



sapura energy

CAPITALISING ON RESILIENCE | ANNUAL REPORT 2018

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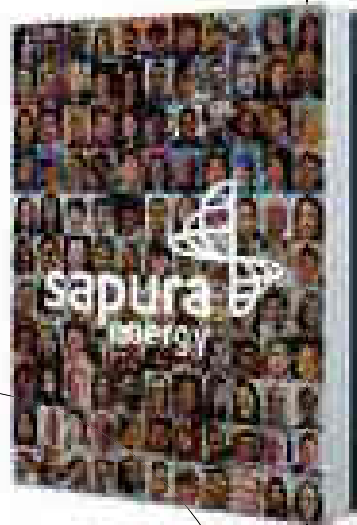
Proxy Form

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**





CAPITALISING ON RESILIENCE

This year's theme represents the journey Sapura Energy Berhad has taken to ensure that we are strategically positioned and ready to capitalise on emerging opportunities as gradual optimism returns in the industry. We have leveraged on the resilience of our people and the capabilities of the Group to develop a stronger foundation for recovery. The montage on the cover is a dedication to our people for their commitment throughout this journey.

SAPURA ENERGY BERHAD

(950894-T)

7th

ANNUAL GENERAL MEETING

DAY
WEDNESDAY

DATE
18 JULY 2018

TIME
10.00 A.M.

VENUE
GRAND BALLROOM 1 & 2
LEVEL 3 (EAST WING)
KUALA LUMPUR CONVENTION CENTRE
KUALA LUMPUR CITY CENTRE
50088 KUALA LUMPUR

FACTS AT A GLANCE



OUR VALUE CHAIN



EXPLORATION



DEVELOPMENT



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



DRILLING

- **8** Tender Barge Rigs
- **7** Semi-Submersible Tender Rigs



EXPLORATION AND PRODUCTION

- Previously referred to as our Energy Segment
- Participating Interest in **8** Production Sharing Contracts



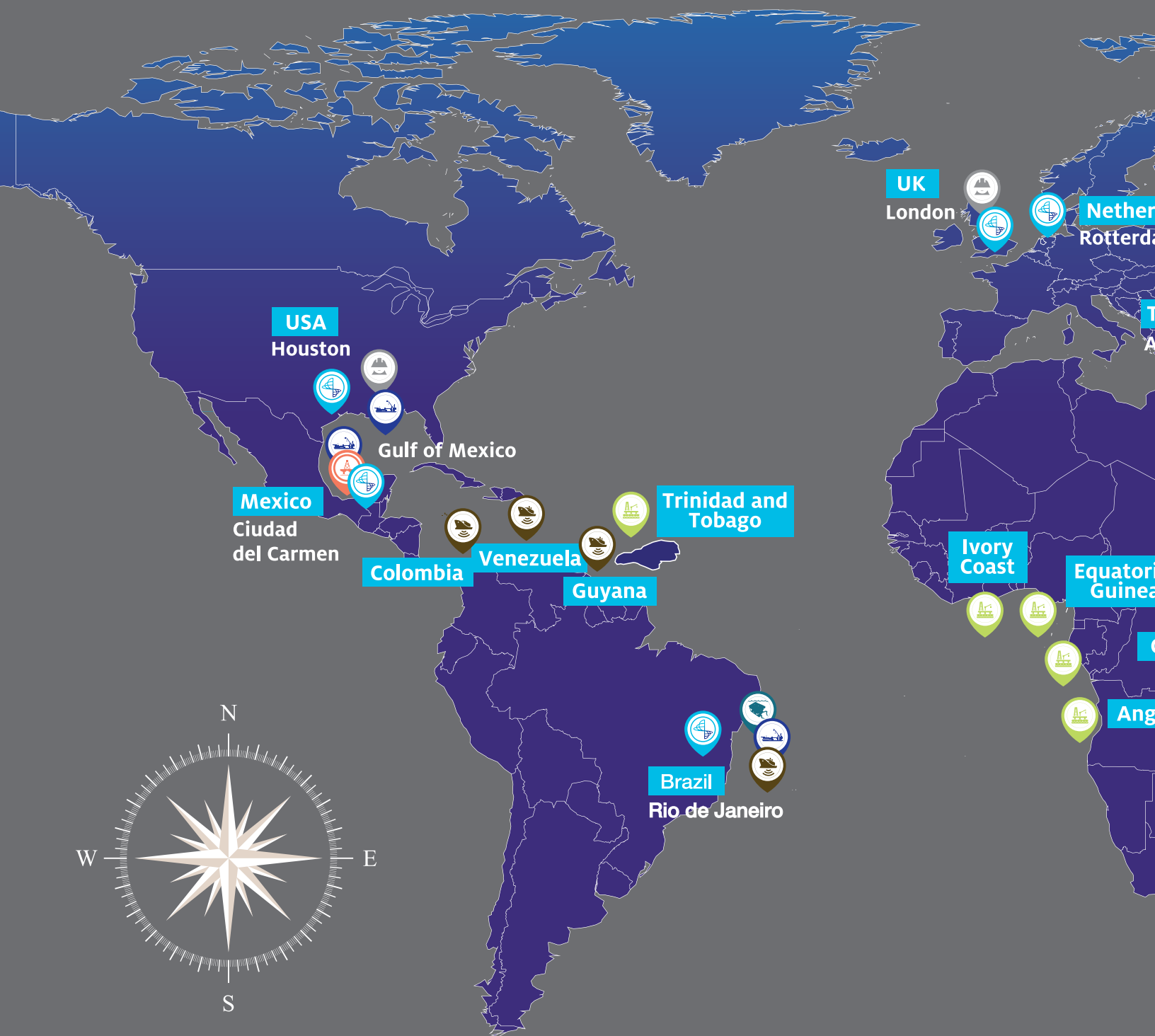
PRODUCTION



REJUVENATION



DECOMMISSIONING
& ABANDONMENT



THE GROUP'S GLOBAL FOOTPRINT



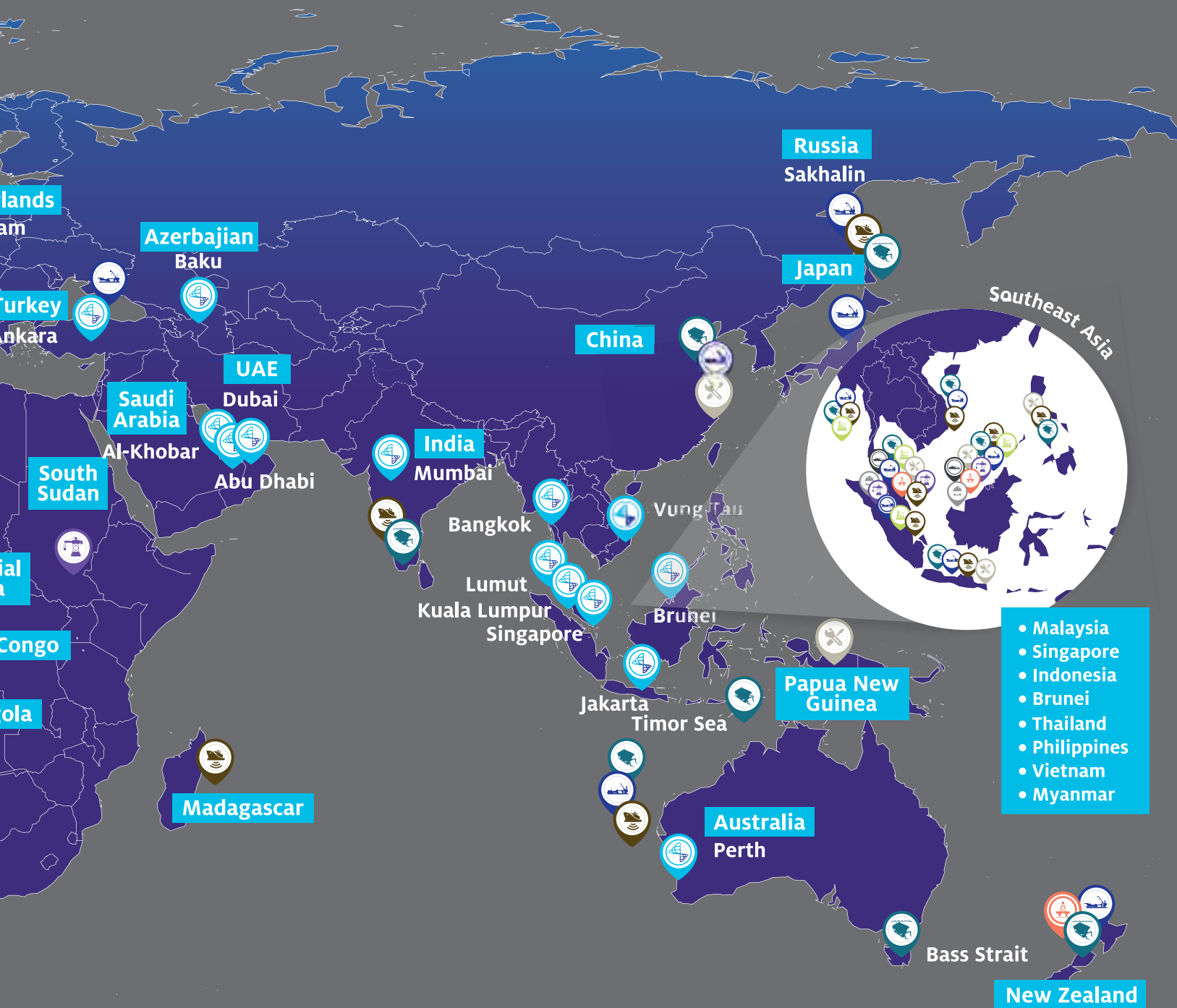
OUR LOCATIONS



HOOK-UP &
COMMISSIONING



• This global footprint is based on the United Nations' issued map.



ENGINEERING



GEOTECHNICAL/
GEOPHYSICAL
SURVEY



OPERATIONS &
MAINTENANCE



FABRICATION

INSTALLATION
OF PIPELINES &
FACILITIES



MARINE, DIVING
& ROV SERVICES
(Remotely Operated Vehicles)



DRILLING



EXPLORATION &
PRODUCTION

• The designations employed and the presentations of the material on this map do not imply the expression of any opinion whatsoever on the part of Sapura Energy Berhad or its subsidiaries ("the Group") concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

• Every effort is made to ensure this map is free of errors but there is no warranty that the map or its features are either spatially or temporally accurate or fit for a particular use. This map is provided without any warranty of any kind whatsoever, either expressed or implied.

01

HEALTH, SAFETY AND ENVIRONMENT

High standards in Health, Safety and Environment (“HSE”) remain a central governing part of our operations at Sapura Energy Berhad (“Sapura Energy”) and its subsidiaries (“the Group”). 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. The Group has in place a robust and comprehensive risk management system to identify, prevent, mitigate and manage such potential risks. Our HSE culture is essentially the way we do business and this is firmly embedded at every level throughout our organisation.

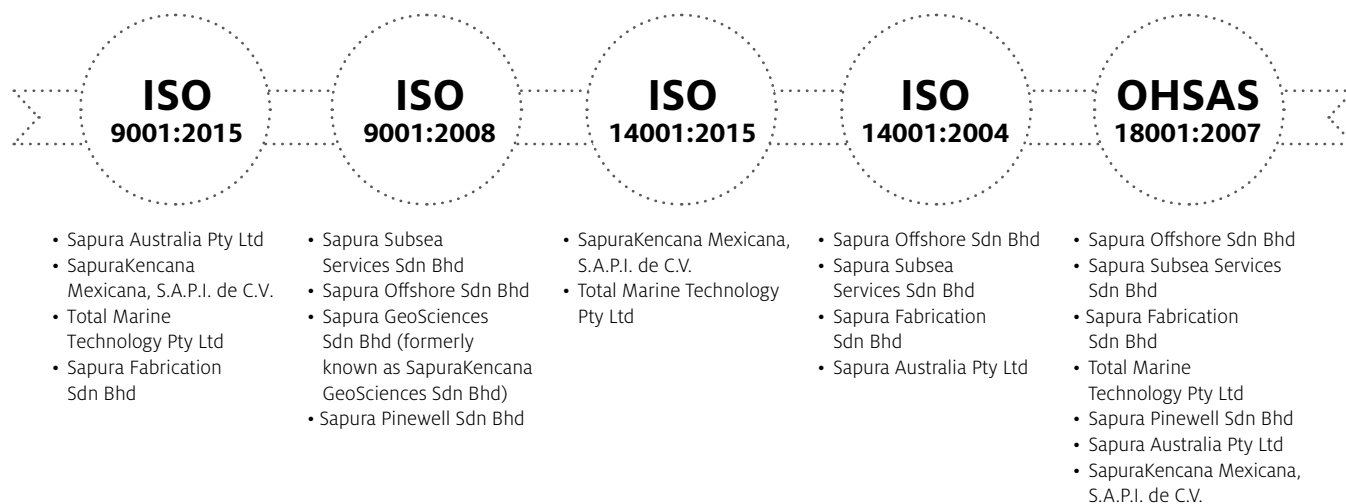
Everyone in the Group is responsible for upholding our HSE policies. Every employee and contractor is empowered and has a duty to stop unsafe work when substandard behaviours or conditions are observed.

