12,210)**	(199,866)
Net (decrease)/increase in cash and cash equivalents	**(18,964)**	19,968
Cash and cash equivalents at beginning of year	**44,764**	24,796
Cash and cash equivalents at end of year (Note 25)	**25,800**	44,764

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 January 2017

1. CORPORATE INFORMATION

Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad) ("the Company") 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 Sapura@Mines, No.7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan.

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 43 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 4 May 2017.

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 2016 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 2016, the Group and the Company adopted the following new and amended MFRS:

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 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 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	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

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

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Annual improvements to MFRSs 2014-2016 cycle	1 January 2017
Annual improvements to MFRSs 2014-2016 cycle	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Amendments to MFRS 4: Insurance Contracts	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above standards and interpretations are not expected to have a material impact on the financial statements in the period of application except as discussed below:

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-steps model 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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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

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

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 the measurement of the Group's financial assets, but no impact on the classification and the measurement of the Group's financial liabilities.

MFRS 16: Leases

MFRS 16 will replace MFRS 117: *Leases*, IC Interpretation 4: *Determining whether an Arrangement contains a Lease*, IC Interpretation 115: *Operating Lease-Incentives* and IC Interpretation 127: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Leases will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2018.

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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).

Business combination involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

(i) The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.

(ii) No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.

(iii) No additional goodwill is recognised as a result of the combination.

(iv) Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.

(v) The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

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.

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's 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 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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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

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.

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 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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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

2.9 Foreign currency (cont'd.)

(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.

2.10 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 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 dry docking 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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

2.10 Property, plant and equipment (cont'd.)

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.

2.11 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 ("CGU") that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU 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 CGU and part of the operation within that CGU 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 CGU 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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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

2.11 Intangible assets (cont'd.)

(b) Other intangible assets (cont'd.)

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 development costs	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.

2.12 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 Service Contracts ("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.

Costs used in the unit of production calculation comprise the net book amount of capitalised costs plus the estimated future field development costs. The production and reserve estimates used in the calculation are on an entitlements basis. Changes in the estimates of commercial reserves of future field development costs are dealt with prospectively.

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.

Notes to the Financial Statements (cont'd.)
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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

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.

(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 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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

2.13 Impairment of non-financial assets (cont'd.)

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.

2.14 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 expenses 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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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

2.14 Financial assets (cont'd.)

(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.

(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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

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.

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

2.19 Provisions (cont'd.)

(a) Provision for asset retirement obligations (cont'd.)

A corresponding item of expenditure on oil and gas properties 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.

(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. The Group and the Company do not have any financial liabilities at fair value through profit and loss.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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

2.20 Financial liabilities (cont'd.)

(b) Other financial liabilities

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

(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. Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtors fails to make a payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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

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.

(c) Long Term Incentive Plan

Eligible executive directors and employees of the Group receive remuneration in the form of shares as consideration for services rendered, subject to the approval of the Long Term Incentive Plan ("LTIP") Committee. The cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are vested. This cost is recognised in profit or loss over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired.

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 period 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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

2.23 Leases (cont'd.)

(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.

(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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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

2.24 Revenue (cont'd.)

(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.

(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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

2.25 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

2.26 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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

2.30 Hedge accounting

The Group uses derivatives to manage its exposure to foreign currency risk, interest rate risk and liquidity risk, including the Islamic Cross-Currency Swap. 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

(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 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.

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.

Derivatives instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivatives instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

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.

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:

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 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 2017

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) Expenditure on 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 CGU. 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 oil and gas properties 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.

The future cash flows are subject to change as when new information become available 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

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 or fair value less costs to sell. 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.

In establishing the recoverable amount that is based on fair value less costs to sell, the Group engaged independent external valuers to assess the fair value of the property, plant and equipment, adjusted for the condition of the specific assets. Further details are disclosed in Note 14.

(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. Further details are disclosed in Note 23.

(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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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.)

(ii) Construction contracts (cont'd.)

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. Further details are disclosed in Note 24.

(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. Further details are disclosed in Note 14.

(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. Further details are disclosed in Note 20.

(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 future amortisation of expenditure on oil and gas properties ("OGP"). This correspondingly may impact the impairment assessment of OGP (Note 15), the provision for asset retirement obligations (Note 34) and carrying value of deferred tax assets/liabilities (Note 20).

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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.)

(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. Further details are disclosed in Note 15.

(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. Further details are disclosed in Note 34.

3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Engineering, procurement, construction, installation and commissioning*	**3,586,485**	4,704,799	**–**	–
Offshore drilling services	**2,018,835**	2,955,766	**–**	–
Oilfield development and production	**1,120,966**	1,546,131	**–**	–
Offshore support, geotechnical, maintenance and consultation services	**925,037**	977,335	**–**	–
Dividends income	**–**	–	**400,000**	413,333
Management fees from subsidiaries	**–**	–	**190,101**	184,933
Intellectual property rights, trademarks and branding fees from subsidiaries	**–**	–	**71,309**	70,779
	7,651,323	10,184,031	**661,410**	669,045

* *Includes revenue from construction contracts.*

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Income arising from cessation of Berantai Risk Service Contract ("RSC") (Note 15(b)(ii))	**1,336,488**	–	**–**	–
Interest income:				
– third parties	**19,624**	13,372	**129**	140
– joint ventures	**4,174**	4,873	**–**	–
– subsidiaries	**–**	–	**45,758**	43,416
Gain on disposal of property, plant and equipment	**6,976**	233	**–**	317
Foreign exchange differences:				
– net realised exchange gain	**–**	363,143	**–**	43,068
– net unrealised exchange gain	**180,997**	–	**19,278**	–
Changes in provision (Note 33(a))	**–**	80,947	**–**	–
Miscellaneous income	**17,079**	17,641	**6**	6
	1,565,338	480,209	**65,171**	86,947

6. PROVISION FOR IMPAIRMENT

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
(Reversal of)/provision for impairment on:				
– expenditure on oil and gas properties (Note 15)	**(1,198)**	1,397,266	**–**	–
– property, plant and equipment (Note 14)	**283,881**	603,732	**–**	–
– investment in joint ventures *	**–**	28,254	**–**	–
	282,683	2,029,252	**–**	–

* *This is in relation to the fair value adjustment for investment in joint ventures which were acquired as subsidiaries through step acquisition, in the previous financial year.*

Notes to the Financial Statements (cont'd.)
– 31 January 2017

7. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on borrowings	**779,799**	761,146	**153,753**	147,966
Less: Interest expense capitalised in property, plant and equipment (Note 14(c))	**(12,727)**	(28,593)	**–**	–
	767,072	732,553	**153,753**	147,966
Accretion of asset retirement obligations (Note 34)	**32,784**	27,617	**–**	–
	799,856	760,170	**153,753**	147,966

8. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
This is arrived at after charging:				
Employee benefits expense (Note 9)	**1,420,859**	2,077,352	**148,389**	171,348
Non-executive directors' remuneration (Note 10)	**3,991**	4,141	**3,929**	4,079
Auditors' remuneration:				
– Statutory audits:				
– Group auditors	**3,454**	3,414	**166**	166
– Other auditors	**116**	116	**–**	–
– Other services:				
– Group auditors	**1,142**	1,562	**696**	1,166
Charter of vessels, barges and rigs and hire of equipment	**353,869**	543,766	**–**	–
Depreciation of property, plant and equipment (Note 14)	**920,702**	929,879	**15,306**	10,311
Amortisation of intangible assets (Note 16)	**28,117**	33,624	**–**	–
Amortisation of expenditure on oil and gas properties (Note 15)^	**843,253**	445,311	**–**	–
Intangible assets written off – customer contracts (Note 16)	**–**	21,625	**–**	–
Property, plant and equipment written off	**–**	33,281	**–**	–

^ *Included in amortisation of expenditure on oil and gas properties is the accelerated amortisation of expenditure on oil and gas properties of RM607.4 million due to the cessation of Berantai RSC. Further details are disclosed in Note 15(b)(ii).*

Notes to the Financial Statements (cont'd.)
– 31 January 2017

8. PROFIT/(LOSS) BEFORE TAX (CONT'D.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
This is arrived at after charging (cont'd.):				
Expenditure on oil and gas properties written off (Note 15)	**25,644**	28,313	**–**	–
Inventories written off/down (Note 21)	**5,370**	46,761	**–**	–
Rental of premises	**65,003**	61,405	**5,565**	4,867
Foreign exchange differences:				
– net unrealised exchange loss	**–**	42,396	**–**	33,685
– net realised exchange loss	**137,258**	–	**–**	–
Impairment on receivables	**–**	871	**–**	–
Loss on disposal of plant and equipment	**–**	–	**24**	–
Early termination payment arising from cessation of Berantai RSC (Note 15(b)(ii))	**763,767**	–	**–**	–
Intellectual property rights, trademarks and branding fees (Note 38(a)(b)(i))	**70,000**	70,000	**70,000**	70,000

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	**1,138,565**	1,735,560	**130,771**	143,726
Social security contributions	**5,993**	17,368	**86**	119
Contributions to defined contribution plan	**74,300**	88,578	**16,329**	25,676
Other benefits	**237,874**	255,342	**1,203**	1,827
	1,456,732	2,096,848	**148,389**	171,348
Represented by:				
Capitalised in exploration and evaluation assets (Note 15)	**35,873**	19,496	**–**	–
Charged to income statements (Note 8)	**1,420,859**	2,077,352	**148,389**	171,348
	1,456,732	2,096,848	**148,389**	171,348

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") vested to eligible executive directors and employees of the Group and of the Company as disclosed in Note 28, and previous year's provision for restructuring cost as disclosed in Note 33(c).

Notes to the Financial Statements (cont'd.)
– 31 January 2017

10. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM'000	2016* RM'000	2017 RM'000	2016* RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	**88,210**	90,974	**88,210**	90,974
Benefits-in-kind	**474**	529	**474**	529
	88,684	91,503	**88,684**	91,503
Non-Executive:				
Fees^	**3,950**	4,100	**3,888**	4,038
Other emoluments	**41**	41	**41**	41
Total remuneration (Note 8)	**3,991**	4,141	**3,929**	4,079
Benefits-in-kind	**10**	7	**10**	7
	4,001	4,148	**3,939**	4,086
	92,685	95,651	**92,623**	95,589
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration	**88,210**	90,974	**88,210**	90,974
Total non-executive directors' remuneration	**3,991**	4,141	**3,929**	4,079
Total directors' remuneration	**92,201**	95,115	**92,139**	95,053

* *Comparatives disclosure for executive directors have been changed to include shares vested under LTIP scheme and to conform with the current year's presentation.*
^ *50% fees for one of the directors is paid to the organisation that the director represents.*

Notes to the Financial Statements (cont'd.)
– 31 January 2017

11. INCOME TAX EXPENSE

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Income tax:				
Malaysian income tax	**151,278**	164,095	**919**	–
Foreign tax	**91,061**	128,132	**–**	–
	242,339	292,227	**919**	–
(Over)/under provided in prior years:				
Malaysian income tax	**(26,530)**	(42,801)	**892**	–
Effect of Group tax relief	**(16,104)**	–	**–**	–
Foreign tax	**4,354**	(20,476)	**–**	–
	(38,280)	(63,277)	**892**	–
	204,059	228,950	**1,811**	–
Deferred tax (Note 20):				
Relating to origination of temporary differences	**(18,812)**	(226,238)	**(13,383)**	–
(Over)/under provided in prior years	**(6,163)**	76,094	**15,250**	–
	(24,975)	(150,144)	**1,867**	–
Total income tax expense	**179,084**	78,806	**3,678**	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) 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% (2016: 38%).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

11. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax expense applicable to profit/(loss) before tax 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:

	2017 RM'000	2016 RM'000
Group		
Profit/(loss) before tax	**385,248**	(712,639)
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	**72,734**	227,652
Effect of taxation at Malaysian petroleum income tax rate of 38% (2016: 38%)	**63,436**	(631,254)
Effect of different tax rates in other countries and jurisdictions	**67,132**	56,493
Effect of income not subject to tax	**(514,203)**	(105,116)
Effect of double deduction of expenses and tax incentive	**(16,335)**	(4,418)
Effect of expenses not deductible for tax purposes	**718,674**	440,320
Effect of share of results of associates and joint ventures	**(119,226)**	(60,140)
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(138,392)**	(33,316)
Deferred tax assets not recognised in respect of tax losses and unabsorbed capital allowances	**89,707**	175,768
(Over)/under provided of deferred tax in prior years	**(6,163)**	76,094
Over provided of statutory tax in prior years	**(38,280)**	(63,277)
Income tax expense for the year	**179,084**	78,806
Company		
Profit before tax	**279,728**	271,646
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	**67,135**	65,195
Effect of income not subject to tax	**(96,000)**	(99,200)
Effect of expenses not deductible for tax purposes	**23,154**	36,203
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(6,753)**	(2,198)
Under provided of statutory tax in prior year	**892**	–
Under provided of deferred tax in prior year	**15,250**	–
Income tax expense for the year	**3,678**	–

Notes to the Financial Statements (cont'd.)

– 31 January 2017

12. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share are calculated by dividing profit/(loss) 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	
	2017	**2016**
In respect of financial year:		
Profit/(loss) for the year attributable to owners of the parent (RM'000)	**208,316**	(791,555)
Weighted average number of ordinary shares in issue ('000)*	**5,950,838**	5,971,797
Basic/Diluted earnings/(loss) per share (sen)	**3.50**	(13.25)

* *The weighted average number of shares takes into account the weighted average effect of shares held under trust during the year.*

13. DIVIDENDS

	Group and Company	
	2017 RM'000	**2016 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

In respect of the financial year ended 31 January 2017, a tax exempt (single-tier) interim dividend of 1.00 sen amounting to RM59.6 million was declared on 31 March 2017 and paid on 28 April 2017. This dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 January 2018.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

14. PROPERTY, PLANT AND EQUIPMENT

Group	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 and vessels under construction RM'000	Total RM'000
At 31 January 2017								
Cost								
At 1 February 2016	**4,568**	**513,767**	**5,068,361**	**12,880,612**	**29,251**	**327,306**	**1,038,906**	**19,862,771**
Additions	**–**	**235**	**49,386**	**17,539**	**98**	**31,961**	**445,709**	**544,928**
Disposals	**–**	**–**	**(58,800)**	**(526,648)**	**–**	**(2,131)**	**–**	**(587,579)**
Write-off	**–**	**–**	**–**	**(471)**	**–**	**(6,970)**	**–**	**(7,441)**
Reclassification/transfer	**–**	**–**	**97,296**	**–**	**–**	**–**	**(97,296)**	**–**
Exchange differences	**–**	**–**	**224,423**	**860,676**	**–**	**2,195**	**87,686**	**1,174,980**
At 31 January 2017	**4,568**	**514,002**	**5,380,666**	**13,231,708**	**29,349**	**352,361**	**1,475,005**	**20,987,659**
Accumulated depreciation and impairment								
At 1 February 2016	**–**	**74,021**	**1,110,492**	**3,539,469**	**18,863**	**214,268**	**–**	**4,957,113**
Depreciation charge for the year (Note 8)	**–**	**8,580**	**205,111**	**651,317**	**2,990**	**52,704**	**–**	**920,702**
Impairment (Note 6)	**–**	**–**	**122,983**	**–**	**–**	**–**	**160,898**	**283,881**
Disposals	**–**	**–**	**(58,800)**	**(523,890)**	**–**	**(2,108)**	**–**	**(584,798)**
Write-off	**–**	**–**	**–**	**(471)**	**–**	**(6,970)**	**–**	**(7,441)**
Exchange differences	**–**	**–**	**14,408**	**262,601**	**–**	**1,161**	**–**	**278,170**
At 31 January 2017	**–**	**82,601**	**1,394,194**	**3,929,026**	**21,853**	**259,055**	**160,898**	**5,847,627**
Net carrying amount								
At 31 January 2017	**4,568**	**431,401**	**3,986,472**	**9,302,682**	**7,496**	**93,306**	**1,314,107**	**15,140,032**

Notes to the Financial Statements (cont'd.)

– 31 January 2017

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	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
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	–	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
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 (Note 8)	–	8,622	194,025	678,101	3,143	45,988	–	929,879
Impairment (Note 6)	–	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	–	–	(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 2017

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Equipment, furniture and motor vehicles RM'000
At 31 January 2017	
Cost	
At 1 February 2016	**64,943**
Additions	**7,994**
Disposal	**(157)**
At 31 January 2017	**72,780**
Accumulated depreciation	
At 1 February 2016	**37,914**
Depreciation charge for the year (Note 8)	**15,306**
Disposal	**(127)**
At 31 January 2017	**53,093**
Net carrying amount	
At 31 January 2017	**19,687**
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

Notes to the Financial Statements (cont'd.)
– 31 January 2017

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) Whilst crude oil price have improved compared to the end of the previous financial year, the trend of low capital spending by oil companies still continues.

The Group has estimated the recoverable amount of its property, plant and equipment that are subject to impairment during the financial year. The assessment has led to the recognition of impairment losses of RM283.9 million (2016: RM603.7 million) as disclosed in Note 6 to the financial statements.

Included in the total impairment is an impairment loss of RM160.9 million on a tender assisted drilling rig under construction with a recoverable amount of RM519.1 million. In determining the value-in-use of this asset, the future cash flows were discounted at a post-tax rate of 9.0% (2016: 9.0%).

Included in the total impairment is an impairment loss of RM123.0 million on two vessels with recoverable amounts of RM159.1 million. The recoverable amounts are determined based on fair value less cost to sell. The valuation was performed by an independent valuer based on comparable vessels adjusted for the current condition of the assets. The fair value measurement is derived based on level 3 of the fair value hierarchy. Further details of fair value hierarchy are disclosed in Note 40(c).

(b) The net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Motor vehicles	**1,022**	1,533	**597**	1,016
Plant and machinery	**18,741**	20,458	**–**	–
	19,763	21,991	**597**	1,016

Property, plant and equipment held under hire purchase and finance lease arrangements are pledged as security for the related finance lease liabilities.

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 31.

(c) The additions of property, plant and equipment during the year consist of the following:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash, payables and prepayment	**532,201**	868,551	**7,994**	10,334
Borrowing costs capitalised (Note 7)	**12,727**	28,593	**–**	–
	544,928	897,144	**7,994**	10,334

Notes to the Financial Statements (cont'd.)

– 31 January 2017

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(d) Included in the accumulated depreciation and impairment losses of property, plant and equipment are impairment losses carried forward of RM887.6 million (2016: RM603.7 million).

15. EXPENDITURE ON OIL AND GAS PROPERTIES

Group	Oil and Gas Properties RM'000	Exploration and Evaluation Assets RM'000	Total RM'000
At 31 January 2017			
Cost			
At 1 February 2016	**3,819,894**	**3,738,012**	**7,557,906**
Additions^	**153,880**	**45,537**	**199,417**
Change in decommissioning liabilities (Note 34)	**83,626**	**–**	**83,626**
Write-off (Note 8)	**–**	**(25,644)**	**(25,644)**
Exchange differences	**278,602**	**255,457**	**534,059**
At 31 January 2017	**4,336,002**	**4,013,362**	**8,349,364**
Accumulated depletion, depreciation and amortisation/impairment			
At 1 February 2016	**2,487,663**	**362,562**	**2,850,225**
(Reversal of impairment)/impairment during the year (Note 6)	**(399,618)**	**398,420**	**(1,198)**
Charge for the year (Note 8)	**843,253**	**–**	**843,253**
Exchange differences	**207,539**	**50,690**	**258,229**
At 31 January 2017	**3,138,837**	**811,672**	**3,950,509**
Net carrying amount			
At 31 January 2017	**1,197,165**	**3,201,690**	**4,398,855**

^ *Included in the additions are employee benefits expense capitalised amounting to RM35.9 million (2016: RM19.5 million) as disclosed in Note 9.*

Notes to the Financial Statements (cont'd.)
– 31 January 2017

15. EXPENDITURE ON OIL AND GAS PROPERTIES (CONT'D.)

Group	Oil and Gas Properties RM'000	Exploration and Evaluation Assets RM'000	Total RM'000
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

Included in the accumulated depletion, depreciation and amortisation/impairment of expenditure on oil and gas properties are impairment losses carried forward of RM1,451.0 million (2016: RM1,452.2 million).

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(s). The contractors' share of production also includes an element of profit.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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

	2017 RM'000	2016 RM'000
Provision for impairment	**398,420**	1,397,266
Reversal of provision for impairment	**(399,618)**	–
(Reversal of)/provision for impairment (Note 6)	**(1,198)**	1,397,266

The Group continues to carry out the impairment assessment on its expenditure on oil and gas properties given the uncertainty of the crude oil price. The recoverable amount of RM4,885.3 million was determined from value-in-use calculations, using cash flow projection at a post-tax discount rate of 10.0% (2016: 9.0%).

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 Group recognise reversal of provision for impairment when the increase in value-in-use is evidenced by cost efficiency, increase in reserves and resources volume, and improvement in the remaining economic life of the assets.

(b) Risk Service Contracts

(i) Expenditure on Risk Service Contract ("RSC") represent the costs incurred as per the RSC agreement with PETRONAS. The Berantai RSC was signed on 31 January 2011 with PETRONAS. It is for the development and production of petroleum from the Berantai field, located offshore Peninsular Malaysia. Participating interests in the Berantai RSC are held 25% by Sapura Energy Ventures Sdn. Bhd., 25% by Kencana Energy Sdn. Bhd. and 50% by Petrofac Energy Developments Sdn. Bhd..

The Berantai field commenced its first gas production on 20 October 2012.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

15. EXPENDITURE ON OIL AND GAS PROPERTIES (CONT'D.)

(b) Risk Service Contracts (cont'd.)

(ii) On 11 July 2016, the Company announced that through its wholly-owned subsidiaries, Sapura Energy Ventures Sdn. Bhd. and Kencana Energy Sdn. Bhd. and their partner, Petrofac Energy Developments Sdn Bhd., have reached a mutual agreement with PETRONAS for the cessation of the Berantai RSC.

With the cessation of the RSC, which was effective on 30 September 2016, PETRONAS will reimburse all outstanding capital and operational expenditures to the Contractors by June 2017. As part of the arrangement, the ownership of Berantai Floating Production Storage and Offloading ("FPSO"), has been transferred to PETRONAS. The Berantai FPSO was previously owned and operated by a joint venture of the Group, Berantai Floating Production Limited ("BFPL").