Our extensive experience in the oil and gas sector, as well as our collaboration with industry and government stakeholders, led to the sharing and adoption of HSE best practices. We monitor HSE developments and new initiatives across the industry through these collaborations and 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 with the following awards and milestone recognitions by our clients for our various HSE achievements:

| Recipient | Achievement | Awarding Entity |
|---|---|--|
| Sapura Technology Solutions Sdn Bhd | 500,000 man-hours without LTI for SK305 Abandonment Project | PCPP Operating Company Sdn Bhd |
| Total Marine Technology Pty Ltd | Platinum IFAP/CGU Safe Way Award | Industrial Foundation for Accident Prevention (IFAP) Australia |
| SapuraKencana Mexicana, S.A.P.I. de C.V. | Line 76 Project - Zero LTI | PEMEX Exploración y Producción S.A. de C.V. (PEMEX) |
| Sapura Fabrication Sdn Bhd | 2017 Chairman's Safety Award | ExxonMobil Exploration and Production Malaysia Inc |
| Sapura Offshore Sdn Bhd | 2017 Chairman's Safety Award | ExxonMobil Exploration and Production Malaysia Inc |
| Sapura Drilling Division | T-9 - Gold Class 1 | Malaysian Society for Occupational Health and Safety (MSOSH) |
| | Esperanza - Gold Class 1 | Malaysian Society for Occupational Health and Safety (MSOSH) |
| | Esperanza - 365 Goal Zero Days | Sarawak Shell Berhad/Sabah Shell Petroleum Company Limited |
| | Esperanza - 2017 Recognition for Outstanding Performance | Sarawak Shell Berhad/Sabah Shell Petroleum Company Limited |
| | T-9 - Best Performing Rig – Malaysia 2017 | Petronas Carigali Sdn Bhd |
| | 2017 Rig Contractor, Best Drilling HSE Performance | Petroleum Nasional Berhad |

ISO Certifications:



01. 5-YEAR GROUP FINANCIAL SUMMARY

| Financial year ended 31 January | 2014 RM'mil | 2015 RM'mil | 2016 RM'mil | 2017 RM'mil | 2018 RM'mil |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
|---------------------------------|----------------|----------------|----------------|----------------|----------------|

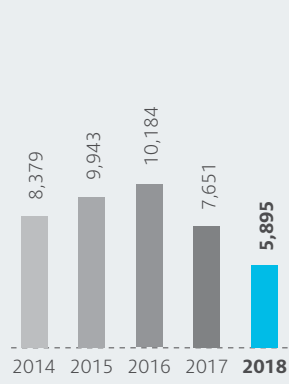
Operating results

| | | | | | |
|--|-------|-------|--------|-------|----------------|
| Revenue | 8,379 | 9,943 | 10,184 | 7,651 | 5,895 |
| Profit/(loss) before tax and impairments | 1,208 | 1,671 | 1,317 | 668 | (191) |
| Profit/(loss) before tax | 1,208 | 1,616 | (713) | 385 | (2,324) |
| Profit/(loss) after tax | 1,124 | 1,433 | (791) | 206 | (2,505) |

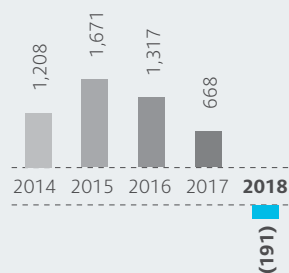
Key Statement of Financial Position Data

| | | | | | |
|----------------------------|--------|--------|---------|--------|----------------|
| Cash and cash equivalents | 1,387 | 1,257 | 1,948 | 3,520 | 1,716 |
| Total assets | 26,614 | 34,563 | 36,492 | 37,449 | 29,993 |
| Borrowings | 12,361 | 16,953 | 18,329 | 18,647 | 16,415 |
| Total liabilities | 16,413 | 22,570 | 24,279 | 24,369 | 20,542 |
| Shareholders fund | 10,195 | 11,986 | 12,207 | 13,076 | 9,450 |
| Earning per share (sen) | 18.92 | 23.93 | (13.25) | 3.50 | (42.10) |
| Net assets per share (RM) | 1.70 | 2.01 | 2.04 | 2.19 | 1.59 |
| Net debt to equity (times) | 1.08 | 1.31 | 1.34 | 1.16 | 1.56 |

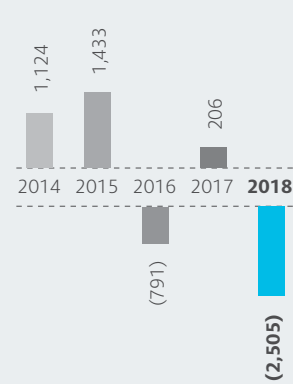
Revenue
(RM 'mil)



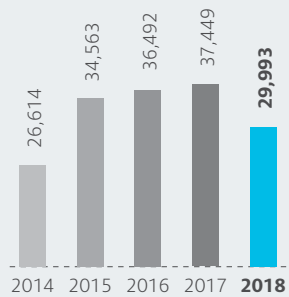
Profit/(loss) before Tax and Impairments
(RM 'mil)



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



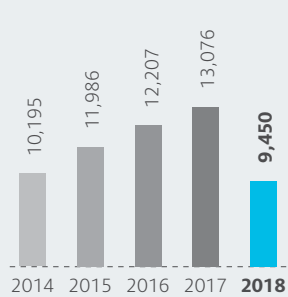
Total Assets
(RM 'mil)



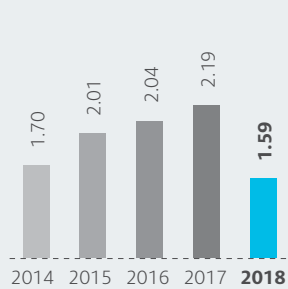
Borrowings
(RM 'mil)



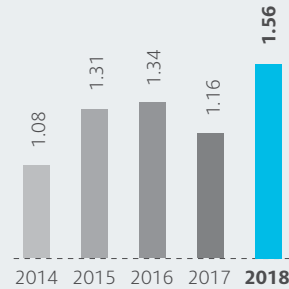
Shareholders fund
(RM 'mil)



Net assets per share
(RM)



Net debt to equity
(times)







CHAIRMAN'S STATEMENT

**DATO'
HAMZAH
BAKAR**

Chairman

01. CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

During the financial year ended 31 January 2018 ("FY2018"), Sapura Energy Berhad ("Sapura Energy") and its subsidiaries ("the Group"), undertook various measures to place the Group in a strategic position to take advantage of the emerging opportunities following signs of a gradual recovery in the industry.

Critical decisions to reprioritise capital expenditure ("capex") plans, revisit investment decisions and reoptimise capital management structure were implemented to ensure the long-term viability of the business. Additionally, the Group continued its drive to reduce costs and strengthen our fundamentals while improving efficiencies and sustaining a world-class operational performance.

We have been actively exploring additional growth prospects in new geographical locations and building our capabilities to ensure we have a strong foundation for recovery.

As a result of the Group's efforts, we are a leaner, more resilient and agile organisation today with a strong track record, proven technical capabilities, global development opportunities, state-of-the-art assets and an extensive acreage in our exploration portfolio.

The Board commends the senior leadership team for its entrepreneurial vision, acumen and commitment in safeguarding shareholders' value in these challenging times.

Guided by the sound strategy in place and good governance practices, it was a year of opportunities for the Group. We marked several milestones in FY2018, winning new bids and contracts globally, penetrating new markets and achieving first gas production from the SK310 B15 field. All our business segments contributed positive operating cash to the Group in FY2018. However, in accordance with prudent accounting practice, we undertook a significant impairment exercise to reflect the expected slow recovery in the drilling market.

As the industry experiences a gradual recovery, we are optimistic that an increase

in capex spend will trigger growth in revenue for the Group. We are encouraged by the increase in the levels of activity as seen in the new financial year and are confident that we are well-positioned to capitalise on emerging opportunities.

Key to achieving long-term business sustainability is embedding value creation in our strategy. We firmly believe in creating shared value and ensuring a positive impact on our stakeholders. To this end, we are maximising value creation in every aspect of the Group's value chain through increased efficiency and performance, and by acting responsibly towards all our stakeholders.

These initiatives are detailed in our Sustainability Report.

The Group continued to maintain a strong focus on Health, Safety and Environment ("HSE") amidst industry challenges and cost optimisation measures. These initiatives saw several of our assets, projects and operations recognised for safety excellence by the Malaysian Society for Occupational Health and Safety, our partners and clients. During the financial year, we celebrated safety achievements including 500,000 man-hours without Lost Time Injury ("LTI") for SK305 abandonment project; zero LTI for Line 76 project; and 365 Goal Zero Days

on Esperanza. We recognise that safety is an on-going journey and reaffirm our commitment to zero incidents and injuries. We will continue to strengthen our safety culture beyond compliance at every level of the organisation.

ACKNOWLEDGEMENTS

Our progress has been steady in what has been a challenging year and difficult operating environment. The Board is inspired by the continued support, dedication and perseverance from our various stakeholders whom I would like to acknowledge.

I would like to thank our shareholders for their faith in the business and operations of the Group; our customers for their trust in our ability to execute and deliver; and our financiers, business associates and partners, for their continued understanding and

confidence in our business.

To my colleagues on the Board, I thank you for your good judgement, counsel and support which helped the Group stay resilient through its course.

Our Board members and the senior management have continued to take a pay cut for the third year running to ensure the stability of the company during these challenging times. This demonstrates their faith in Sapura Energy's vision and business sustainability. In keeping with the continued austerity drive, our senior management has voluntarily opted not to have salary increments at their level.

On behalf of the Board of Directors, I would like to thank YM Tunku Alizakri Raja Muhammad Alias, who stepped down as Non-Independent and Non-Executive

Director on 31 January 2018, for his valuable contribution to the Group. We wish him success in his endeavours.

Finally, I would like to record my sincere appreciation to our dedicated global workforce in over 20 countries for their dynamic spirit in moving the Group forward through hard work, collaboration and sacrifice. Their unwavering support, commitment and reliability have enabled the Group to capitalise on the resilience of our people and their capabilities.

The Board is optimistic that the gradual recovery in the industry will improve the medium-to-long term prospects for the Group. I am confident that we will all see greater success.

DATO' HAMZAH BAKAR
Chairman

02

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' Shahrizan 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 Non-Executive Director***Datuk Muhamad Noor Hamid***Independent Non-Executive Director***Datuk Ramlan Abdul Rashid***Independent Non-Executive Director*

AUDITORS

Ernst & Young (AF: 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Tel : +603-7495 8000
Fax : +603-2095 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 : +603-7849 0777
Fax : +603-7841 8151/8152

BOARD AUDIT COMMITTEE

Gee Siew Yoong*Chairman***Tan Sri Datuk Amar (Dr) Hamid Bugo****Mohamed Rashdi Mohamed Ghazalli****Datuk Muhamad Noor Hamid**

BOARD RISK MANAGEMENT COMMITTEE

Mohamed Rashdi Mohamed Ghazalli*Chairman***Datuk Muhamad Noor Hamid****Datuk Ramlan Abdul Rashid**LONG-TERM INCENTIVE PLAN
COMMITTEE**Dato' Hamzah Bakar***Chairman***Tan Sri Dato' Seri Shahril Shamsuddin****Tan Sri Datuk Amar (Dr) Hamid Bugo**

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**

GROUP COMPANY SECRETARY

Lew Sue Li*(MIA 42700)*

REGISTERED OFFICE

Sapura@Mines
No. 7, Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : +603-8659 8800
Fax : +603-8659 8848

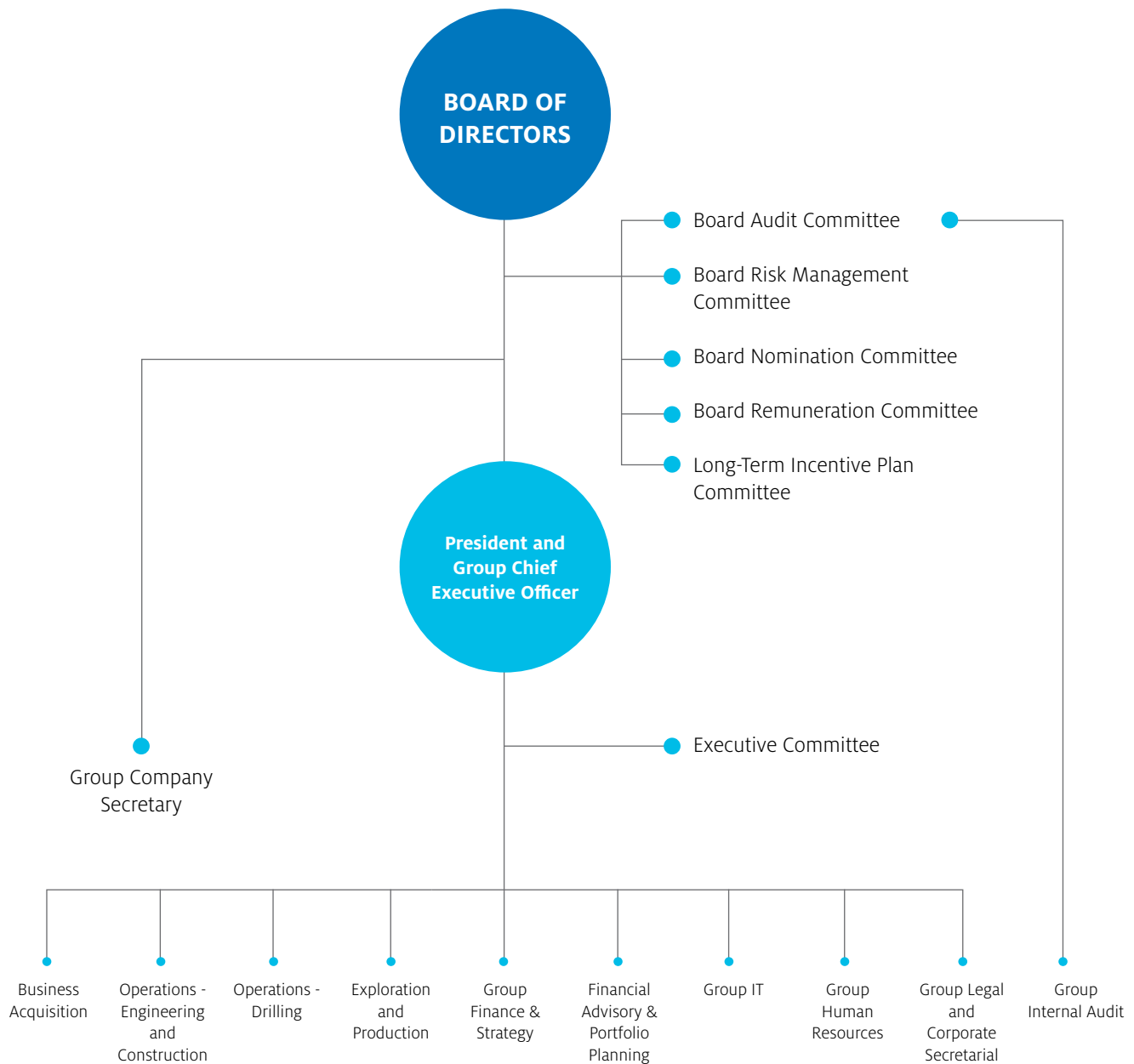
STOCK EXCHANGE LISTING

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

PRINCIPAL BANKERS

ABN AMRO Bank
AmBank Berhad
CIMB Bank Berhad
Citibank
Export-Import Bank of Malaysia Berhad
First Abu Dhabi Bank
ING Bank
Malayan Banking Berhad
Mizuho Bank
RHB Bank Berhad
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
MUFG Bank, Ltd
United Overseas Bank

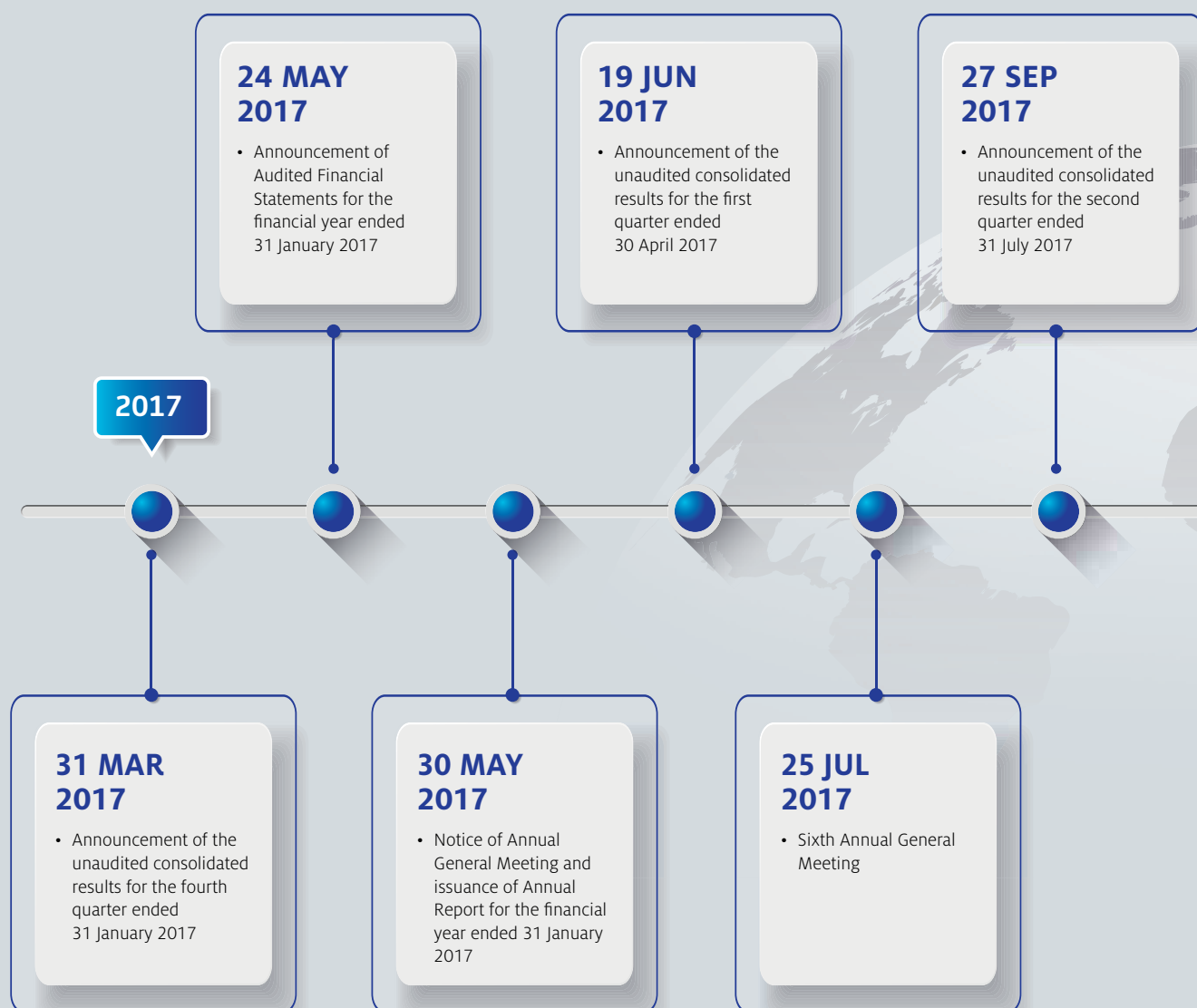
GROUP ORGANISATIONAL STRUCTURE

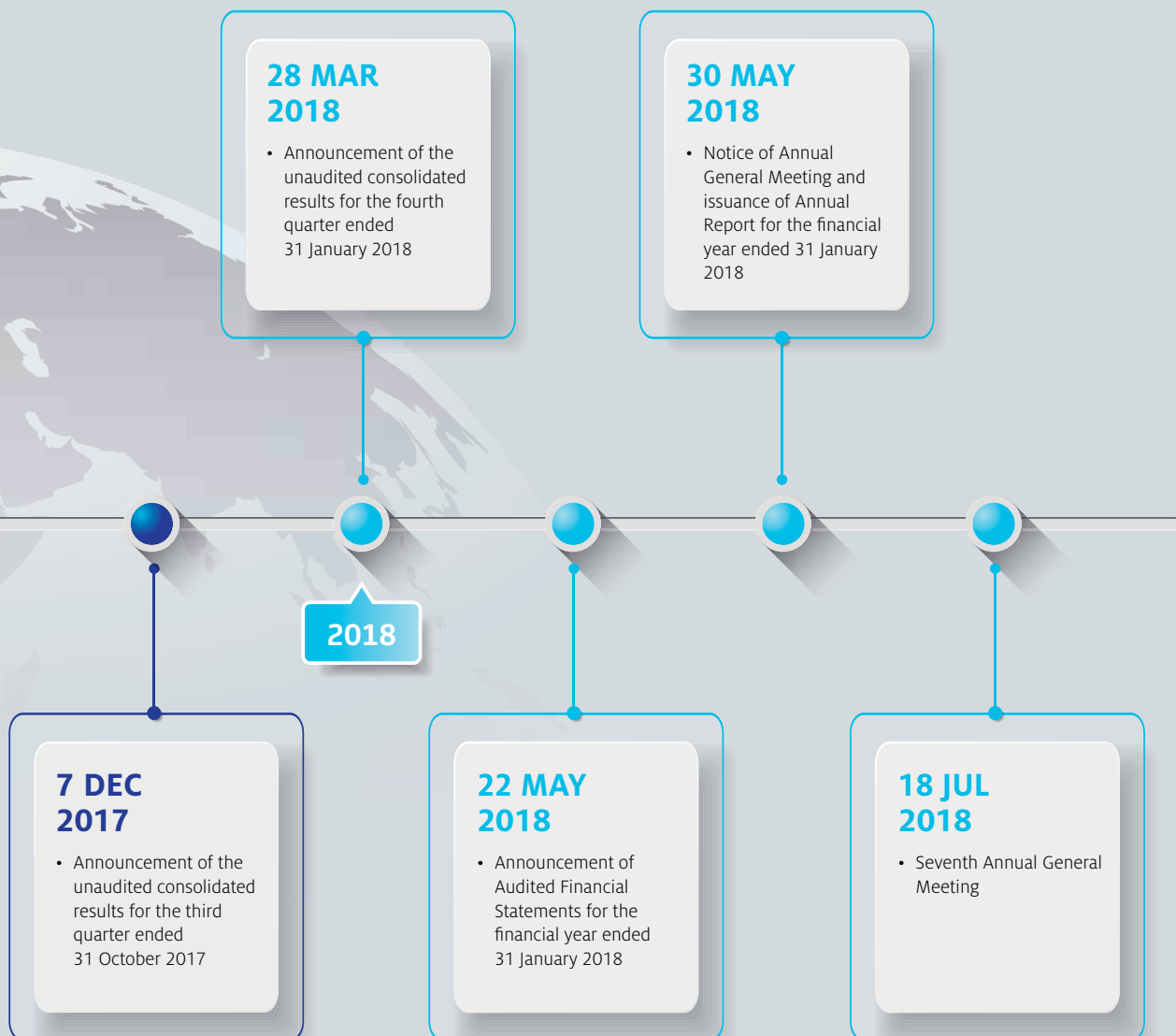


Note:

Health, Safety and Environment ("HSE") and Supply Chain are embedded under Operations.

02. FINANCIAL CALENDAR





BOARD OF DIRECTORS

**TAN SRI DATUK AMAR
(DR) HAMID BUGO**

*Senior Independent
Non-Executive Director*

**TAN SRI
DATO' SERI
SHAHRIL
SHAMSUDDIN**

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

**DATO' HAMZAH
BAKAR**

*Chairman
Non-Independent
Non-Executive Director*

GEE SIEW YOONG

*Independent
Non-Executive Director*

**DATO' SHAHRIMAN
SHAMSUDDIN**

*Non-Independent
Non-Executive Director*



**DATUK RAMLAN
ABDUL RASHID**

*Independent
Non-Executive Director*

**MOHAMED
RASHDI
MOHAMED
GHAZALI**

*Independent
Non-Executive Director*

**DATUK MUHAMAD
NOOR HAMID**

*Independent
Non-Executive Director*

**DATUK RAMLAN
ABDUL MALEK**

*Non-Independent
Non-Executive Director*



03

PROFILE OF BOARD OF DIRECTORS



DATO' HAMZAH BAKAR

Chairman

Non-Independent Non-Executive Director

Nationality

Malaysian

Age/Gender

74/Male

Date of Appointment

9 December 2011

Board Meeting Attendance in FY2018

10/10

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 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 Petroliaam 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 Berhad, 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 Berhad 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, United States of America
- Bachelor of Science with Honours in Economics from the Queen's University of Belfast, United Kingdom



TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

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

Nationality
Malaysian

Age/Gender
57/Male

Date of Appointment
9 December 2011

Board Meeting Attendance in FY2018
10/10

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.