The key financial impact to the consolidated income statement in relation to the cessation of the Berantai RSC are as follows:

	Increase RM'000
Consolidated Income Statement	
Other income – Compensation from PETRONAS (Note 5)	1,336,488
Other expenses:	
Early termination payment to BFPL (Note 8)	763,767
Accelerated depreciation and amortisation on OGP (Note 8)	607,412
Share of profit from associates and joint ventures: BFPL	81,570

16. INTANGIBLE ASSETS

Group	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
At 31 January 2017						
Cost						
At 1 February 2016	**36,292**	**1,965**	**22,345**	**111,493**	**8,176,803**	**8,348,898**
Additions	**454**	**74**	**159**	**–**	**–**	**687**
Exchange differences	**1,709**	**14**	**1,676**	**5,824**	**266,736**	**275,959**
At 31 January 2017	**38,455**	**2,053**	**24,180**	**117,317**	**8,443,539**	**8,625,544**
Accumulated amortisation						
At 1 February 2016	**30,906**	**1,834**	**4,639**	**70,037**	**–**	**107,416**
Charge for the year (Note 8)	**4,564**	**67**	**2,394**	**21,092**	**–**	**28,117**
Exchange differences	**1,612**	**12**	**474**	**4,383**	**–**	**6,481**
At 31 January 2017	**37,082**	**1,913**	**7,507**	**95,512**	**–**	**142,014**
Net carrying amount						
At 31 January 2017	**1,373**	**140**	**16,673**	**21,805**	**8,443,539**	**8,483,530**

Notes to the Financial Statements (cont'd.)
– 31 January 2017

16. INTANGIBLE ASSETS (CONT'D.)

Group	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
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

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	
	2017 RM'000	2016 RM'000
Engineering and Construction	**4,128,395**	4,128,395
Drilling	**4,315,144**	4,048,408
	8,443,539	8,176,803

Notes to the Financial Statements (cont'd.)

– 31 January 2017

16. INTANGIBLE ASSETS (CONT'D.)

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 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 for Engineering and Construction is ranging from 1.0% to 29.9% and Drilling is ranging from -48.9% to 72.4%.

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% (2016: 9.0%).

(iv) Terminal growth rate

Cash flow beyond the terminal period is extrapolated using the growth rate of 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	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	**9,119,415**	9,119,415
Less: Accumulated impairment losses	**(6,878)**	(6,878)
	9,112,537	9,112,537

The details of the subsidiaries are set out in Note 43.

Notes to the Financial Statements (cont'd.)
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18. INVESTMENT IN ASSOCIATES

	Group	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	**27,765**	27,765
Share of post-acquisition reserves	**(4,723)**	(16,232)
	23,042	11,533

(i) Details of the associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2017 %	Proportion of Ownership Interest 2016 %
(a) Held through Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology 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 & Engineering Sdn. Bhd.	Malaysia	Shipbuilding, ship repair, naval craft maintenance and oil and gas fabrication	**50**	50
(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

Notes to the Financial Statements (cont'd.)
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18. INVESTMENT IN ASSOCIATES (CONT'D.)

(i) Details of the associates are as follows (cont'd.):

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 & 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 associates' respective financial year end and 31 January 2017.

Aggregate information of associates that are not individually material:

	2017 RM'000	2016 RM'000
Share of profit/(loss) before tax	**11,509**	(33,532)
Share of total comprehensive income/(loss)	**11,509**	(33,532)

19. INVESTMENT IN JOINT VENTURES

	Group	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	**196,753**	196,753
Share of post-acquisition reserves	**1,062,828**	843,397
	1,259,581	1,040,150
Shareholders' advances to joint ventures	**575,986**	516,819
	1,835,567	1,556,969

The shareholders' advances are unsecured, not due within twelve months, non-interest bearing and treated as deemed investment except for advances in previous year of RM24.7 million provided to a joint venture, Berantai Floating Production Limited for the acquisition of a FPSO for Berantai field activities which is subject to interest rate of LIBOR + 2% per annum. The advances have been fully repaid in the current financial year.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

19. INVESTMENT IN JOINT VENTURES (CONT'D.)

Details of the joint ventures are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2017 %	Proportion of Ownership Interest 2016 %
(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
(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 Sapura Petroleum Ventures Sdn. Bhd. (formerly known as 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
(f) Held through SapuraKencana Engineering Sdn. Bhd.				
Best Wide MCCS Sdn. Bhd.	Malaysia	Dormant	**50**	50

Notes to the Financial Statements (cont'd.)
– 31 January 2017

19. INVESTMENT IN JOINT VENTURES (CONT'D.)

Details of the joint ventures are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2017 %	Proportion of Ownership Interest 2016 %
(g) 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
(h) Held through Seabras Sapura Participações S.A.				
Sapura Navegação Maritima S.A.	Brazil	Vessel owner and chartering	**50**	50
(i) Held through Seabras Sapura Holding, GmbH				
Seabras Sapura PLSV Holding GmbH	Austria	Investment holding	**50**	50
(j) 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
(k) 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

Notes to the Financial Statements (cont'd.)
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19. INVESTMENT IN JOINT VENTURES (CONT'D.)

Details of the joint ventures are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2017 %	Proportion of Ownership Interest 2016 %
(l) Held through Sapura Navegação Maritima S.A.				
Let's Log Serviços Intergrados de Logística Ltda.	Brazil	Management of general warehouses and deposits	**50**	50
(m) 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

The financial statements of the above joint ventures 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 ventures have been used, and appropriate adjustments have been made for the effects of significant transactions between the joint ventures' respective financial year ended and 31 January 2017.

Information relating to the joint ventures:

(a) On 11 July 2016, the Company announced that through its wholly-owned subsidiaries, Sapura Energy Ventures Sdn. Bhd. and Kencana Energy Sdn. Bhd. and their partner, Petrofac Energy Developments Sdn. Bhd., have reached a mutual agreement with PETRONAS for the cessation of the Berantai RSC. Further details are disclosed in Note 15(b)(ii).

Notes to the Financial Statements (cont'd.)
– 31 January 2017

19. INVESTMENT IN JOINT VENTURES (CONT'D.)

(b) 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 SapuraAcergy Sdn. Bhd. and its subsidiaries, SapuraAcergy Assets Pte. Ltd., 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 and reconciliation of the summarised financial information to the carrying amount of the Group's interest in joint ventures:

	2017		2016	
	E&C RM'000	**Energy RM'000**	**E&C* RM'000**	**Energy RM'000**
Cash and cash equivalents^	**2,040,883**	**1,952**	1,036,400	54,972
Other current assets	**571,702**	**10**	680,937	128,874
Total current assets	**2,612,585**	**1,962**	1,717,337	183,846
Non-current assets	**8,267,985**	**–**	6,943,183	1,334,574
Total assets	**10,880,570**	**1,962**	8,660,520	1,518,420
Borrowings	**610,899**	**–**	446,524	–
Other current liabilities	**2,850,216**	**412**	2,213,727	277,779
Total current liabilities	**3,461,115**	**412**	2,660,251	277,779
Borrowings	**5,107,222**	**–**	4,257,732	–
Other non-current liabilities	**36,167**	**–**	387,165	579,017
Total liabilities	**8,604,504**	**412**	7,305,148	856,796
Net assets	**2,276,066**	**1,550**	1,355,372	661,624
Interest in joint ventures	**50%**	**49%**	50%	49%
Carrying value of interest in joint ventures	**1,138,033**	**760**	677,686	324,196
Shareholders' advances	**554,966**	**–**	492,082	24,736
Net carrying value of interest in joint ventures	**1,692,999**	**760**	1,169,768	348,932
Dividends paid during the year to the Group	**–**	**(449,479)**	(125,022)	–

^ *Included in the cash and cash equivalents of E&C are RM775.9 million (2016: RM171.1 million), pledged as security over the borrowings as at 31 January 2017.*

* *The comparatives have been changed to conform with the current year's presentation.*

Notes to the Financial Statements (cont'd.)

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19. INVESTMENT IN JOINT VENTURES (CONT'D.)

(b) (Cont'd.)

(ii) Summarised statements of comprehensive income:

	2017		2016	
	E&C RM'000	**Energy RM'000**	**E&C* RM'000**	**Energy RM'000**
Revenue	**2,242,102**	**–**	1,406,475	–
Other income^	**–**	**171,099**	–	–
Depreciation and amortisation	**(336,323)**	**–**	(189,649)	–
Interest income	**17,851**	**141,256**	5,712	208,673
Interest expense	**(307,046)**	**(35,703)**	(159,320)	(41,509)
Other expenses	**(1,016,515)**	**(10,619)**	(743,539)	(168)
Profit before tax	**600,069**	**266,033**	319,679	166,996
Income tax expense	**(1,339)**	**(21)**	(58,004)	(19)
Profit after tax	**598,730**	**266,012**	261,675	166,977
Other comprehensive income	**321,963**	**(8,783)**	(26,038)	113,401
Total comprehensive income	**920,693**	**257,229**	235,637	280,378

^ *Represent gain on derecognition of lease receivables arising from cessation of Berantai RSC.*
* *The comparatives have been changed to conform with the current year's presentation.*

(c) Aggregate information of joint ventures that are not individually material:

	2017 RM'000	**2016 RM'000**
Carrying value of interest in joint ventures	**141,808**	38,269
Share of profit after tax	**13,722**	11,695
Share of total comprehensive income	**13,722**	11,695

Notes to the Financial Statements (cont'd.)
– 31 January 2017

20. DEFERRED TAX

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At 1 February 2016/2015	**1,058,142**	1,072,048	**(39,464)**	(39,464)
Recognised in the income statement (Note 11)	**(24,975)**	(150,144)	**1,867**	–
Exchange differences	**27,946**	136,238	**–**	–
At 31 January	**1,061,113**	1,058,142	**(37,597)**	(39,464)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(221,571)**	(211,360)	**(37,597)**	(39,464)
Deferred tax liabilities	**1,282,684**	1,269,502	**–**	–
	1,061,113	1,058,142	**(37,597)**	(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 2016	**1,256,722**	**43,122**	**1,299,844**
Recognised in the income statement	**(840)**	**(22,952)**	**(23,792)**
Exchange differences	**2,059**	**177**	**2,236**
At 31 January 2017	**1,257,941**	**20,347**	**1,278,288**
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

Notes to the Financial Statements (cont'd.)

– 31 January 2017

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 2016	**(211,950)**	**(21,990)**	**(7,762)**	**(241,702)**
Recognised in the income statement	**(23,544)**	**20,135**	**2,226**	**(1,183)**
Exchange differences	**25,423**	**187**	**100**	**25,710**
At 31 January 2017	**(210,071)**	**(1,668)**	**(5,436)**	**(217,175)**
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)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000
At 1 February 2016	**4,210**
Recognised in the income statement	**(2,606)**
At 31 January 2017	**1,604**
At 1 February 2015/31 January 2016	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 2016	**(5,008)**	**(38,666)**	**(43,674)**
Recognised in the income statement	**4,598**	**(125)**	**4,473**
At 31 January 2017	**(410)**	**(38,791)**	**(39,201)**
At 1 February 2015/31 January 2016	(5,008)	(38,666)	(43,674)

Notes to the Financial Statements (cont'd.)
– 31 January 2017

20. DEFERRED TAX (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	**888,830**	625,107	**–**	13,693
Unabsorbed capital allowances and other deductible temporary differences	**311,722**	577,359	**–**	–
	1,200,552	1,202,466	**–**	13,693

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	
	2017 RM'000	2016 RM'000
At cost		
Consumable, materials and spares	**370,662**	400,248
Work-in-progress	**70,053**	141,794
Crude oil	**17,768**	–
	458,483	542,042
At net realisable value		
Crude oil	**–**	30,194
	458,483	572,236

In the current financial year, the crude oil inventories have been stated at cost.

The cost of inventories recognised as an expense during the financial year amounted to RM646.4 million (2016: RM825.6 million).

During the year, the Group has written off its inventories totalling RM5.4 million (2016: written down of RM46.8 million).