He 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 Massachusetts Institute of Technology ("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.

Tan Sri Dato' Seri Shahril was conferred an Honorary Doctorate in Technology Management by the Universiti Teknologi Malaysia ("UTM") in May 2013. He is also a member of the Board of Trustees of the UTM Endowment Fund.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

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

03 PROFILE OF BOARD OF DIRECTORS



TAN SRI DATUK AMAR (DR) HAMID BUGO

Senior Independent Non-Executive Director

Nationality

Malaysian

Age/Gender

72/Male

Date of Appointment

- 27 February 2012
Independent Non-Executive Director
- 6 February 2013
Senior Independent Non-Executive Director

Board Meeting Attendance in FY2018

10/10

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
- Chairman, Petroleum Sarawak 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 Airline 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 Sarawak. He is also a council member of the Institute of Integrity, Malaysia.

Tan Sri Datuk Amar (Dr) Hamid is a recipient of an Excellent Award from the American Association of Conservation 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



DATO' SHAHRIMAN SHAMSUDDIN

Non-Independent Non-Executive Director

Nationality

Malaysian

Age/Gender

49/Male

Date of Appointment

9 December 2011

Board Meeting Attendance in FY2018

7/10

BOARD COMMITTEE MEMBERSHIP:

- Nil

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

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

WORKING EXPERIENCE AND OCCUPATION:

Dato' Shahrman 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' Shahrman 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

03 PROFILE OF BOARD OF DIRECTORS



MOHAMED RASHDI MOHAMED GHAZALLI

Independent Non-Executive Director

Nationality

Malaysian

Age/Gender

61/Male

Date of Appointment

9 September 2011

Board Meeting Attendance in FY2018

10/10

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, Malaysia Venture Capital Management Berhad
- Director, Tune Protect Group 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 before joining the Sapura Holdings Group in 1983 as a founder member of its Information Technology ("IT") business. He moved into consulting in 1989, building a career with Coopers & Lybrand, 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. His last position was as the IT and Consulting Advisor with PricewaterhouseCoopers Malaysia focusing on capacity building, business development and quality assurance.

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

ACADEMIC/PROFESSIONAL QUALIFICATION:

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



GEE SIEW YOONG

Independent Non-Executive Director

Nationality

Malaysian

Age/Gender

68/Female

Date of Appointment

5 July 2013

Board Meeting Attendance in FY2018

10/10

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 Lipkand 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, Massachusetts, United States of America

03 PROFILE OF BOARD OF DIRECTORS



DATUK RAMLAN ABDUL MALEK

Non-Independent Non-Executive Director

Nationality
Malaysian

Age/Gender
63/Male

Date of Appointment

- 1 March 2014
Non-Independent Executive Director
- 1 March 2018
Non-Independent Non-Executive Director

Board Meeting Attendance in FY2018
9/10

BOARD COMMITTEE MEMBERSHIP:

- Nil

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 the 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, enhance-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 held 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 28 February 2018, Datuk Ramlan had management oversight responsibilities for engineering and construction – Malaysia, corporate supply chain management, corporate legal and internal audit. Datuk Ramlan was redesignated as Non-Independent Non-Executive Director of Sapura Energy on 1 March 2018.

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



DATUK MUHAMAD NOOR HAMID

Independent Non-Executive Director

Nationality
Malaysian

Age/Gender
66/Male

Date of Appointment
14 April 2015

Board Meeting Attendance in FY2018
10/10

BOARD COMMITTEE MEMBERSHIPS:

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

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- 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, United Kingdom
- 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

03

PROFILE OF BOARD OF DIRECTORS



DATUK RAMLAN ABDUL RASHID

Independent Non-Executive Director

Nationality

Malaysian

Age/Gender

59/Male

Date of Appointment

23 September 2016

Board Meeting Attendance in FY2018

9/10

BOARD COMMITTEE MEMBERSHIP:

- Member, Board Risk Management 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.

He was also a Director for Malaysian Insurance Institute in 2006/07 and Malaysian Life Re in 2007.

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 (ICliff)



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/major shareholders of the Company:

Tan Sri Dato' Seri Shahril Shamsuddin and Dato' Shahrman 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.

EXECUTIVE COMMITTEE

**DATUK KRIS AZMAN
ABDULLAH**

*Senior Vice President,
Exploration and Production*

**TAN SRI
DATO' SERI
SHAHRI
SHAMSUDDIN**

*President and Group
Chief Executive Officer*

CHOW MEI MEI

*Senior Vice President,
Financial Advisory and
Portfolio Planning*

REZA ABDUL RAHIM

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



**AHMAD
ZAKIRUDDIN
MOHAMED**

*Senior Vice President,
Operations -
Engineering and
Construction and
Group Supply Chain*

RAPHAEL SIRI

*Senior Vice President,
Drilling Business and Group
Performance*

VIVEK ARORA

*Senior Vice President,
Business Acquisition -
Engineering and
Construction*



03 PROFILE OF EXECUTIVE COMMITTEE



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

Nationality
Malaysian

Age/Gender
57/Male

Date of Appointment
9 December 2011

Directorship in Public Companies and Listed Issuers:

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

Working Experience:

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

He 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 Massachusetts Institute of Technology ("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.

Tan Sri Dato' Seri Shahril was conferred an Honorary Doctorate in Technology Management by the Universiti Teknologi Malaysia ("UTM") in May 2013. He is also a member of the Board of Trustees of the UTM Endowment Fund.

Academic/Professional Qualifications:

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



DATUK KRIS AZMAN ABDULLAH
Senior Vice President, Exploration and Production

Nationality
Malaysian

Age/Gender
54/Male

Date of Appointment
15 May 2012

Directorship in Public Companies and Listed Issuers:

- Director, SapuraCrest Petroleum Berhad

Working Experience:

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

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 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 and the Malaysia-Brazil Business Council.

Academic/Professional Qualifications:

- Corporate Finance (CF) designation from the Institute of Chartered Accountants in England and Wales (ICAEW)
- Bachelor of Art (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

42/Male

Date of Appointment

15 May 2012

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

Encik Reza Abdul Rahim was first appointed as the Senior Vice President of the Offshore Construction and Subsea Services Division of Sapura Energy 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 of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Encik Reza was Acting Chief Executive Officer for Oil and Gas Construction Services of SapuraCrest Petroleum, Chief Executive Officer for Energy Ventures and Operations of SapuraCrest Petroleum and Group Chief Operating Officer of Sapura Group.

Encik 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, United Kingdom
- Bachelor of Science in Accounting and Finance (First Class Honours), The London School of Economics and Political Science, United Kingdom

**CHOW MEI MEI**

Senior Vice President, Financial Advisory and Portfolio Planning

Nationality

Malaysian

Age/Gender

52/Female

Date of Appointment

15 May 2012

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

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

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 of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Ms Chow 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.

Prior to joining the Sapura Group, Ms Chow 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 of the Motors Division, and Senior Manager and Head of Group Corporate Finance of Sime Darby Berhad.

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, United Kingdom

03 PROFILE OF EXECUTIVE COMMITTEE



AHMAD ZAKIRUDDIN MOHAMED

Senior Vice President, Operations - Engineering and Construction and Group Supply Chain

Nationality

Malaysian

Age/Gender

47/Male

Date of Appointment

1 August 2012

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

Encik Ahmad Zakiruddin Mohamed is the Senior Vice President, Operations - Engineering and Construction and Group Supply Chain in Sapura Energy. He joined Sapura Energy in 2012 as Vice President, Strategic Business Support overseeing technical and operational strategic initiatives in the President and Group Chief Executive Officer's office.

Encik Zakiruddin started his career at Ranhill Bersekutu Sdn Bhd before moving to WS Atkins Consultants Limited, United Kingdom (UK) in 1999 as a mechanical engineer. He also worked in Detmarovice, Czech Republic under RMC Group PLC, UK before returning to Malaysia to rejoin the Ranhill group in 2002.

During the period of 2009 to 2012, Encik Zakiruddin was the Chief Executive Officer of Ranhill E&C Sdn Bhd and Amona Ranhill Consortium Sdn Bhd. Encik Zakiruddin has 24 years of experience working in Malaysia, North Africa and Europe with exposure in a range of industries and sectors.

Academic/Professional Qualifications:

- 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, United Kingdom



VIVEK ARORA

Senior Vice President, Business Acquisition - Engineering and Construction

Nationality

Indian

Age/Gender

49/Male

Date of Appointment

1 August 2012

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

Mr Vivek Arora is currently the Senior Vice President of Business Acquisition - Engineering and Construction of Sapura Energy.

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

Academic/Professional Qualification:

- Bachelor of Engineering, Punjab University, Chandigarh, India

**RAPHAEL SIRI***Senior Vice President, Drilling Business and Group Performance***Nationality**

French

Age/Gender

47 / Male

Date of Appointment

1 May 2013

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

Mr Raphael Siri was appointed as the Senior Vice President of SapuraKencana Drilling on 1 May 2013 following the acquisition of Seadrill Limited's Tender Rig business by Sapura Energy. He currently holds the title of Senior Vice President, Drilling Business and Group Performance.

Mr 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 experience covers different locations in Africa (including Algeria, Angola, Nigeria, Congo), the USA (Houston, Texas) as well as Asia (Singapore, Kuala Lumpur).

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, France
- Master in Applied Mathematic, Université de Nice Sophia Antipolis, Nice, France

Save for Tan Sri Dato' Seri Shahril's declaration which is on page 31, none of the Key Senior Management:

- 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

04

MANAGEMENT DISCUSSION AND ANALYSIS

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

DEAR SHAREHOLDERS,

At a time when oil and gas players were reducing capital expenditure (“capex”) and deferring projects, Sapura Energy Berhad (“Sapura Energy”) and its subsidiaries (“the Group”) had forged ahead to strengthen its fundamentals, build up its technical capabilities and enter new markets during the financial year ended 31 January 2018 (“FY2018”).

Our resilience to embark on such a strategic vision proved to be the right course of action as renewed optimism gradually returns in the industry. Our goal was to be well-positioned and ready to capitalise on emerging opportunities.

Disciplined cost optimisation efforts, including pro-active capital management and re-prioritised capex plans, as well as improved operational effectiveness were some of the prudent measures we had taken to enhance the Group's fundamentals. Combined with a robust business model and people capabilities, we made good progress on our growth strategy in FY2018.

THE YEAR IN REVIEW

The Group recorded a revenue of RM5.9 billion and a loss-before-tax and impairment of RM191.3 million. The impairment reflects the Board's view on the outlook of the Drilling segment. We believe that this segment will take a longer period of recovery and have taken a provision for impairment primarily on the Group's drilling rigs, amounting to RM2.1 billion, and in accordance with the relevant accounting standards. This is expected to enhance our competitiveness for the future.

At the bottom line, we recorded a loss-after-tax of RM2.5 billion. Our cash balance stood at RM1.7 billion at the end of the financial year.

For FY2018, Engineering and Construction (“E&C”) made up 67% of the Group's total revenue, followed by Drilling at 19% and Exploration and Production (“E&P”) at 14%.

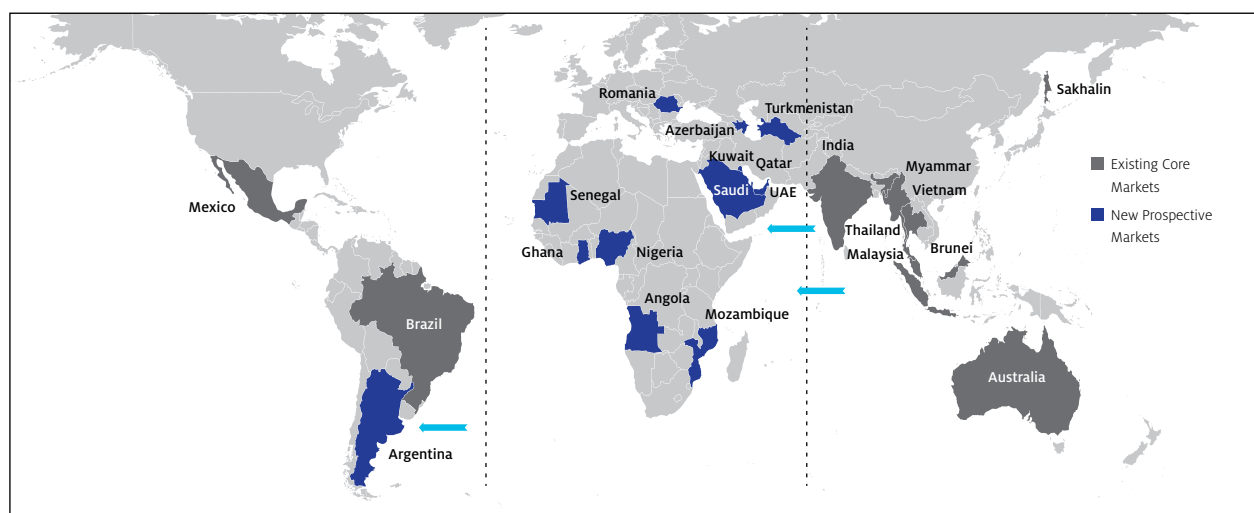
In E&C, we continue to expand our global footprint and have positioned our capabilities to undertake work in new markets, including the Middle East, Africa and in the Caspian and Mediterranean regions. These regions are expected to benefit us in the near-and-long-term as the market recovers through increasing levels of activities. Revenues generated in FY2018 for E&C was RM4.0 billion.

With a turnover of RM1.1 billion, the Drilling division contributed positive operating cash to the Group in FY2018. The division maintained a lean organisational structure and adhered to high operational safety standards. As a further testimony of our commitment to safety, our Drilling business has been awarded with several Health, Safety and Environment (“HSE”) Awards. To name a few, we are proud to be awarded the 2017 Rig Contractor – Best

Drilling HSE Performance by Petroliaam Nasional Berhad; Best Performing Rig Malaysia 2017 for T-9 by Petronas Carigali Sdn Bhd; Gold Class 1 for T-9 and Esperanza by the Malaysian Society for Occupational Health and Safety (“MSOSH”), and 365 Goal Zero Days for Esperanza by Sarawak Shell Berhad/Sabah Shell Petroleum Company Limited. The full list of awards and recognition is in this Annual Report.

Our E&P segment, which contributed RM850.4 million in revenue for FY2018, made significant progress in monetising our gas fields. The highlight for E&P was achieving first gas milestone on schedule and well below budget within two years of the Field Development Plan for the SK310 B15 gas field development in offshore Sarawak. Gas produced from SK310 B15 field will feed into the Malaysia LNG plant in Bintulu, one of the world's largest LNG production plants.

Looking back, it was our sheer perseverance throughout FY2018 that enabled us to remain resilient and agile to consistently demonstrate competitiveness in securing and executing projects globally. Our strategy was to take a disciplined approach to our investments to



Expansion of our global footprint and position in new markets

build a stronger future while focusing on opportunities that augur well with our capabilities and strategic aims.

LOOK AHEAD

The market cycle is entering a growth window with oil price reaching US\$70 per barrel. An increase in capex spend is expected to trigger growth in revenues for the Group. Consequently, Services (E&C and Drilling) will benefit in the near-term from market recovery -- we are already seeing an uptrend in bidding activities and service contract awards across key markets and segments. E&P will continue to realise value in the near-and-long-term, anchored on one of the largest near-term developments in Asia and combined with an attractive exploration acreage.

In the current financial year, we continue to record a number of notable wins in Australia, Brazil, India and Malaysia, and expand our global footprint, making inroads into New Zealand and winning a much-coveted block in Mexico.

We are on track to unlocking the value of our gas fields with production commencement from the SK310 B15 field and securing final investment decision to proceed with the development of Phase 1-SK408 block. These provide a clear visibility of our long-term gas monetisation plans. Primarily, the development of these blocks further strengthens our Group's position as a significant partner and supplier of gas in Malaysia.

With the recent extensive addition to our exploration acreage in New Zealand and Mexico, the Group has been able to geographically diversify our E&P segment and put in place a well-balanced portfolio of exploration, development and production.

Our enlarged footprint now encompasses three major global operating

centres in the Americas, Middle East, West Africa and Caspian, and Asia Pacific. This is testimony of our strong and consistent growth from East to West in a journey that began in Malaysia as illustrated in the global footprint expansion map above.

Between 2018 and 2025, the Group has positioned itself to tap into opportunities in various greenfield offshore projects worldwide. This includes projects in the Middle East, Southeast Asia, India, Australia, East and West Africa, Brazil, Mexico and the rest of Latin America.

The significant increase in the bidding funnel will drive mid-to-long-term revenue for the Group. Our ability to win is underpinned by our strong capability, track record and broadened market reach which we have laid solid groundwork in.

In the last three years, we have been capitalising on the resilience of our people and capabilities to develop a stronger foundation. As we move forward, I would like to express my heartfelt appreciation for our 6,500 workforce across five continents. Their dedication, commitment and hard work have contributed to the growth and success of the Group today. The combined talent of our multi-national workforce make us what and who we are – an entrepreneurially-led, technically competent and trusted global oil and gas company.

Our priority is to continue to create value for our shareholders by pushing our boundaries. We maintain a firm focus on our long-term vision to become a global leader and are excited about the prospects ahead. We are confident that we are on firm footing for recovery.

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

President and Group Chief Executive Officer

04 MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC REVIEW AND OUTLOOK



INDUSTRY OUTLOOK

The year under review began with Brent crude oil prices hovering around US\$55 per barrel which saw oil majors and national oil companies continuing to rein in costs and delay capital expenditure.

There has been a modest recovery as we enter the next financial year, with oil prices approaching US\$70 per barrel due to an upsurge in demand for energy globally, and a tightening of supply base from natural declines and production cuts.

The improved oil prices are expected to trigger an increase in offshore capital expenditure between 2018 to 2025 to meet global demand. Total global offshore projects to be sanctioned in 2018 are projected to be around US\$90 billion.

For the offshore oil and gas industry, the Arabian Gulf and Southeast Asia capex is dominated by fields located in shallow water while capex on deep

water fields is largely driven by the North Sea, West Africa, Brazil, US Gulf of Mexico and Australia, and ultra-deepwater regions mainly in Brazil, US Gulf of Mexico and West Africa.

In terms of the global economy, it is expected to witness broad-based recovery to 3.1% growth in 2018, driven by improved economic activities in major economies, amidst increased access to funding and confidence, and a turnaround in commodity prices. Meanwhile, Malaysia's economy is projected to grow by 5.5% to 6.0% in 2018 from 5.9% in 2017, on its strong economic fundamentals, diversified structure and inherent dynamism.

Based on the improving economic conditions and gradual recovery in the industry, the Group is optimistic about the medium-to-long term prospects for Sapura Energy. We believe that we are on firm footing for recovery following the solid groundwork the Group has implemented during the last three years.



FINANCIAL RESULTS OVERVIEW

For FY2018, the Group recorded a revenue of RM5.9 billion and a loss-before-tax and impairment of RM191.3 million. A provision for impairment, primarily on the Group's drilling rigs amounting to RM2.1 billion, resulted in a loss-after-tax of RM2.5 billion. The impairment reflects the Board's view that the Drilling segment will take a slower recovery period and was done in accordance to relevant accounting standards. This will enhance our competitiveness for future growth.

Cash balance stands at RM1.7 billion for the financial year. Our net debt to equity ratio is currently at 1.56x.

The improving industry conditions is seeing an increase in capex spend and more bid opportunities in the funnel. At the start of the new financial year, the Group secured RM2.7 billion of new orders in the Services segment, resulting in a stronger orderbook position. This is expected to contribute positively to revenues in financial year 2019 and beyond.

SEGMENTAL RESULTS



ENGINEERING AND CONSTRUCTION

Revenue from E&C for the year under review was RM4.0 billion. This was 13% lower compared to the corresponding preceding year due to lower level of activities. Segment profit excluding provision for impairment on property, plant and equipment, and including share of profit from associates and joint ventures was RM434.0 million.



DRILLING

The Drilling segment recorded a 43% lower revenue at RM1.1 billion compared to the previous year. This was as a result of certain rigs that were off contract during the year. Segment profit dropped to RM123.0 million, excluding provision for impairment on property, plant and equipment.



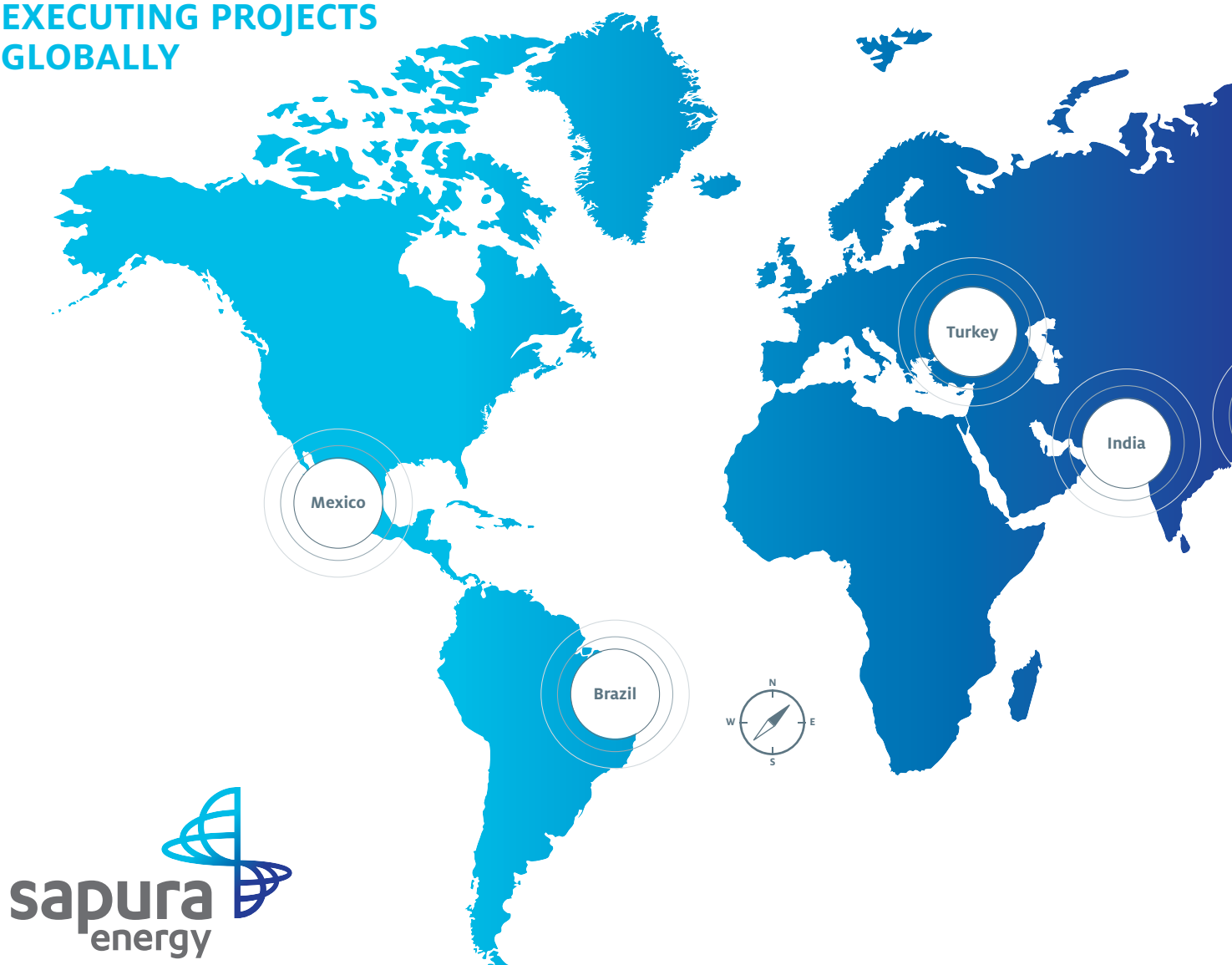
EXPLORATION AND PRODUCTION

Revenue from E&P amounted to RM850.4 million, driven mainly by crude oil sales amid higher average realised oil prices in FY2018 as compared to financial year 2017 ("FY2017"). The cessation of the Berantai Risk Service Contract ("RSC") in Q2 FY2017 mainly contributed to a 24% drop in total revenue compared to FY2017. The segment recorded a profit of RM281.0 million due to the positive impact of higher crude oil price and cost saving measures partially offset with the cessation of Berantai RSC.