Notes to the Financial Statements (cont'd.)
– 31 January 2017

22. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Non-current assets		
Amount due from subsidiaries	**108,102**	–
Current assets		
Amount due from subsidiaries	**1,878,964**	2,737,280
Less: Provision for impairment	**(171,295)**	(171,295)
	1,707,669	2,565,985

Amount due from subsidiaries are unsecured, interest free and repayable on demand except for RM323.0 million (2016: RM963.1 million) which is subject to interest rates ranging from 4.09% to 8.00% (2016: 4.03% to 8.00%) per annum.

Further details on related party transactions are disclosed in Note 38.

Other information on financial risks are disclosed in Note 39.

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current assets				
Trade receivables				
Retention sums	**31,493**	14,552	**–**	–
Deferred mobilisation cost	**7,636**	14,385	**–**	–
	39,129	28,937	**–**	–
Current assets				
Trade receivables				
Third parties	**1,566,840**	2,261,312	**–**	–
Deferred mobilisation cost	**37,866**	11,670	**–**	–
Retention sums	**15,386**	26,027	**–**	–
Joint ventures	**–**	40,770	**–**	–
	1,620,092	2,339,779	**–**	–
Less: Provision for impairment				
Third parties	**(30,328)**	(45,826)	**–**	–
	1,589,764	2,293,953	**–**	–
Construction contracts:				
Due from customers on contracts (Note 24)	**351,844**	845,433	**–**	–
Trade receivables, net	**1,941,608**	3,139,386	**–**	–

Notes to the Financial Statements (cont'd.)
– 31 January 2017

23. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables				
Amount due from:				
Related parties	**541**	336	**315**	315
Joint ventures	**394,152**	233,122	**4,001**	3,167
Joint venture partners	**230,930**	409,427	**–**	–
	625,623	642,885	**4,316**	3,482
Deposits and prepayments	**112,995**	166,599	**9,264**	5,075
Sundry receivables	**554,299**	165,270	**10,077**	7,843
	667,294	331,869	**19,341**	12,918
Less: Provision for impairment Sundry receivables	**(81)**	(81)	**–**	–
Other receivables, net	**667,213**	331,788	**19,341**	12,918
Total trade and other receivables	**3,234,444**	4,114,059	**23,657**	16,400

(a) Trade receivables

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 120 days (2016: 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 and deferred mobilisation cost)

The ageing analysis of the Group's trade receivables is as follows:

	2017 RM'000	2016 RM'000
Neither past due nor impaired	**515,844**	1,532,969
1 to 30 days past due not impaired	**445,335**	458,672
31 to 60 days past due not impaired	**129,559**	111,788
61 to 90 days past due not impaired	**74,287**	60,594
91 to 120 days past due not impaired	**109,854**	11,698
More than 121 days past due not impaired	**308,512**	121,114
	1,067,547	763,866
Impaired	**30,328**	45,826
	1,613,719	2,342,661

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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 RM46.9 million (2016: RM40.6 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 RM1,067.5 million (2016: RM763.9 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	
	2017 RM'000	**2016 RM'000**
Trade receivables – nominal amounts	**30,328**	45,826
Less: Provision for impairment	**(30,328)**	(45,826)
	–	–

Movement in provision accounts:

	Group	
	2017 RM'000	**2016 RM'000**
At 1 February 2016/2015	**45,826**	46,364
Impairment loss recognised	**–**	871
Exchange differences	**(15,498)**	(1,409)
At 31 January	**30,328**	45,826

Notes to the Financial Statements (cont'd.)
– 31 January 2017

23. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

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.

(b) Sundry receivables

Sundry receivables (excluding prepayment) are non trade, unsecured, interest free and repayable on demand.

Included in sundry receivables are RM278.2 million representing balance outstanding arising from the cessation of Berantai RSC.

(c) Amount due from joint ventures

Amount due from joint ventures are unsecured, interest free and repayable on demand, except for RM126.8 million (2016: RM119.0 million) provided to joint ventures, Seabras Sapura Participações S.A. and its subsidiaries which is subject to a fixed interest rate of 3.4% (2016: 3.4%) per annum.

(d) 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 and interest free.

24. DUE FROM CUSTOMERS ON CONTRACTS

	Group	
	2017 RM'000	**2016 RM'000**
Construction contract costs incurred and recognised profit to date	**7,556,709**	7,275,313
Less: Progress billings	**(7,401,788)**	(6,693,319)
	154,921	581,994
Presented as:		
Due from customers on contracts (Note 23)	**351,844**	845,433
Due to customers on contracts (Note 33)	**(196,923)**	(263,439)
	154,921	581,994

Notes to the Financial Statements (cont'd.)
– 31 January 2017

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash on hand and at banks	**1,881,698**	1,523,378	**25,800**	44,764
Deposits with licensed banks	**1,637,811**	424,149	**–**	–
Cash and cash equivalents	**3,519,509**	1,947,527	**25,800**	44,764

Other information on financial risks of cash and cash equivalents are disclosed in Note 39.

The range of the interest rate (per annum) and the range of remaining maturities as at the reporting date are as follows:

	Group	
	2017	**2016**
Interest rate (%)	**0.40 – 4.92**	0.30 – 5.00
Maturities (days)	**1 – 90**	1 – 90

26. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2017 '000	**2016 '000**	**2017 RM'000**	**2016 RM'000**
Authorised share capital:				
Ordinary shares				
At 1 February 2016/2015 and 31 January	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
Ordinary shares				
At 1 February 2016/2015	**5,992,155**	5,992,155	**5,992,155**	5,992,155
Effect of implementation of Companies Act 2016	**–**	–	**2,074,255**	–
At 31 January	**5,992,155**	5,992,155	**8,066,410**	5,992,155

The holders of ordinary shares (except for shares held under trust (Note 28)) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares have no par value. All ordinary shares rank equally with regard to the Company's assets.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

27. SHARE PREMIUM

At 31 January 2017, the balance of share premium has been transferred to share capital under the new requirement of Companies Act 2016.

28. SHARES HELD UNDER TRUST

	Group and Company			
	Number of shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
At 1 February 2016/2015	**20,358**	20,358	**80,000**	80,000
Purchased during the year	**48,983**	20,150	**80,000**	54,917
Vested during the year	**(39,937)**	(20,150)	**(66,696)**	(54,917)
At 31 January	**29,404**	20,358	**93,304**	80,000

The trustee appointed by the Company purchased its issued ordinary shares from the open market for the purpose of the share bonus scheme in relation to LTIP through its internally generated funds.

The amount vested during the year is charged to the Group's and the Company's employee benefits expense amounting to RM66.7 million and RM37.7 million respectively, as included in Note 9.

The amount vested during the year for key management personnel of the Group and of the Company are RM47.4 million and RM37.0 million respectively, as included in Note 38(b).

The shares held under trust have no right to vote, dividends and participation in other distribution.

In the current financial year, the trustee appointed by the Company purchased 48,983,000 units (2016: 20,150,000 units) of its issued ordinary shares from the open market at an average price of RM1.63 per share (2016: RM2.73 per share) for the purpose of the share bonus scheme in relation to LTIP.

During the year, these shares of 39,937,250 units (2016: 20,150,000 units), at an average price of RM1.63 per share (2016: RM2.73 per share), were vested to the eligible executive directors and employees. 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 remaining vesting of the new shares is over a period of 2 years, provided that the recipient remains in the Group's employment.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

29. OTHER RESERVES

	Group	
	2017 RM'000	2016 RM'000
Foreign currency translation reserve	**2,448,715**	1,805,251
Hedge reserve	**(15,672)**	(52,134)
Merger reserve	**51,989**	51,989
Revaluation reserve	**–**	13,309
Capital reserve	**–**	3,519
	2,485,032	1,821,934
The movement in the reserves are as follows:		
Foreign currency translation reserve		
At 1 February 2016/2015	**1,805,251**	660,012
Exchange differences on translation of foreign subsidiaries, joint ventures and associates	**643,464**	1,145,239
At 31 January	**2,448,715**	1,805,251
Hedge reserve		
At 1 February 2016/2015	**(52,134)**	–
Net fair value gain/(loss) on hedged items	**36,462**	(52,134)
At 31 January	**(15,672)**	(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) Hedge reserve

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. The hedge reserve includes the share of hedge reserve of a subsidiary and joint ventures.

(c) Merger reserve

The merger reserve relates to the excess of the consideration paid over the share capital and reserves of Probadi Sdn. Bhd. in previous years.

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

30. BORROWINGS

	Group	
	2017 RM'000	**2016 RM'000**
Short term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 31)	**8,740**	9,709
	8,740	9,709
Unsecured:		
Revolving credits	**1,183,742**	1,150,057
Term loans	**1,845,122**	916,856
Islamic Facility	**468,135**	–
Bank overdrafts	**5,311**	14,516
	3,502,310	2,081,429
	3,511,050	2,091,138
Long term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 31)	**6,634**	13,605
	6,634	13,605
Unsecured:		
Term loans	**8,473,926**	9,561,520
Islamic Facility	**5,600,300**	5,662,606
Sukuk Programme	**1,055,107**	1,000,298
	15,129,333	16,224,424
	15,135,967	16,238,029
Total borrowings		
Term loans	**10,319,048**	10,478,376
Islamic Facility	**6,068,435**	5,662,606
Revolving credits	**1,183,742**	1,150,057
Sukuk Programme	**1,055,107**	1,000,298
Hire purchase and finance lease liabilities (Note 31)	**15,374**	23,314
Bank overdrafts	**5,311**	14,516
	18,647,017	18,329,167

Notes to the Financial Statements (cont'd.)
– 31 January 2017

30. BORROWINGS (CONT'D.)

	Group 2017 RM'000	Group 2016 RM'000
Maturity of borrowings (excluding hire purchase and finance liabilities):		
Within one year	**3,502,311**	2,081,429
More than 1 year and less than 2 years	**2,692,912**	2,077,607
More than 2 years and less than 5 years	**9,894,217**	8,957,280
More than 5 years	**2,542,203**	5,189,537
	18,631,643	18,305,853

	Company 2017 RM'000	Company 2016 RM'000
Short term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 31)	**224**	276
Long term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 31)	**290**	499
Total borrowings		
Hire purchase and finance lease liabilities (Note 31)	**514**	775

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 2017 %	Group 2016 %
Term loans, Islamic Facility and Sukuk Programme	**3.43 to 6.40**	3.17 to 6.40
Revolving credits	**2.27 to 4.34**	1.92 to 4.60

Notes to the Financial Statements (cont'd.)

– 31 January 2017

30. BORROWINGS (CONT'D.)

Included in the borrowings are USD denominated borrowings as follows:

	Group		Group	
	2017 RM'000	2016 RM'000	2017 USD'000	2016 USD'000
US Dollar	**15,194,274**	14,613,714	**3,430,246**	3,523,499
Exchange rate	**4.4295**	4.1475		

Information relating to borrowings:

(i) Sapura TMC Sdn. Bhd. ("STMC") (formerly known as SapuraKencana TMC Sdn. Bhd.) (a wholly-owned subsidiary of Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad)) had, on 22 February 2017 signed a seven-year financing facilities of approximately USD1.5 billion with a consortium of Malaysian, regional and international banks.

Subsequent to the signing, the Group announced on 7 March 2017 the issuances of up to RM3.3 billion and USD74.8 million in nominal value of Unrated Sukuk Murabahah under the existing 30-years multi-currency sukuk programme of up to RM7 billion in nominal value.

Proceeds raised from the issuance of the Unrated Sukuk Murabahah were utilised to part refinance STMC's existing borrowings. The Unrated Sukuk Murabahah is structured based on the Shariah principle of Commodity Murabahah (via Tawarruq arrangement). The refinancing exercise is part of the Group's proactive capital management initiative.