04 MANAGEMENT DISCUSSION AND ANALYSIS

EXECUTING PROJECTS GLOBALLY





AUSTRALIA

- Shell Prelude Light Well Intervention

BRUNEI

- SPM replacement for Brunei Shell Petroleum ("BSP")
- Pelaut drilling for BSP
- Alliance P&A Contract for BSP

MALAYSIA

- EPCIC of Pegaga Integrated CPP for Mubadala Petroleum
- EPCC Phase 2 North Malay Basin for HESS
- EPCC Kinarut Erb West Compressor Upgrading for Petronas Carigali Sdn Bhd ("PCSB")
- EPCC Bokor Betty Brownfield Rejuvenation for PCSB
- Pan Malaysia T&I 2018 for PCSB & Sarawak Shell
- Pan Malaysia IRM for PCSB
- Pan Malaysia HUC for ExxonMobil
- MCM Services Sarawak Gas for PCSB
- Mechanical Installation works - HDPE Plant at RAPID for TecnimontHQC

MYANMAR

- EPCI/T&I of Zawtika phase 1C pipelines & WHPs for PT Gunanusa

TURKEY

- EPCI Trans-Anatolian Natural Gas Pipeline

THAILAND

- T-12 drilling for Chevron
- T-17 drilling for PTTEP
- T-18 drilling for Chevron

BRAZIL

- Six Pipelay Vessels for Petrobras
- EPCC pipeline for UTE Porto de Sergipe 1 Combined Cycle Power Plant for CELSE

INDIA

- Pipeline & Terminal works of Fifth Oil Berth for Mumbai Port Trust
- EPCIC B-127 Cluster Pipeline Project for ONGC
- EPCIC MHSRD III Project for ONGC

- HUC Services for REPSOL
- HUC RS3 Radar & Surveillance for Selex
- Decommissioning of Sepat MOPU for PCSB
- Decommissioning of Dana & D30 for PCPP
- T&I of F12 WHP & Pipeline for PCSB
- T&I of Bunga Pakma WHP for REPSOL
- T&I of Guntong Pipeline for ExxonMobil
- PCC FWS Air Cooler Module for PCSB
- PC of B15 Mini CPP for Sapura E&P
- T-9 drilling for PCSB
- Esperanza drilling at Malikai for Shell

EPCIC : Engineering, Procurement, Construction, Installation and Commissioning

EPCC : Engineering, Procurement, Construction and Commissioning

EPCI : Engineering, Procurement, Construction and Installation

PCC : Procurement, Construction and Commissioning

PC : Procurement and Construction

T&I : Transportation and Installation

CPP : Central Processing Platform

IRM : Inspection, Repair and Maintenance

MCM : Maintenance, Construction and Modification

HUC : Hook-Up and Commissioning

SPM : Single Point Mooring

WHP : Wellhead Platform

FWS : Full Well Stream

***A full list of services is available on our website**

04 MANAGEMENT DISCUSSION AND ANALYSIS



Our operations, projects and assets have been accorded safety awards and milestone recognition for various Health, Safety and Environment (“HSE”) achievements. They include:

SAPURA DRILLING DIVISION

| | |
|--|--|
| T-9 – Gold Class 1 | Malaysian Society for Occupational Health and Safety (MSOSH) |
| Esperanza – Gold Class 1 | |
| Esperanza – 365 Goal Zero Days | Sarawak Shell Berhad/Sabah Shell Petroleum Company Limited |
| Esperanza – 2017 Outstanding Performance | Sarawak Shell Berhad/Sabah Shell Petroleum Company Limited |
| T-9 – Best Performing Rig Malaysia 2017 | Petronas Carigali Sdn Bhd |
| 2017 Rig Contractor, Best Drilling HSE Performance | Petroleum Nasional Berhad |

SAPURA FABRICATION SDN BHD

| | |
|------------------------------|--|
| 2017 Chairman’s Safety Award | ExxonMobil Exploration and Production Malaysia Inc |
|------------------------------|--|

SAPURAKENCANA MEXICANA, S.A.P.I. DE C.V.

| | |
|---|---|
| Line 76 project – Zero Lost Time Injury (“LTI”) | PEMEX Exploración y Producción S.A. de C.V. |
|---|---|

SAPURA OFFSHORE SDN BHD

| | |
|------------------------------|--|
| 2017 Chairman’s Safety Award | ExxonMobil Exploration and Production Malaysia Inc |
|------------------------------|--|

2018 STRATEGY AT A GLANCE

PENETRATING NEW MARKETS GLOBALLY

Leveraging on our established track record and proven technical capabilities, we are in a prime position to seek opportunities in new geographical locations.

Our strategy is to reinforce existing markets and client coverage in Southeast Asia, India, Australia, Brazil and Mexico, and pursue opportunities under new qualifications with National Oil Companies ("NOC"), Oil Majors and Independent Oil Companies ("IOC") in the Middle East, Africa, Caspian and Mediterranean.

We will focus on strengthening our relationships with NOCs, oil majors and IOCs. In entering new markets, we will actively participate in understanding the lay of the land, and in localisation and nationalisation efforts.

HIGH IMPACT GROWTH OPPORTUNITIES

Our geographically diverse portfolio is expected to yield attractive returns. We maintain a strong focus on our long-term vision by drawing on a strategy that is serving us well.

In seeking growth opportunities, both organic and inorganic, we will make sound business decisions that bode well with the strengths and capabilities of the Group. We will achieve this by applying industry leading know-hows and key technologies that improve our operational performance, execution and delivery.

Our focus on realising the full potential of our highly prospective gas fields and long-term gas monetisation plans will continue to provide visibility on the income stream going forward. Our entry into new exploration blocks in New Zealand and Mexico will supplement the funnel for future production assets led by our highly capable subsurface team.



04 MANAGEMENT DISCUSSION AND ANALYSIS

SAFETY FIRST, ZERO INCIDENTS

Safety is of paramount importance in all our operations. Our goal is zero incidents and injuries, and we take our responsibilities seriously to keep our people and the environment safe.

The nature of our business calls for a consistent focus to strengthen our safety culture and mindset beyond mere compliance. A key driver is ensuring that those who work for us are clear about the goals we want to achieve and their role in contributing to this achievement.

Our commitment to safety is reflected in various initiatives to drive a high safety culture. This includes having safety awareness training for all and ensuring root cause identification are addressed immediately and learnings are shared at all levels.

We will deepen the enforcement of our mandatory 16 Life Saving Rules with all employees, client and contractors who work for and with us. Our continuous improvements initiatives on systems and processes will continue.

This is a continuous journey for the Group and we will continue to identify ways to ensure the safety of our people and assets. We invite our shareholders to read more about our initiatives in the Sustainability Report 2018.



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 | Mitigation steps |
|---|--|
| Oil price fluctuation | <ul style="list-style-type: none"> Continuous drive for operational efficiencies and costs optimisation to stay competitive Continuous monitoring of industry dynamics to develop strategic responses to changes |
| Orderbook replenishment | <ul style="list-style-type: none"> Increased Business Acquisition/Marketing team, both in number and experience in targeted markets and competencies Developed entry points and pre-qualified in targeted new markets to capture new opportunities going forward Propose alternative solutions to Clients and support existing customers |
| Financial-related matters: Cash flow, Covenants, Foreign Exchange, Interest rate | <ul style="list-style-type: none"> Continuous monitoring of cash flow and loan covenants Regular interaction with lenders Matching the payment for foreign currency payables against receivables denominated in the same currency Management has incorporated anticipated interest rates hikes in preparing the budget targets and these are reviewed periodically Management uses hedging to mitigate the foreign currency risk on its borrowings |
| Operational risks | <ul style="list-style-type: none"> Continuously monitor safety performance and active involvement in incident root cause analysis Reorganise IT infrastructure to reduce IT-related risks Consolidated Supply Chain Management teams to best benefit from experience and process sharing globally Reviewed employees' compensation and benefits to remain competitive within our respective markets Implemented risk portal to help capture, monitor and mitigate risks across the Group Structured operations readiness for newly awarded contracts |
| Safety | <ul style="list-style-type: none"> Senior management continuously monitors safety performance 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 inculcating our safety culture |

04 MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENT TO SUSTAINABILITY

Our long-term sustainability initiatives are reflected in our vision that reinforces a culture of ethics and integrity. This guides our stakeholder engagement and our strong commitment in ensuring the highest level of safety in our daily business operations.

In addition to being operationally efficient and cost effective, we recognise that to be sustainable in the long-term, we must meet the needs and expectations of our stakeholders, customers, employees, business partners and local communities.

We take our responsibility seriously to minimise any impact on the environment in all aspects of our operations as part of our sustainable business strategy. Building a strong safety culture is a constant commitment in line with the Group's values and goals. The health and safety of our workforce remains a key priority. Our pro-active approach in inculcating a strong safety culture across the organisation is to have regular awareness sessions and training. This is an on-going journey for the Group.

We invite our shareholders to read more about our sustainability initiatives in our Sustainability Report 2018.



COMMITMENT TO PEOPLE



Our people are our key assets. We continue to focus on attracting and retaining the best talent through various recruitment efforts locally and abroad to ensure that we have a steady pipeline of talent across our business.

We value diversity as reflected by our multi-national workforce across the globe who form the backbone of our high-performance culture.

Driving a high employee engagement is critical to sustaining this culture. We are committed to nurturing talent and enabling our people to realise their full potential and develop meaningful careers with us. Training and on-the-job experience are key to developing our talent and enhancing their capabilities. We constantly seek the right talent who identify with our corporate values to produce efficient teamwork and achieve greater organisational success.



05

SUSTAINABILITY
REPORT

INTRODUCTION

ABOUT US

Sapura Energy Berhad (“Sapura Energy” or “the Group”) is a global integrated oil and gas services, and solutions provider operating across the upstream value chain.

The Group’s spectrum of capabilities cover 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 delivers 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

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, **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.

ABOUT THE REPORT

We are proud of what we have achieved on sustainability as we continuously seek to improve our sustainability reporting. We endeavour to engage constructively with policymakers, communities, investors and other stakeholders on this important business determinant in relation to our services and operations that are divided into three main segments – Engineering and Construction (“E&C”), Drilling, and Exploration and Production (“E&P”).

This report takes into account all initiatives undertaken by Sapura Energy and its subsidiaries to adhere to the Group’s Sustainability Framework for financial year 2018 (“FY2018”) in line with Bursa Malaysia’s Listing Requirements. It covers three key focus areas defined in the Group’s Sustainability Framework namely, **Sustainable Operations, Nurturing Talent and Developing Communities, and Health, Safety and Environment.**

The scope and criteria used when preparing this report are summarised as below:

| | |
|---|--|
| Scope of Report | 1 February 2017 to 31 January 2018 (unless stated otherwise) |
| Reporting Cycle | Annually |
| Coverage | Sapura Energy and its subsidiaries. It should be read alongside the Management Discussion and Analysis in this Annual Report that captures both our financial and operational performance of the Group. |
| Guidelines | Bursa Malaysia’s Sustainability Reporting Framework |
| Materiality and Relevance of Information Disclosed | Sapura Energy engaged an external consultant in 2017 to conduct a detailed materiality study with representatives from its internal stakeholders and the Board of Directors. This study helped identify the most important aspects of sustainability for stakeholders and the Group. |
| Feedback | This Sustainability Report is available to all stakeholders in hard copy on request and can also be downloaded from our corporate website at www.sapuraenergy.com . |

For further information or comments, please contact:

Sapura Energy Berhad
Corporate Communications Department
No. 7 Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor, Malaysia.

Phone : +603 – 8659 8800

Email : corpcomms@sapuraenergy.com

05

SUSTAINABILITY
REPORTPRESIDENT AND GROUP CHIEF EXECUTIVE
OFFICER'S MESSAGE

“

*It is about operating in a manner that safeguards our long-term viability and in doing so, to be always guided by our core values of **trust, honesty** and **respect** for people.*

”

Welcome to our second Sustainability Report which describes an overview of what sustainability means to us and how it is essential to the way we conduct our business.

Integrating sustainable practices in all that we do is an on-going process that we continuously inculcate in our people. We are resolute in nurturing our actions into sustainable practices and we do this by regularly engaging and inspiring our workforce through various channels including townhalls, floor walks, social and community initiatives.

We encourage two-way communication by initiating floor walks to stay connected with our people. Through these open dialogues, we are able to understand the needs of our people, provide an opportunity for them to ask questions directly and to address any immediate concerns. For us, sustainable growth also means cultivating a sustainable workforce

and this is essential as we forge ahead in becoming a world-class company.

We continuously drive operational excellence and ensure the health and safety of our workforce are always at the forefront of everything we do. Our goal is for everyone to return home safely after work. As such, we take a pro-active approach in instilling a strong safety culture across the organisation through better awareness and training sessions as well as deepening our learning from one another. Our continuous improvement initiatives focus on endeavours to promote safety beyond mere compliance at every level. This is an on-going journey for the Group.

In our steadfast promise to deliver solutions

and capabilities in an ethical and responsible manner, we launched a Whistleblowing Helpline to enable our employees, clients, partners, suppliers and vendors to raise concerns and report unethical actions that are not compliant with our values and principles.

We are a firm believer in championing diversity at the workplace. We have a structured recruitment strategy that attracts a diverse pool of talent and today, we have a multinational workforce made up of 35 nationalities.

We recognise that a diverse workforce is crucial in encouraging different thoughts, ideas and perspectives to spur innovative thinking and foster greater resilience. These elements contribute to our success as a winning organisation.

In making Sapura Energy a great place to work, we organise employee social events such as sports activities and promote diversity through festive celebrations. We also provide opportunities for employees to give back to society through outreach programmes benefitting children, the underprivileged and needy.

In our commitment as good neighbours, we support communities where we operate through countless volunteer hours spent by our employees and financial aid. We are pleased to see the high spirit of volunteerism in the company in support of our corporate

social responsibility endeavours. Not only has the number of volunteers increased, we are inspired by the few who have pursued their own passion in volunteer work. Their stories are included in this report. As a good corporate citizen, we have also built the need for strong relationships with our clients and stakeholders as well as provide support to local economies and communities.

The momentum we have generated across our sustainability pursuits will continue. Sustainability remains integral to our business. It is about operating in a manner that safeguards our long-term viability and in doing

so, to be always guided by our core values of trust, honesty and respect for people. Our approach is reflected in our business model that seeks to create and deliver greater value for our stakeholders.

This report covers our social, safety and environmental performance and significant internal and external events during the year. We welcome feedback from our external stakeholders as part of our on-going efforts to enhance our sustainability journey.

Thank you.

SUSTAINABILITY GOVERNANCE

Our governance structure in providing direction, managing and reporting on sustainability matters is shown below:



05

SUSTAINABILITY
REPORT

KNOWING OUR STAKEHOLDERS

We have a strong relationship with our stakeholders who are paramount in facilitating our business growth and in helping us manage our economic, environmental and social impact. We engage with our key stakeholders regularly and foster relationships through our operations and social initiatives as well as through dedicated process owners. We identify our key stakeholder groups through a structured process. Our key stakeholder groups and engagement platforms are shown below:



OUR KEY MATERIAL SUSTAINABILITY MATTERS

We conducted a materiality assessment to identify our key material sustainability matters. Concerns and feedback gathered during the high-level stakeholder engagement exercise with the Management team were prioritised and this resulted in our list of high priority material matters. Our performance and efforts in managing these matters are discussed in this report.

The six key material sustainability matters are as follows:



Our management of these impact areas are presented across three key focus areas of our Sustainability Framework and described in the report.

SUSTAINABLE OPERATIONS

This segment details our comprehensive approach to incorporating sustainability goals into our business philosophy and operations as we recognise the importance and responsibility that come with managing people and assets around the world. The Group constantly looks at ways to improve our workplace, community and environmental outcomes from our operations while ensuring efficiency, reliability and stakeholder value. Our focus areas within sustainable operations include ethical business practices, human rights, diversity and inclusion, and economic value creation.

To nurture an ethical work culture, we carry out phased awareness sessions for all employees through e-learning and classroom training on enhancing good work and business ethics to reflect our strong business integrity.

Our Guidelines on Code of Ethical Conduct ("the Code") provides requirements and guidance for our people to act in line with our values. A Whistleblowing Helpline was launched in 2018, which is accessible to employees, vendors and providers as well as the general public at www.sapuraenergy.ethicspoint.com.

ETHICAL BUSINESS PRACTICES

The Group's vision is to make its mark as a global oil and gas company that is entrepreneurially-led, technically-competent, trusted and admired by our customers, shareholders and most importantly, our people, for the way we conduct our operations with honesty, trust and respect for all.

05

SUSTAINABILITY
REPORT

HUMAN RIGHTS

As human rights are fundamental to society, we are committed to respecting these rights and our approach applies to all employees and contractors. We have embedded human rights into the way we operate, particularly in our policies, systems and processes.

As part of our practices, we do not condone any acts of violation of human rights, including acts of discrimination, unfair treatment, forced labour, gender inequality and unsafe workplace practices.



35 Nationalities
in our workforce

DIVERSITY AND INCLUSION

With over 35 nationalities in our Group, we are very diverse in our culture and outlook as we continuously develop and improve our talent pool, whether they are new entrants or those with many years of service.

Our workforce is made up of talent across various age groups and experiences. This encourages knowledge-sharing and collaboration to help raise their performance expectations.

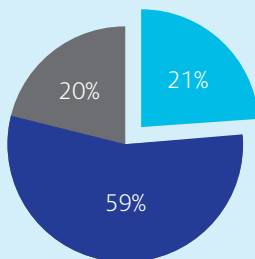
30%
female
full-time
employees



70%
male
full-time
employees

AGE GROUP
OF FULL-TIME
EMPLOYEES

- 20 - 30 years
- 31 - 45 years
- Over 45 years



18% of management
positions are held
by women

29% of women in the skilled
workforce (combinations of
technical and professional
expertise i.e. Engineers,
Accounts Managers,
HR Executives etc.)



ECONOMIC VALUE CREATION

As a global integrated oil and gas services and solutions provider with operations and activities in more than 20 countries, we contribute to the socio-economic sustainability of our host countries by enhancing the lives of our stakeholders and supporting local business communities. We do this through providing employment opportunities for local talent, paying taxes, and engaging local vendors and suppliers.

We continually invest in human capital development in areas where we operate, to ensure our local talent have the opportunity to develop their skills and remain competitive in the future.

As part of our career development programme, employees are given opportunities to work outside their base countries under short-term assignments or placements. In this way, they can expand their skills, gain multi-cultural experience and return to further contribute to the success of the company and nation while valuing different perspectives and appreciating diversity.

We take pride in the growing recognition of our operational excellence and technical competence in helping to meet the world's growing energy needs. Our state-of-the-art technology and innovative solutions are used to find and extract oil and gas reserves and deliver sustainable utilisation of natural resources.



05

SUSTAINABILITY
REPORTNURTURING TALENT AND DEVELOPING
COMMUNITIES

As an entity thriving on business excellence in the ever-demanding oil and gas industry, we continue to invest in people to strengthen our group-wide capability through a number of skills development programmes. Attracting and retaining the best talent are key to our commitment. Our investment in people initiative is premised on our belief that such talent will further create opportunities for significant growth and prosperity to benefit the local communities where we do business in terms of projects, job creation and supply of local goods and services.

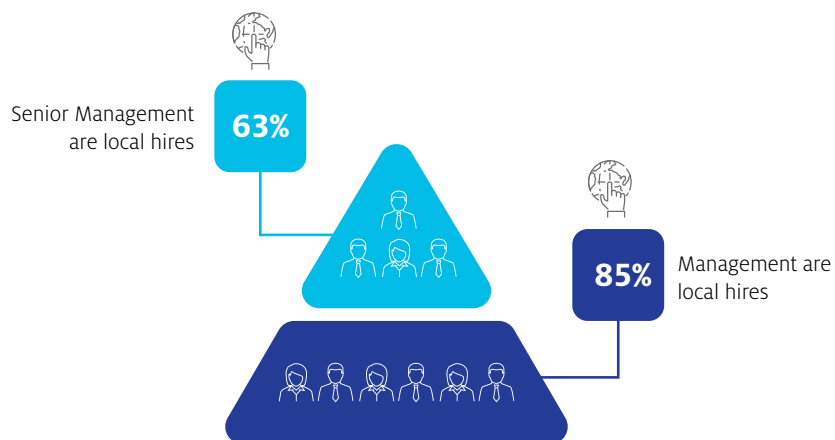
OPTIMISING CAPABILITIES

By providing our people with opportunities for growth and improving their skill sets, we believe that this can optimise their core capabilities and help the Group to sharpen and strengthen its competitive edge. Pushing the boundaries of professional growth is just as important to the Group as it is to our diverse talent. To retain our diverse talent pool, we support personal and professional growth and aspirations.

This is to help foster an inclusive work environment that encourages greater innovation and development, the necessary and key attributes needed for a performance-based organisation like ours. As our skilled workforce forms the backbone of the Group, we continuously review their career development opportunities besides providing competitive remuneration, welfare and benefits, promoting workplace diversity and inclusion, and respect for human rights. We believe in investing in people so that their goals are aligned with the Group's business performance objectives.

HOME-GROWN TALENT

As we operate in various countries, including the Americas, Middle East, Europe and Asia, we take cognisance of our important role as a responsible employer of home-grown talent. We therefore actively seek to hire local talent and provide training opportunities at each location as part of career development across our entire operational network. In FY2018, 63% of our senior management and 85% of our management are local hires.



WOMEN IN LEADERSHIP: A FULFILLING CAREER



“

That is the beauty of working in Sapura. The company evolves. Core business changes as the market changes, and my career was shaped as such because I had the interest to be part of the new business ventures although there were some uncertainties ahead of me.

”

ROSE MAT

Vice President, Operations and Maintenance Services

Rose Mat, Vice President of Operations and Maintenance Services at Sapura Technology Solutions, is an example of the on-going development and coaching at the Group level that has taken employees to greater heights. Having joined the Telco and IT-related divisions of the Group as a project engineer in 1990, she made a conscious effort to be in the Group's energy business segment in 2005.

“That is the beauty of working in Sapura. The company evolves. Core business changes as the market changes, and my career was shaped as such because I had the interest to be part of the new business ventures although there were some uncertainties ahead of me,” she said, adding that she benefitted from the external experts and specialists brought in from time to time besides being indebted to her superiors who had *“trusted me and guided me along the way”*.

Saying that the challenge was to be able to quickly adapt to the new environment and learning while at it, she added, *“It is a big responsibility to ensure that the job is well done as Sapura is a prestigious global brand. I am proud to be part of the brand and that is the main factor influencing my actions at work. In the end, it is the effort and result that matter.”*

Her advice for young people, especially women, intending to join the oil and gas industry, *“Go for it. Do what you love doing. If you love what you are doing, you will be able to harmonise your career and personal life wonderfully.”*

05 SUSTAINABILITY REPORT

PEOPLE DEVELOPMENT

In providing for our employees' career progression, we have designed programmes and training modules that continue to develop skill sets at different stages of their career. With our operations in various parts of the world, we also provide employees with the opportunities to gain global work experience through short-term placements or assignments.

Our workplace promotes an active feedback culture. Employees are encouraged to share feedback regularly through formal appraisal

channels and while on the job. Annually, all employees, including management level, technical and support staff, receive formal appraisals from their superiors.

Our career development programmes are on-going and provide structured schemes specific to enhancing employee skill sets. Beyond doing business, we also recognise the importance of educational tools as well as skills development for youths in contributing to nation building efforts.



- **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. To-date, 13 trainees from our operations in Malaysia, India and Mexico have graduated while three are still undergoing the programme.



• Drilling Development Programme

The Assistant Driller Programme is aimed at building capacity among local talent in offshore drilling expertise. Participants include young talents from Malaysia, Thailand and Brunei. In the programme, capable trainees were fast-tracked to become full-time Assistant Drillers within 24 months, a position that could take up to five years under normal circumstances. To-date, five trainees have completed the programme.

• Institute of Chartered Accountants in England and Wales (“ICAEW”)

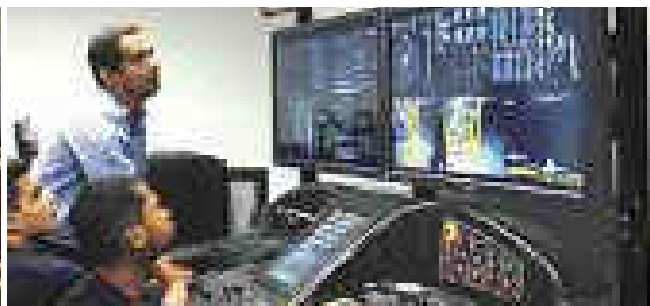
In 2012, Sapura Energy was accepted by the Institute of Chartered Accountants in England and Wales (“ICAEW”) to be the Authorised Training Employer for the ICAEW Chartered Accountants. This four-year programme has been designed to provide talented young graduates the opportunity to study part-time for the Chartered Accountant qualification while working with Sapura Energy’s Group Finance and Strategy as well as Financial Advisory and Portfolio Planning.

The ICAEW Chartered Accountant qualification is one of the most advanced learning and professional development programmes that is valued around the world, in business practice and the public sector. This programme was initiated by one of the company’s Senior Vice Presidents in 2012. Currently, six trainees are undergoing this programme.



• Ingenious Young Talent

We took part in and supported the Programme for the Development of Ingenious Young Talent (“PRODIGY”), organised by PETRONAS and the Institut Teknologi Petroleum PETRONAS. The programme aims to develop talented young engineers with a focus on skills including drilling, petroleum engineering, process and operations as well as project management. To-date, we have sponsored and hired five graduates from the PRODIGY programme.



• Technical and Soft Skills Training

The Group continued to intensify training for employees on important skill sets in health and safety, quality, project management and planning by using both internal and external resources. As part of our commitment to invest in employee development, soft skills training in leadership, effective communication, prioritising work, problem-solving, creative thinking, resourcefulness, flexibility and teamwork are provided all-year round. In FY2018, average training rose two folds compared to the previous year, in line with our commitment to upscale our employees.