Post this refinancing exercise, the Group's short term borrowings of approximately RM1.1 billion has been refinanced to long term borrowings subsequent to 7 March 2017.

(ii) The key terms of the terms loans, revolving credits, Islamic Facility and Sukuk Programme 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 STMC fixed and floating assets;
(d) First legal charge over certain bank accounts of the Company and STMC; and
(e) Compliance with the facilities' covenants.

Other information of financial risks are disclosed in Note 39.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

31. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Future minimum lease payments:				
Not later than 1 year	**10,386**	9,294	**265**	311
Later than 1 year and not later than 2 years	**5,446**	8,265	**157**	265
Later than 2 years and not later than 5 years	**216**	6,440	**174**	298
Total future minimum lease payments	**16,048**	23,999	**596**	874
Less: Future finance charges	**(674)**	(685)	**(82)**	(99)
Present value of hire purchase and finance lease liabilities (Note 30)	**15,374**	23,314	**514**	775
Analysis of present value of hire purchase and finance lease liabilities:				
Not later than 1 year	**8,740**	9,709	**224**	276
Later than 1 year and not later than 2 years	**6,593**	8,167	**140**	235
Later than 2 years and not later than 5 years	**41**	5,438	**150**	264
	15,374	23,314	**514**	775
Due within 12 months (Note 30)	**(8,740)**	(9,709)	**(224)**	(276)
Due after 12 months (Note 30)	**6,634**	13,605	**290**	499

The Group's and the Company's hire purchase and finance lease liabilities bore effective interest rates ranging from 3% to 8% (2016: 4% to 8%) per annum.

32. AMOUNT DUE TO SUBSIDIARIES

	Company	
	2017 RM'000	**2016 RM'000**
Current liability		
Amount due to subsidiaries	**482,074**	1,326,847
Non-current liability		
Amount due to a subsidiary	**1,097,550**	1,341,450

Notes to the Financial Statements (cont'd.)
– 31 January 2017

32. AMOUNT DUE TO SUBSIDIARIES (CONT'D.)

(a) Current liability – Amount due to subsidiaries

Amount due to subsidiaries are unsecured, interest free and repayable on demand, except for the RM522.5 million (2016: RM278.6 million) relates to utilisation of multi-currency facilities ("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, STMC relates to utilisation of MCF loan as explained in Note 32(a) and have the same interest and repayment terms as the underlying MCF.

Further details on related party transactions are disclosed in Note 38.

Other information on financial risks of amount due to subsidiaries are disclosed in Note 39.

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current liabilities				
Deferred consideration (Note 33(a))	**332,213**	–	**–**	–
Other payables	**14,830**	24,112	**–**	–
	347,043	24,112	**–**	–
Current liabilities				
Trade payables				
Third parties (Note 33(b))	**1,528,949**	1,869,026	**–**	–
Construction contracts:				
Due to customers on contracts (Note 24)	**196,923**	263,439	**–**	–
	1,725,872	2,132,465	**–**	–
Other payables				
Staff costs (Note 33(c))	**357,941**	511,867	**262,904**	246,880
Accruals	**1,160,337**	805,312	**106,437**	72,053
Deferred consideration (Note 33(a))	**265,770**	690,231	**–**	–
Sundry payables (Note 33(d))	**177,897**	131,170	**18,902**	18,902
	1,961,945	2,138,580	**388,243**	337,835
Amount due to:				
Joint ventures (Note 33(e))	**75,677**	53,748	**–**	–
Related parties (Note 33(e))	**2,108**	13,807	**–**	–
	77,785	67,555	**–**	–
	3,765,602	4,338,600	**388,243**	337,835

Notes to the Financial Statements (cont'd.)
– 31 January 2017

33. TRADE AND OTHER PAYABLES (CONT'D.)

(a) Deferred consideration

The deferred consideration is payable to Seadrill Limited arising from acquisition of tender rig business which are due within 3 years from April 2013 and bears interest rate of LIBOR + 5%.

In current financial year, the Group negotiated the revised payment terms resulting in an amount of RM332.2 million or USD75 million payable to Seadrill Limited, to be reclassified as non-current liabilities.

In the previous financial year, a total of RM80.9 million was reversed to income statement as the Group is no longer required to settle the obligation, as the condition relates to the deferred consideration was not met.

(b) Trade payables – Third parties

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2016: 30 days to 90 days).

(c) Other payables – Staff costs

Included in the previous year's staff costs payable were costs of RM92.0 million in relation to the Group's restructuring plan.

(d) Other payables – Sundry payables

Sundry payables are non-interest bearing and the normal credit terms granted to the Group range from 7 days to 90 days (2016: 7 days to 90 days).

(e) Amount due to joint ventures and related parties

These amounts are unsecured, non-interest bearing and are repayable on demand.

34. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

The movement of provision for decommissioning during the financial year are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
At 1 February 2016/2015	**235,935**	223,567
Revision (Note 15)	**83,626**	(340)
Payment during the year	**(66,799)**	(48,480)
Accretion expense (Note 7)	**32,784**	27,617
Exchange differences	**(5,202)**	33,571
At 31 January	**280,344**	235,935
At 31 January:		
Current liabilities	**28,377**	33,126
Non-current liabilities	**251,967**	202,809
	280,344	235,935

Notes to the Financial Statements (cont'd.)
– 31 January 2017

34. PROVISION FOR ASSET RETIREMENT OBLIGATIONS (CONT'D.)

The current provision for asset retirement obligations represent abandonment cess payable within the next 12 months.

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	
	2017 RM'000	**2016 RM'000**
Increase/(decrease) in provision	**83,626**	(340)
Increase/(decrease) in expenditure on oil and gas properties	**83,626**	(340)

35. DERIVATIVES

The Group has entered into an Islamic Cross-Currency Swap ("ICRCS") contract with a merchant bank to hedge part of the Group borrowings' that is denominated in RM.

Details of the derivative outstanding as at 31 January 2017 are as follows:

	Notional Value RM'000	Liabilities Fair Value RM'000
Islamic Cross-Currency Swap		
5 years	176,000	21,859

The Group treats the derivative as a cash flow hedge with the interest rate for ICRCS is 4.575%.

There is no gain/(loss) arising from fair value changes of derivatives.

Notes to the Financial Statements (cont'd.)

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36. COMMITMENTS

	Group 2017 RM'000	Group 2016 RM'000
(a) Capital expenditure		
Approved and contracted for:		
(i) Property, plant and equipment and oil and gas properties	**1,670,696**	1,722,116
(ii) Investment – Equity commitment in joint ventures	**–**	40,074
	1,670,696	1,762,190
(iii) Share of capital commitments of joint ventures*	**–**	460,615
	1,670,696	2,222,805
Approved but not contracted for:		
(i) Property, plant and equipment and oil and gas properties	**472,338**	265,291
(ii) Investment – Equity commitment in joint ventures	**–**	38,586
	472,338	303,877
	2,143,034	2,526,682

In the current financial year, there are no further capital commitments in the joint ventures.

* *Previous year capital commitments were self-funded by the joint ventures without financial assistance from the Group.*

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(b) Operating leases				
Non-cancellable operating commitments as lessee:				
– Within 1 year	**29,179**	34,295	**10,423**	3,489
– Later than 1 year but less than 5 years	**16,318**	16,723	**6,400**	2,508
	45,497	51,018	**16,823**	5,997

The Group leases premises under non-cancellable operating leases expiring within 2 years (2016: 3 years). The leases have various terms and escalation clauses.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

37. CORPORATE GUARANTEES

The fair value of the corporate guarantees given to financial institutions for credit facilities granted to subsidiaries and joint ventures 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 given to joint ventures are secured by way of deposit, pledged and legal charges over vessels of joint ventures.

The nominal value of the corporate guarantees given by the Group and the Company is as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Secured				
Corporate guarantees given to financial institutions for credit facilities granted to joint ventures	**1,174,659**	1,420,969	**–**	–
	1,174,659	1,420,969	**–**	–
Unsecured				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	**–**	–	**1,202,959**	1,235,628
	1,174,659	1,420,969	**1,202,959**	1,235,628

38. 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	
	2017 RM'000	**2016 RM'000**
Group		
(a) Transactions with a subsidiary of a former shareholder		
(i) Purchase of technical drilling services	**–**	29,576
(ii) Provision of technical drilling services	**–**	(34,827)
(b) Transactions with companies connected to directors and substantial shareholders		
(i) Intellectual property rights, trademarks and branding fees to Corporate shareholders (Note 8)	**70,000**	70,000
(ii) Rental of office premises	**17,645**	21,662

Notes to the Financial Statements (cont'd.)
– 31 January 2017

38. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions (cont'd.)

	(Income)/expense 2017 RM'000	(Income)/expense 2016 RM'000
Company		
(a) Transactions with subsidiaries		
(i) Dividend income from subsidiaries	**(400,000)**	(413,333)
(ii) Management fees from subsidiaries	**(190,101)**	(184,933)
(iii) Intellectual property rights, trademarks and branding fees from subsidiaries	**(71,309)**	(70,779)
(iv) Interest charged to subsidiaries	**(45,758)**	(43,416)
(v) Interest charged by a subsidiary	**153,700**	147,937
(b) Transactions with companies connected to directors and substantial shareholders		
(i) Intellectual property rights, trademarks and branding fees to Corporate shareholders (Note 8)	**70,000**	70,000
(ii) Rental of office premises	**6,126**	4,867

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 2017 RM'000	Group 2016* RM'000	Company 2017 RM'000	Company 2016* RM'000
Employee benefits and other emoluments	**141,623**	150,078	**94,400**	90,088
Contributions to defined contribution plan	**7,423**	9,528	**6,680**	8,275
	149,046	159,606	**101,080**	98,363

* *Comparatives disclosure for compensation of key management personnel have been changed to include shares vested under LTIP scheme and to conform with current year's presentation.*

Included in the total key management personnel compensation are executive directors' remuneration as detailed in Note 10.

Notes to the Financial Statements (cont'd.)
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39. 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.

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 94.5% of the Group's borrowings 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).

	2017		2016	
	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**	**(8,296)**	+ 25	(7,947)
– US Dollar	**+ 25**	**(34,441)**	+ 25	(38,043)
– Ringgit Malaysia	**– 25**	**8,296**	– 25	7,947
– US Dollar	**– 25**	**34,441**	– 25	38,043
Company				
– Ringgit Malaysia	**+ 25**	**(4,467)**	+ 25	(4,462)
– Ringgit Malaysia	**– 25**	**4,467**	– 25	4,462

Notes to the Financial Statements (cont'd.)

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39. 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 and 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 Company Increase/(decrease)	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
USD/RM	– strengthened 5%	**49,777**	**14,910**	44,286	31,505
	– weakened 5%	**(49,777)**	**(14,910)**	(44,286)	(31,505)

(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.

At the reporting date, approximately 19% (2016: 11%) of the Group's borrowings (Note 30), excluding hire purchase and finance lease liabilities, will mature in less than one year based on the carrying amount reflected in the financial statements respectively.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

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.

	2017			
	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	**3,564,084**	**341,161**	**–**	**3,905,245**
Derivatives	**–**	**21,859**	**–**	**21,859**
Borrowings	**4,020,813**	**13,914,716**	**2,569,162**	**20,504,691**
Corporate guarantees	**370,501**	**274,667**	**529,491**	**1,174,659**
Total undiscounted financial liabilities	**7,955,398**	**14,552,403**	**3,098,653**	**25,606,454**

	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
Corporate guarantees	1,420,969	–	–	1,420,969
Total undiscounted financial liabilities	7,695,546	12,723,885	5,307,599	25,727,030

Notes to the Financial Statements (cont'd.)
– 31 January 2017

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	2017		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Company			
Financial liabilities:			
Amount due to subsidiaries	**708,550**	**1,210,549**	**1,919,099**
Other payables	**388,243**	**–**	**388,243**
Corporate guarantees	**1,202,959**	**–**	**1,202,959**
Total undiscounted financial liabilities	**2,299,752**	**1,210,549**	**3,510,301**

	2016		
	On demand or within one year RM'000	One to 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	337,835	–	337,835
Corporate guarantees	1,235,628	–	1,235,628
Total undiscounted financial liabilities	3,028,772	1,628,905	4,657,677

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.

(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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

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 RM1,174.7 million (2016: RM1,421.0 million) and RM1,203.0 million (2016: RM1,235.6 million) respectively (Note 37).

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 net trade receivables (excluding amount due from customer on contracts and deferred mobilisation cost) at the reporting date are as follows:

	Group			
	2017		2016	
	RM'000	% of total	RM'000^	% of total
By country/region				
Malaysia	**620,956**	**39%**	1,156,956	50%
Asia	**389,449**	**25%**	409,714	18%
Australia	**81,463**	**5%**	146,682	6%
Americas	**491,229**	**31%**	449,711	20%
Africa	**294**	**0%**	133,772	6%
	1,583,391	**100%**	2,296,835	100%

^ *The comparatives have been changed to conform with the current year's presentation.*

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.

Notes to the Financial Statements (cont'd.)

– 31 January 2017

39. 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.

40. 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:

2017	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
Group				
Assets				
Trade and other receivables		**2,797,002**	**–**	**2,797,002**
Cash and cash equivalents	25	**3,519,509**	**–**	**3,519,509**
Total financial assets		**6,316,511**	**–**	**6,316,511**
Total non-financial assets				**31,132,750**
Total assets				**37,449,261**
Liabilities				
Derivatives	35	**–**	**21,859**	**21,859**
Borrowings	30	**–**	**18,631,643**	**18,631,643**
Trade and other payables		**–**	**3,868,814**	**3,868,814**
Total financial liabilities		**–**	**22,522,316**	**22,522,316**
Total non-financial liabilities				**1,846,637**
Total liabilities				**24,368,953**

Notes to the Financial Statements (cont'd.)
– 31 January 2017

40. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

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: (cont'd.)

2016	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
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	–	18,305,853	18,305,853
Trade and other payables		–	3,553,400	3,553,400
Total financial liabilities		–	21,859,253	21,859,253
Total non-financial liabilities				2,419,736
Total liabilities				24,278,989

2017	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
Company				
Assets				
Amount due from subsidiaries	22	**1,815,771**	**–**	**1,815,771**
Other receivables		**17,464**	**–**	**17,464**
Cash and cash equivalents	25	**25,800**	**–**	**25,800**
Total financial assets		**1,859,035**	**–**	**1,859,035**
Total non-financial assets				**9,189,819**
Total assets				**11,048,854**
Liabilities				
Amount due to subsidiaries	32	**–**	**1,579,624**	**1,579,624**
Other payables	33	**–**	**388,243**	**388,243**
Total financial liabilities		**–**	**1,967,867**	**1,967,867**
Total non-financial liabilities				**514**
Total liabilities				**1,968,381**

Notes to the Financial Statements (cont'd.)
– 31 January 2017

40. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

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: (cont'd.)

2016	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
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
Other payables	33	–	337,835	337,835
Total financial liabilities		–	3,006,132	3,006,132
Total non-financial liabilities				775
Total liabilities				3,006,907

(b) 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(a))	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.

The carrying amounts of the fixed rate borrowings are reasonable approximation of fair values due to the insignificant impact of incremental market rate.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

40. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Fair value hierarchy

The Group and the Company's financial instruments are analysed in a three level fair value hierarchy based on the significance of inputs.

The three level of fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Input for the asset or liability that are not based on observable market data (unobservable input)

The fair value of all the financial instruments of the Group and of the Company are determined using Level 2 inputs.

41. 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.

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Borrowings	30	**18,647,017**	18,329,167	**514**	775
Add: Amortisation of transaction cost		**184,578**	209,287	**–**	–
Less: Cash and cash equivalents	25	**(3,519,509)**	(1,947,527)	**(25,800)**	(44,764)
Net debt/(cash)		**15,312,086**	16,590,927	**(25,286)**	(43,989)
Total equity		**13,080,308**	12,213,007	**9,080,473**	8,817,727
Less: Non-controlling interests		**(4,190)**	(6,054)	**–**	–
Total capital		**13,076,118**	12,206,953	**9,080,473**	8,817,727
Net gearing ratio		**1.17**	1.36	**–**	–

Notes to the Financial Statements (cont'd.)

– 31 January 2017

42. SEGMENT INFORMATION

(a) Operating segments

The Group organised its business activities into four 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.

	Engineering and Construction RM'000	Drilling RM'000	Energy RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2017						
Revenue						
External sales	**4,511,522**	**2,018,834**	**1,120,967**	**–**	**–**	**7,651,323**
Inter-segment sales	**32,123**	**–**	**–**	**661,410**	**(693,533)**	**–**
Total revenue	**4,543,645**	**2,018,834**	**1,120,967**	**661,410**	**(693,533)**	**7,651,323**
Results						
Segment profit	**281,296**	**375,769**	**200,323**	**402,737**	**(555,716)**	**704,409**
Finance costs						**(799,856)**
Interest income						**23,798**
Share of profit from associates and joint ventures	**328,601**	**–**	**128,296**	**–**	**–**	**456,897**
Profit before tax						**385,248**
Income tax expense						**(179,084)**
Profit net of tax						**206,164**
Non-controlling interests						**2,152**
Profit for the year attributable to owners of the Parent						**208,316**

* *Inter-segment revenue are eliminated on consolidation*

Notes to the Financial Statements (cont'd.)

– 31 January 2017

42. 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 2017 (cont'd.)						
Assets						
Segment assets	**7,795,345**	**11,130,286**	**5,798,196**	**2,098,591**	**8,027**	**26,830,445**
Investment in associates and joint ventures	**1,857,849**	**–**	**760**	**–**	**–**	**1,858,609**
Goodwill	**4,128,395**	**4,315,144**	**–**	**–**	**–**	**8,443,539**
Deferred tax assets	**25,289**	**52**	**158,046**	**37,597**	**587**	**221,571**
Unallocated corporate assets						**95,097**
Consolidated total assets						**37,449,261**
Liabilities						
Segment liabilities	**1,782,298**	**1,453,321**	**781,638**	**443,603**	**(46,009)**	**4,414,851**
Borrowings						**18,647,017**
Deferred tax liabilities	**80,430**	**3,101**	**1,199,153**	**–**	**–**	**1,282,684**
Unallocated corporate liabilities						**24,401**
Consolidated total liabilities						**24,368,953**
Other Information						
Capital expenditure	**105,692**	**480,679**	**200,370**	**7,994**	**(50,390)**	**744,345**
Depreciation of property, plant and equipment	**313,048**	**581,611**	**8,706**	**15,306**	**2,031**	**920,702**
Amortisation of intangible assets	**2,461**	**25,656**	**–**	**–**	**–**	**28,117**
Amortisation of expenditure on oil and gas properties	**–**	**–**	**895,633**	**–**	**(52,380)**	**843,253**
Reversal of impairment on oil and gas properties	**–**	**–**	**(1,198)**	**–**	**–**	**(1,198)**
Provision for impairment on property, plant and equipment	**122,983**	**160,898**	**–**	**–**	**–**	**283,881**

* *Intercompany transactions are eliminated on consolidation*

Notes to the Financial Statements (cont'd.)
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42. 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	–	–	669,045	(686,517)	–
Total revenue	5,646,114	2,955,766	1,599,623	669,045	(686,517)	10,184,031
Results						
Segment profit/(loss)	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 ventures	143,311	–	47,035	–	–	190,346
Loss before tax						(712,639)
Income tax expense						(78,806)
Loss net of tax						(791,445)
Non-controlling interests						(110)
Loss for the year attributable to owners of the Parent						(791,555)

* *Inter-segment revenue are eliminated on consolidation*

Notes to the Financial Statements (cont'd.)
– 31 January 2017

42. 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 ventures	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
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*

Notes to the Financial Statements (cont'd.)
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42. 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 – installation of pipelines and facilities and development of marine technology and marine chartering, specialising on remotely operated underwater vehicle ("ROV").

(iii) Americas – 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.

(v) Others (comprise of United Kingdom, Turkey and United Arab Emirates) – provision of advanced subsea and floating systems engineering and project management services to offshore projects.

The following table provides an analysis of the Group's revenue by geographical areas:

Total revenue from external customers	2017 RM'000	2016 RM'000
Malaysia	**2,499,464**	4,010,853
Asia	**3,639,452**	3,999,835
Australia	**288,903**	346,906
Americas	**710,648**	928,807
Africa	**500,647**	890,526
Others	**12,209**	7,104
Consolidated	**7,651,323**	10,184,031

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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43. 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 2017 %	2016 %
(a) Subsidiaries of Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad)				
Total Marine Technology (Malaysia) Sdn. Bhd.	Malaysia	Dormant	**100**	100
SapuraKencana 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
Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology 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
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

Notes to the Financial Statements (cont'd.)

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43. 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 2017 %	2016 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.) (formerly known as SapuraKencana Petroleum Berhad)				
Sapura Marine Engineering Sdn. Bhd. (formerly known as 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
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
Kencana Petroleum Berhad	Malaysia	Dormant	**100**	100
Sapura Pinewell Sdn. Bhd. (formerly known as SapuraKencana Pinewell Sdn. Bhd.)	Malaysia	Hook-up and commissioning services and electrical and instrumentation services	**100**	100
Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.)	Malaysia	Investment holding	**100**	100
Kencana Energy Sdn. Bhd.	Malaysia	Development and production of petroleum resources	**100**	100

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.) (formerly known as SapuraKencana Petroleum Berhad)				
^ Sapura Subsea Services Sdn. Bhd. (formerly known as SapuraKencana Subsea Services Sdn. Bhd.)	Malaysia	Provision of subsea services	**100**	100
Sapura TMC Sdn. Bhd. (formerly known as 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
Sapura Exploration and Production Sdn. Bhd. (formerly known as SapuraKencana Energy Sdn. Bhd.)	Malaysia	Investment holding	**100**	100
SapuraKencana Fabrication & HUC Sdn. Bhd.	Malaysia	Investment holding	**100**	100

^ *SapuraKencana Allied Marine Sdn. Bhd. has changed its name to SapuraKencana Subsea Services Sdn. Bhd. on 18 August 2016. Thereafter, the name was changed to Sapura Subsea Services Sdn. Bhd. on 28 April 2017.*

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(b) Held through Probadi Sdn. Bhd. and SapuraKencana Drilling Asia Ltd.				
SapuraKencana Drilling Tioman 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 chartering 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	Provision of manpower services	**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
(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

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(f) Held through SapuraKencana GeoSciences Sdn. Bhd.				
SapuraKencana Jaya Sdn. Bhd.	Malaysia	Chartering of vessels	**100**	100
* SapuraKencana GeoSurvey Sdn. Bhd.	Malaysia	Hydrographic surveys and related services	**–**	100
* SapuraKencana GeoTechnics Sdn. Bhd.	Malaysia	Soil investigation and geotechnical services	**–**	100
(g) Held through SapuraKencana Jaya Sdn. Bhd.				
^ SapuraKencana GeoSurvey Sdn. Bhd.	Malaysia	Hydrographic surveys and related services	**100**	–
^ SapuraKencana GeoTechnics Sdn. Bhd.	Malaysia	Soil investigation and geotechnical services	**100**	–
(h) 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
(i) Held through SapuraKencana GeoSurvey Sdn. Bhd.				
SapuraKencana GeoSurvey Pte. Ltd.	Singapore	Hydrographic surveys and related services	**100**	100
SapuraKencana GeoSurvey Pty. Ltd.	Australia	Hydrographic surveys and related services	**100**	100
(j) Held through SapuraKencana Oilserve Sdn. Bhd.				
SapuraKencana Oilserve Labuan Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of vessels/barges	**100**	100

* *Transferred to SapuraKencana Jaya Sdn. Bhd.*
^ *Transferred from SapuraKencana GeoSciences Sdn. Bhd.*

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(k) Held through Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology 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
Sapura Power Services Sdn. Bhd. (formerly known as 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
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.	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
(l) Held through SapuraKencana Energy Unlimited Sdn. Bhd.				
SapuraKencana Resources Sdn. Bhd.	Malaysia	Investment holding and provision of management services	**100**	100

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(m) Held through SapuraKencana 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.	Malaysia	Provision of crew, chartering and hiring out of a barge	**100**	100
SapuraKencana Engineering 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
Sarku Utama Sdn. Bhd.	Malaysia	Dormant	**100**	100
SapuraKencana Prominent Energy Sdn. Bhd.	Malaysia	Dormant	**100**	100
Sarku 2000 Sdn. Bhd.	Malaysia	Dormant	**100**	100
(n) Held through Sapura Petroleum Sdn. Bhd.				
SapuraKencana Nautical Bay Pte. Ltd.	Singapore	Provision of manpower services	**100**	100
SapuraKencana Petroleum Inc.	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**	100
^ SapuraKencana Enerji Çözümleri Anonim Şirketi	Turkey	Dormant	**100**	–

* *Transferred to SapuraKencana Energy (RSC) Sdn. Bhd.*
^ *Incorporated on 4 November 2016.*

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(o) Held through SapuraKencana Nautical Bay Pte. Ltd.				
SapuraKencana Nautical Power Pte. Ltd.	Singapore	Investment holding	**100**	100
(p) 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
(q) Held through SapuraMex Pte. Ltd.				
SapuraKencana 3500 Pte. Ltd.	Singapore	Chartering and hiring out of vessel	**100**	100
(r) Held through Momentum Energy Sdn. Bhd.				
SapuraKencana Australia (Holdings) Pty. Ltd.	Australia	Investment holding	**100**	100
(s) Held through SapuraKencana Australia (Holdings) 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
Peritus International Limited	United Kingdom	Provision of advanced subsea and floating systems engineering and project management services to offshore projects	**100**	100
Peritus International Pty. Ltd.	Australia	Provision of advanced subsea and floating systems engineering and project management services to offshore projects	**100**	100

^ *Deregistered on 17 August 2016.*

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	Proportion of Ownership Interest 2016 %
(t) Held through SapuraKencana Australia Pty. Ltd.				
SapuraKencana Petroleum (Australia) Pty. Ltd.	Australia	Investment holding	**100**	100
SapuraKencana Projects Pty. Ltd.	Australia	Investment holding	**100**	100
SC Projects Australia Pty. Ltd.	Australia	Investment holding	**100**	100
SapuraKencana Constructor Pte. Ltd.	Singapore	Vessel owner and chartering	**100**	100
SapuraKencana Assets Pty. Ltd.	Australia	Owner and operator of marine assets	**100**	100
(u) Held through SapuraKencana USA Holdings Incorporated				
Ocean Flow International LLC	State of Texas, United States of America	Provision of technical consulting and advising to oil and gas companies	**100**	100
(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 and SapuraKencana Australia (Holdings) Pty. Ltd.				
Peritus International Incorporated	State of Texas, United States of America	Provision of advanced subsea and floating systems engineering and project management services to offshore projects	**100**	100
(x) Held through Peritus International Pty. Ltd.				
Peritus International Sdn. Bhd.	Malaysia	Provision of engineering consultancy services for the oil and gas industry	**100**	100

Notes to the Financial Statements (cont'd.)
– 31 January 2017

43. 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 2017 %	2016 %
(y) Held through SapuraKencana Constructor 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
(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**	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 Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.)				
SapuraKencana (B) Sdn. Bhd.	Brunei	Investment holding	**100**	100

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(ae) Held through SapuraKencana (B) Sdn. Bhd.				
RSK Petroleum Sdn. Bhd.	Brunei	To act as service provider for oil and gas industry	**70**	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
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 Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.)				
Kencana Marine Drilling Sdn. Bhd.	Malaysia	Dormant	**100**	100
Kencana Marine Rig 1 Pte. Ltd.	Singapore	Dormant	**100**	100
SapuraKencana Nautilus Sdn. Bhd.	Malaysia	Service provider for offshore support vessels	**100**	100
(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

^ *Disposal of 60% of the equity interest on 15 March 2017.*

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(ai) Held through SapuraKencana Nautilus Sdn. Bhd. (cont'd.)				
SapuraKencana Teras Ventures Sdn. Bhd.	Malaysia	Provision of offshore support vessel for the oil and gas industry	**100**	100
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 Sapura Subsea Services Sdn. Bhd. (formerly known as SapuraKencana Subsea Services 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
(ak) Held through Sapura Subsea Services Sdn. Bhd. (formerly known as SapuraKencana Subsea Services Sdn. Bhd.), SapuraKencana Marine Services Sdn. Bhd. and SapuraKencana AME Corporation				
SapuraKencana Petroleum (Thailand) Ltd. (formerly known as SapuraKencana Allied Marine (Thailand) Ltd.)	Thailand	Provision of offshore diving and related services and diving equipment for rental	**100**	100

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	2016 %
(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.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
SapuraKencana Drilling T-7 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
SapuraKencana Drilling T-9 Ltd.	Bermuda	Dormant	**100**	100
SapuraKencana T-20 Ltd. (formerly known as SapuraKencana Drilling T-10 Ltd.)	Bermuda	Dormant	**100**	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
SapuraKencana Drilling 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

Notes to the Financial Statements (cont'd.)
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43. 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 2017 %	Proportion of Ownership Interest 2016 %
(am) Held through SapuraKencana Drilling (Bermuda) Ltd. (cont'd.)				
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
SapuraKencana Drilling Setia Ltd. (formerly known as Seadrill Setia Ltd.)	Bermuda	Leasing of drilling rig and providing drilling service to offshore oil and gas industry	**100**	100
SapuraKencana Drilling 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.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
SapuraKencana Drilling Asia Limited	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**	100
SapuraKencana Drilling T-20 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	**100**	100
SapuraKencana Drilling Kinabalu Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	**100**	100
SapuraKencana Drilling Teknik Berkat Ltd.	Bermuda	Dormant	**100**	100

Notes to the Financial Statements (cont'd.)
– 31 January 2017

43. 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 2017 %	2016 %
(an) Held through SapuraKencana Drilling Asia Limited				
SapuraKencana Drilling Holdings Limited	Hong Kong/ Ivory Coast	Provision of oil drilling services	**100**	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 Limited and SapuraKencana Drilling Holdings Limited				
SapuraKencana Drilling Angola, LDA	Republic of Angola	Dormant	**100**	100
(aq) Held through SapuraKencana Drilling Pte. Ltd. (Labuan) and SapuraKencana Drilling Asia Limited.				
SapuraKencana Nordrill Indonesia (formerly known as PT Nordrill Indonesia)	Indonesia	Offshore oil and gas construction and drilling services	**95**	95
(ar) Held through Sapura Exploration and Production Sdn. Bhd. (formerly known as SapuraKencana Energy Sdn. Bhd.)				
SapuraKencana Energy Inc.	Bahamas	Investment holding	**100**	100
SapuraKencana Energy Resources Ltd.	Bermuda	Employment of manpowers	**100**	100
SapuraKencana Energy (JV) Sdn. Bhd.	Malaysia	Investment holding	**100**	100
SapuraKencana Energy (RSC) Sdn. Bhd.	Malaysia	Investment holding	**100**	100

Notes to the Financial Statements (cont'd.)

– 31 January 2017

43. 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 2017 %	2016 %
(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
^ SapuraKencana Energy Vietnam (Cuu Long) Inc.	Bahamas	Dormant	**–**	100
^ SapuraKencana Energy Vietnam (Nam Con Son) Inc.	Bahamas	Dormant	**–**	100
(av) Held through SapuraKencana Energy (RSC) Sdn. Bhd.				
* Sarku Sambang Sdn. Bhd.	Malaysia	Dormant	**100**	–

^ *Dissolved on 16 August 2016.*
* *Transferred from SapuraKencana Resources Sdn. Bhd.*

Notes to the Financial Statements (cont'd.)
– 31 January 2017

44. JOINT OPERATION ARRANGEMENTS

Details of the joint operation arrangements are as follows:

	Participating Interest 2017 %	Participating Interest 2016 %
(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
(b) Sarawak		
SK408	**40**	40
SK310	**30**	30
SK319	**25**	25
DW2C^	**–**	20
(c) Sabah		
SB331	**70**	70
SB332	**70**	70
Tembungo^	**–**	50
SB310^	**–**	35

^ *The Group, through its wholly owned subsidiaries have exited these joint operation arrangements in the current financial year.*

Notes to the Financial Statements (cont'd.)
– 31 January 2017

45. OTHER SIGNIFICANT EVENTS

In addition to the significant events disclosed in Note 13, 15 and 30, the other significant events are as follows:

(a) On 31 May 2016, the Company announced that its wholly-owned subsidiary, SapuraKencana Energy Sarawak Inc. ("SKE") has made another gas discovery from its three-well 2015 drilling campaign within the Block SK408 Production Sharing Contract ("PSC") area, offshore Malaysia.

SKE is the exploration operator with a 40% working interest with partners PETRONAS Carigali Sdn. Bhd. (30%) and Sarawak Shell Bhd. (30%) holding the remaining interest.

(b) On 27 June 2016, the Company announced that through its wholly-owned subsidiary, SKE had signed the SK310 Upstream Gas Sales Agreement in relation to the production of gas from the B15 Gas Field on 23 June 2016, between Petroliam Nasional Berhad ("PETRONAS") as Gas Buyer and the SK310 PSC Contractors as Joint Sellers. SKE is the Operator of Block SK310 PSC which was awarded by PETRONAS on 17 June 2008. SKE has participating interest of 30%, PETRONAS Carigali Sdn. Bhd 40%, and Diamond Energy Sarawak Sdn. Bhd., a subsidiary of Mitsubishi Corporation, 30%.

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 next dates of hearing fixed by the tribunal are on 21st, 22nd, 23rd August 2017 and 24th, 25th October 2017.

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2017

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total retained profits of Sapura Energy Berhad and its subsidiaries				
– Realised	**2,559,665**	2,787,915	**1,164,242**	758,168
– Unrealised				
– in respect of deferred tax	**(1,061,113)**	(1,058,142)	**(37,597)**	39,464
– in respect of other items of income statement	**190,091**	42,396	**(19,278)**	33,685
	1,688,643	1,772,169	**1,107,367**	831,317
Total share of retained profits from joint venture and associates companies				
– Realised	**779,876**	405,397	**–**	–
– Unrealised				
– in respect of deferred tax	**33,188**	58,865	**–**	–
	813,064	464,262	**–**	–
Total retained profits	**2,501,707**	2,236,431	**1,107,367**	831,317
Add: Consolidation adjustments	**116,273**	162,178	**–**	–
Retained profits	**2,617,980**	2,398,609	**1,107,367**	831,317

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 28 April 2017

Authorised Share Capital	:	RM10,000,000,000.00
Issued and Paid-Up Share Capital	:	RM5,992,155,087 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	:	37,217 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	2,070	5.56	76,183	0.00
100 – 1,000	5,495	14.77	4,094,835	0.07
1,001 – 10,000	21,102	56.70	95,735,999	1.60
10,001 – 100,000	7,200	19.35	210,191,552	3.51
100,001 – to less than 5% of issued shares	1,345	3.61	2,317,272,939	38.67
5% and above of issued shares	5	0.01	3,364,783,579	56.15
Total	**37,217**	**100.00**	**5,992,155,087**	**100.00**

TOP 30 SHAREHOLDERS BASED ON RECORD OF DEPOSITORS

	Shareholders	No. of Shares	% of Shares
1	SAPURA TECHNOLOGY SDN BHD	801,004,474	13.37
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	602,606,944	10.06
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	391,991,600	6.54
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	319,542,024	5.33
5	KHASERA BARU LTD	232,201,313	3.87
6	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR KHASERA BARU LTD (PB)	174,760,000	2.92
7	BANK OF TOKYO-MITSUBISHI UFJ (MALAYSIA) BERHAD PLEDGED SECURITIES ACCOUNT FOR SAPURA TECHNOLOGY SDN BHD	152,000,000	2.54
8	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG SINGAPORE FOR KHASERA BARU LTD (MAYBANK SG)	119,000,000	1.99
9	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	115,281,064	1.92
10	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	114,802,900	1.91

Analysis of Shareholdings (cont'd.)
as at 28 April 2017

	Shareholders	No. of Shares	% of Shares
11	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	99,635,665	1.66
12	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	82,475,000	1.38
13	HSBC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT AA NOMS SG FOR KHASERA BARU LTD	78,799,000	1.31
14	DB (MALAYSIA) NOMINEE (ASING) SDN BHD BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)	69,307,500	1.16
15	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	68,231,962	1.14
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	64,920,270	1.08
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	56,981,392	0.95
18	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	54,169,900	0.90
19	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	53,816,540	0.90
20	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	49,499,400	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	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	44,828,200	0.75
24	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	42,981,750	0.72
25	TAN SRI DATO' SERI SHAHRIL BIN SHAMSUDDIN	29,935,600	0.50
26	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK TRUSTEES BERHAD (SKPB SHAREBONUS)	29,638,750	0.49
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	26,000,000	0.43
28	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR UNITED NATIONS JOINT STAFF PENSION FUND	25,000,000	0.42
29	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	24,967,800	0.42
30	LEMBAGA TABUNG ANGKATAN TENTERA	24,927,700	0.42
	Total	**4,042,524,175**	**67.46**

Analysis of Shareholdings (cont'd.)
as at 28 April 2017

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
Tan Sri Dato' Seri Shahril Shamsuddin	37,811,692	0.63	1,007,544,718[3]	16.81
Dato' Shahriman Shamsuddin	506,385	0.01	1,007,544,718[3]	16.81
Brothers Capital Sdn. Bhd.	–	–	1,007,544,718[3]	16.81
Employees Provident Fund Board	675,395,344	11.27	–	–
Tan Sri Mokhzani Mahathir	9,494,121	0.16	610,000,313[4]	10.18
Khasera Baru Ltd.	605,000,313	10.10	–	–
Kumpulan Wang Persaraan (Diperbadankan)	321,542,024	5.37	48,153,900[5]	0.80
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera	391,991,600	6.54	–	–

Notes:

(1) Deemed interested by virtue of its shareholding in Jurudata Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 ("the 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 8 of the Act.

(3) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings Sdn. Bhd. pursuant to Section 8 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 8 of the Act.

(5) Total shareholdings managed by Kumpulan Wang Persaraan (Diperbadankan)'s Fund Managers pursuant to Section 8 of the Act.

Analysis of Shareholdings (cont'd.)
as at 28 April 2017

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Directors	No. of Shares Held	%	No. of Shares Held	%
Dato' Hamzah Bakar	–	–	–	–
Tan Sri Dato' Seri Shahril Shamsuddin	37,811,692	0.63	1,007,544,718(1)	16.81
Tan Sri Datuk Amar (Dr.) Hamid Bugo	256,405	0.00*	–	–
Dato' Shahriman Shamsuddin	506,385	0.01	1,007,544,718(1)	16.81
Mohamed Rashdi Mohamed Ghazalli	97,864	0.00*	48,932(2)	0.00*
Gee Siew Yoong	–	–	–	–
Datuk Ramlan Abdul Malek	485,500	0.00*	–	–
Datuk Muhamad Noor Hamid	–	–	–	–
Tunku Alizakri Raja Muhammad Alias	–	–	–	–
Datuk Ramlan Abdul Rashid	–	–	–	–

* Negligible

Notes:

(1) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings Sdn. Bhd. ("Sapura Holdings") pursuant to Section 8 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.

(2) Deemed interested by virtue of the shareholding held by his spouse pursuant to Section 59 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE SIXTH ANNUAL GENERAL MEETING ("AGM") OF SAPURA ENERGY BERHAD (FORMERLY KNOWN AS 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, 25 JULY 2017 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 2017.

2. To re-elect the following Directors who retire by rotation pursuant to Article 87 of the Articles of Association of the Company and who being eligible offer themselves for re-election:
   i) Dato' Shahriman bin Shamsuddin **Resolution 1**
   ii) Datuk Ramlan bin Abdul Malek **Resolution 2**

3. To re-elect the following Directors who retire pursuant to Article 93 of the Articles of Association of the Company and who being eligible offer themselves for re-election:
   i) Tunku Alizakri bin Raja Muhammad Alias **Resolution 3**
   ii) Datuk Ramlan bin Abdul Rashid **Resolution 4**

4. To reappoint the following Directors to hold office from the date of this AGM:
   i) Dato' Hamzah bin Bakar **Resolution 5**
   ii) Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo **Resolution 6**

5. To approve the payment of Directors' fees of RM3,950,000.00 to Non-Executive Directors for the financial year ended 31 January 2017. **Resolution 7**

6. To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM5,470,000.00 from 1 February 2017 until the next annual general meeting of the Company. **Resolution 8**

7. To reappoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next annual general meeting and to authorise the Board of Directors to determine their remuneration. **Resolution 9**

Notice of Annual General Meeting (cont'd.)

SPECIAL BUSINESS

8. To consider and if thought fit, to pass the following Ordinary Resolution:

   AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

   "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 Sections 75 and 76 of the Companies Act, 2016, to allot and 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 10**

9. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Articles of Association of the Company.

BY ORDER OF THE BOARD

IZZAM BIN IBRAHIM (LS 0008731)
Group Company Secretary

Seri Kembangan, Selangor Darul Ehsan
30 May 2017

Notice of Annual General Meeting (cont'd.)

NOTES:

1. **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 there is no restriction as to the qualification of the proxy.

   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.

   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.

2. **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 Section 333 of the Companies Act, 2016 ("Act"). For this purpose and pursuant to Section 333(5) of the Act, 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.

3. **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 18 July 2017. Only a depositor whose name appears on the Record of Depositors as at 18 July 2017 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

4. **Audited Financial Statements for the financial year ended 31 January 2017**

   This Agenda is meant for discussion only as under the provisions of Section 340(1)(a) of the Act 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.

5. **Reappointment of Directors**

   Dato' Hamzah bin Bakar and Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo who are over the age of 70 years and were reappointed as Directors of the Company at the Fifth AGM of the Company held on 26 July 2016 pursuant to Section 129(6) of the Companies Act, 1965 which was then in force and will hold office until the conclusion of this AGM. The Companies Act 2016 no longer has this provision. The proposed Resolutions 5 and 6, if passed, will approve and authorise the continuation of Dato' Hamzah bin Bakar and Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo to hold office from the date of this AGM.

6. **Directors' fees and benefits to Non-Executive Directors**

   Pursuant to Section 230(1) of the Act which came into force on 31 January 2017, fees and benefits payable to the Directors of the Company will have to be approved at a general meeting.

   The amount of up to RM5,470,000.00 under proposed Resolution 8 comprising Directors' fees and benefits to Non-Executive Directors of the Company is estimated for the period from 1 February 2017 until the next annual general meeting of the Company to be held in 2018.

   Directors' benefits for Non-Executive Chairman of the Company comprises medical and insurance coverage, car allowance, driver, petrol and other claimable benefits. Benefits for other Non-Executive Directors comprises medical and insurance coverage and other claimable benefits.

   The estimated amount of Directors' fees and benefits is based on the assumption that there is no change in the Non-Executive Directors' remuneration framework and no increase in fees to any Director from 1 February 2017 up to the next annual general meeting of the Company in 2018.

   Payment of Directors' fees shall be made on a quarterly basis.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Authority for Directors to allot and issue shares under Sections 75 and 76 of the Companies Act 2016**

   Subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed Resolution 10 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 AGM held on 26 July 2016 which will lapse at the conclusion of this 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 SIXTH ANNUAL GENERAL MEETING (AGM) OF THE COMPANY

There is no individual standing for election as Director (excluding Directors standing for re-election).

Details of the Directors who are standing for re-election and reappointment are provided in the "Profile of Board of Directors" on pages 24 to 33 of this Annual Report. Details of their interests in the securities of the Company are set out in the "Analysis of Shareholdings" on page 224 of this Annual Report.

(II) ORDINARY RESOLUTION ON AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES

Details on the authority for Directors to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Act provided under the explanatory notes on special business in the Notice of AGM are as set out on page 230 of this Annual Report.

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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

Sapura Energy Berhad
(Formerly known as SapuraKencana Petroleum Berhad)
(Company No. 950894-T)
(Incorporated in Malaysia)

I/We ____
(Full Name as per NRIC/Passport/Certificate of Incorporation in Capital Letters)

NRIC/Passport No./Certificate of Incorporation No. ____________________________

of ____
(Full Address)

being a Member of SAPURA ENERGY BERHAD (FORMERLY KNOWN AS SAPURAKENCANA PETROLEUM BERHAD), do hereby

appoint ____
(Full Name as per NRIC/Passport in Capital Letters)

NRIC/Passport No. ____________________________

of ____
(Full Address)

or failing him/her, ____
(Full Name as per NRIC/Passport in Capital Letters)

NRIC/Passport No. ____________________________

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 Sixth 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, 25 July 2017 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	Re-election of Dato' Shahriman bin Shamsuddin as Director of the Company		
ORDINARY RESOLUTION 2	Re-election of Datuk Ramlan bin Abdul Malek as Director of the Company		
ORDINARY RESOLUTION 3	Re-election of Tunku Alizakri bin Raja Muhammad Alias as Director of the Company		
ORDINARY RESOLUTION 4	Re-election of Datuk Ramlan bin Abdul Rashid as Director of the Company		
ORDINARY RESOLUTION 5	Reappointment of Dato' Hamzah bin Bakar as Director of the Company		
ORDINARY RESOLUTION 6	Reappointment of Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo as Director of the Company		
ORDINARY RESOLUTION 7	Payment of Directors' fees of RM3,950,000.00		
ORDINARY RESOLUTION 8	Payment of Directors' fees and benefits of up to RM5,470,000.00		
ORDINARY RESOLUTION 9	Reappointment of Messrs. Ernst & Young as Auditors of the Company		
ORDINARY RESOLUTION 10	To authorise the Directors to allot and issue shares under Sections 75 and 76 of the Companies Act 2016		

____
Signature/Common Seal of Shareholder

Dated this ________ day of __________ 2017

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 there is no restriction as to the qualification of the proxy.
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
SAPURA ENERGY BERHAD
(FORMERLY KNOWN AS
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.sapuraenergy.com