05 SUSTAINABILITY REPORT



GROWING TOGETHER

In our aim to build better communities – Sapura communities and communities within our area of corporate presence – the Group is committed to conducting its operations in full compliance with all applicable laws and regulations while reaffirming our position as a responsible corporate citizen. Our corporate social responsibility (“CSR”) initiatives are designed to embrace four focus areas, namely, education, environment, community development and employee engagement. We take our responsibilities towards local communities seriously to ensure that our business impact remains positive.



EDUCATION

Provide underprivileged children and youths with tools and opportunities for educational and skills development



ENVIRONMENT

Financial contribution and volunteering work in conservation and disaster relief



COMMUNITY

Support community development in the form of financial aid and volunteer work



EMPLOYEE ENGAGEMENT

Encourage employee engagement to promote a healthy working environment

EDUCATION

Our volunteers helped to promote safe fishing near the Group's offshore operations in Kampung Pantai Geting, Tumpat, Kelantan through the 'Karnival Sahabat Maritim Mega', a programme aimed at promoting the benefits of safe fishing activities. It was organised under the industry-wide collaboration between the Malaysian Maritime Enforcement Agency and players in the oil and gas industry that included PETRONAS, REPSOL Oil & Gas Malaysia Limited, Hess Exploration and Production Malaysia B.V., and Petrofac Malaysia.



ENVIRONMENT

The Group organised 'Save the Turtles' programme to promote greater awareness on the conservation of sea turtles and marine environment with the Department of Fisheries in Segari, Lumut, Perak. It was aimed at stabilising and increasing the sea turtle population, which included releasing over 50 baby turtles into the sea. Our volunteers took part in *gotong-royong* activities at the Turtle Conservation and Information Centre such as cleaning up the pool, beach and surrounding areas.

05 SUSTAINABILITY REPORT

COMMUNITY

Under the 'Make-A-Wish Malaysia' programme, our employees helped to grant the wishes of children with critical illness by enriching their lives with hope, strength and joy. We had another outreach programme involving visits to children in the pediatric wards at various hospitals in the Klang Valley in collaboration with Yayasan Siti Sapura Husin.

Our employees also volunteered to spruce up the surroundings of an orphanage under Pertubuhan Kebajikan Anak-Anak Yatim Al-Nasuha in Selangor, in collaboration with Yayasan Siti Sapura Husin. They cleaned and painted the walls of the home besides carrying out general maintenance and repair works.

The Group hosted more than 80 children from two orphanages, Rumah Amal Al-Firdaus and Persatuan Kebajikan Sweet Care, during our annual Hari Raya Aidilfitri Open House.

In addition to volunteering activities, we actively participated in charity-based sporting events like the 'CIMB Cycle @ Seri Menanti', a fundraising cycling platform for cycling enthusiasts and casual riders. Some of the proceeds were channelled to the Munarah Foundation, an organisation that provides assistance to the needy.

We also joined in the 'Orchid Run and Ride 2017', a fundraising running and cycling event organised by Persatuan Isteri-isteri dan Kakitangan Wanita PETRONAS ("PETRONITA") for the third year running. Proceeds benefitted the Pediatric Congenital Heart Centre of Institut Jantung Negara, the Institute of Ear, Hearing and Speech, and the Spastic Children's Association of Selangor and Federal Territory.

We supported the 'Bursa Bull Charge 2017', a fundraising running event organised by Bursa Malaysia and the Malaysians United Run 2017, another fundraising event for the education and care of 50 underprivileged children from poor families and the disabled.



RECIPROCATING GOODWILL



“

In many ways, I feel grateful and privileged to have volunteers from the respective companies guiding and motivating me back then.

”

PATRICK GOU ABDULLAH

Patrick Gou Abdullah's decision to join the industry was motivated by CSR activities undertaken by the oil and gas companies when he was a student. After having joined Sapura Energy as a geologist, he is now reciprocating the goodwill by participating in education and career-related CSR initiatives. By giving career talks at local secondary schools, Patrick addresses misconceptions and myths in the hope of inspiring more talents to consider a career path in the oil and gas industry.

“In many ways, I feel grateful and privileged to have volunteers from various companies to guide and motivate me back then. Being involved in these activities as an employee of Sapura Energy is a way for me to return something back to society, which has directly or indirectly provided me all the support to get to where I am today,” he says.

He added, *“Young people always need a role model that they recognise and can relate to. I strongly hope some of the students who have been inspired by my work will continue this effort and motivate the next generation.”*

Patrick hopes to also inspire another CSR effort within the Group, which involves undertaking conservation efforts in the Maliau Basin in Sabah and Mulu Caves in Sarawak to showcase the Group as a responsible and environmentally-compliant operator as it intensifies its presence in East Malaysia.



05 SUSTAINABILITY REPORT

EMPLOYEE ENGAGEMENT

As we champion an inclusive work environment, we connect and communicate with our employees regularly through various far-reaching initiatives. They include management by walkabout, annual employee engagement surveys, town halls, dedicated work stream face-to-face engagements and hosting grievance channels. These initiatives reflect the Group's support for a work culture that empowers individuals, encourages collaboration for greater excellence, drives accountability, and rewards high performance.

To inspire greater workplace camaraderie, several internal social events or engagements were organised besides mobilising employees for external events. They include weekly sports

activities such as football and Zumba as well as annual bowling and futsal competitions. Employees were also rallied for blood donation drives with the National Blood Bank, bringing cheer to sick children in hospitals and helping out in orphanages. To promote greater cultural diversity, employees were invited to the Hari Raya Aidilfitri open house and Chinese New Year gathering.

Employees also represented the Group in the Malaysian Oil and Gas Services Council's annual bowling and futsal competitions and rode alongside Team Sapura Cycling in the 'Ride with Stars 2017', a cycling event held in conjunction with Jelajah Malaysia, the country's premier professional road race. They also

participated in 'Mad Warrior: Madness 2017', an eight-kilometre teamwork course challenge offering physical and mental exercises through 40 different obstacles.

The number of employees volunteering for CSR initiatives increased by a significant 85% in FY2018 compared to the previous year while the amount of sponsorships and donations expanded by 55%.

These initiatives reflect our advocacy for the environment, education, community development and employee engagement. They are aligned with our business objectives and expectations of our stakeholders in terms of our business impact on society.



ENHANCING WORKFORCE DIVERSITY



“

I am glad to have been entrusted with this initiative as I believe that a multitalented and multinational workforce will enable the Group to further grow as a global company.

MOHD SHARIL SHAARI

”

For Mohd Sharil Shaari, a mechanical engineer by training, being in HR has been an exciting and challenging journey for him. Sharil is involved in initiatives to enhance the workforce diversity and drive high employee engagement. Through local and international recruitment fairs and internship programmes, he helps recruit young talent for the Group.

“I am glad to have been entrusted with this initiative as I believe that a multitalented and multinational workforce will enable the Group to further grow as a global company. In 2017, over 70 local and international students from colleges and universities in Malaysia, Australia, Canada, France, India, New Zealand, United Kingdom and the United States of America were successfully placed in various departments and business functions within the Group. Some of these interns have since been recruited into full-time roles,” said Sharil.

Sharil's aim is to contribute to the Group's ambition to be an employer of choice. He also organises engagement sessions to help employees connect with the company and have a better understanding of the Group's values and policies.



05 SUSTAINABILITY REPORT

HEALTH, SAFETY AND ENVIRONMENT

Guided by our Health, Safety and Environment's ("HSE") maxim of safety is everybody's responsibility, we continually look for ways to ensure what we do is safe and that safety is always a top priority for the Group. Safety is integral to our work culture and central to our operations around the world. In this respect, every member of the Group is expected to support one another in upholding safe practices and reducing workplace risks, with the help of our HSE Management systems.



WORKFORCE HEALTH AND SAFETY POLICY

Our Group HSE Policy embodies our commitment to prevent injuries, occupational illnesses, property damage and to protect the environment. Our Stop Work Policy empowers employees and contractors to stop work if they have concerns of an imminent threat to safety.

HEALTH AND SAFETY MANAGEMENT

The management of health and safety throughout our workplaces begins with a commitment and belief at the highest Management level to provide an incident-free and safe work place. In addition to adherence to our policies and procedures, the criticality of lessons learned and our accountable responses to incidents are of equal priority.

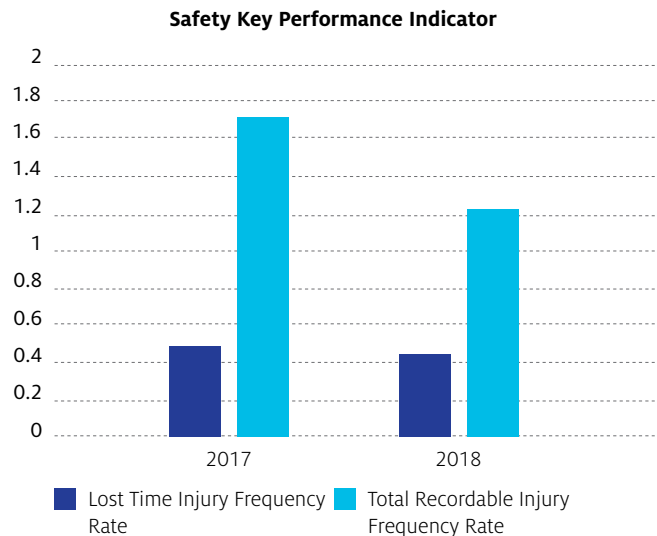
We regret to report that a fatality occurred in FY2018 in the course of our operations. In response, the Management conducted an in-depth investigation and examined steps to ensure that measures are in place to avoid future occurrences.

The findings have reinforced our commitment to operate in a safe and responsible manner by intensifying training, key safety procedures and awareness programmes at our yards and sites on a weekly, monthly and quarterly basis. These included HSE induction, welding, cutting/grinding and chemical handling; awareness on blasting and painting; power rotators, loadout safety, safe lifting, working at height and in confined spaces, safe gas cutting, rigging and slinging, man overboard; emergency response, and hazard identification.



Our heightened visible leadership commitment and pro-active measures are to ensure a safe working environment for our employees as part of our adherence to operational excellence in all spheres of our operations.

Compared to the previous year, we improved on the Lost Time Injury Frequency Rate ("LTIFR") and the Total Recordable Injury Frequency Rate ("TRIFR") as reflected in the safety key performance indicator below:



This was due to lessons learnt and the comprehensive improvement of culture and processes, in addition to significant investment of time and resources for front-line personnel training in critical operational discipline behaviours and hazard recognition skills.

Our quest towards improving safety in the workplace continues. We will continue to promote visible leadership commitment and pro-active measures to ensure a safe working environment for our employees.

05

SUSTAINABILITY
REPORT

ACCIDENT PREVENTION AND CAMPAIGNS

Annual campaigns to promote awareness on safe practices are carried throughout all operations. Some campaigns were designed to complement specific scopes of work and risks.

Everyone who works for us must follow our 16 Life Saving Rules as emphasised in the chart below:



Work with valid
Permit to Work ("PTW")
when required



Do not walk under a suspended
load/lifting equipment. (Respect
barricades at all times. Avoid walking
under suspended loads)



Protect yourself against a fall when
working at heights. (Always practice
good fall prevention measures)



Obtain authorisation before
entering a confined space



Verify isolation
before starting work



Wear your seat belt



While driving, do not use your phone
and do not exceed speed limits



Follow a prescribed Journey
Management Plan



Use the correct Personal
Protective Equipment
when required



No alcohol or drugs
while working or driving



Conduct gas tests
when required



Prevent dropped objects



Do not smoke outside designated
areas or bring potential ignition
sources into process area without
authorisation



Obtain authorisation
before overriding or
disabling safety
critical equipment



Wear a personal flotation
device when required



Obtain authorisation
before starting
excavation activities

CONTRACTOR SAFETY

We perform workplace safety and health audits on our contractors. Some of the areas examined during our audits include:

- Presence of dedicated safety supervisors on-site
- Compliant storage of chemicals including hazardous (scheduled) waste
- Proper recording and frequency of relevant safety and health training, and emergency drills
- Adherence to internal reporting and investigation procedures for incidents

This oversight and accountability requirements help prevent safety incidents and contribute to building a partnership, where a sound safety culture and correct mindset are jointly valued.

SAFETY TRAINING

Training is an important platform to communicate company standards for safe work practices and safety programmes. We provide various relevant training sessions which include Welding Safety, Emergency Response, Hazard Identification, Risk Assessment and Damage Control, Chemical Handling Awareness, Offshore Self-Regulation, Mercury Awareness, Offshore Sea Survival, Helicopter Underwater and many more, for both our office-based employees as well as on-site employees who face higher safety risks at the workplace.

Key training modules provided include incident investigation, job planning and hazard identification, first aid, rigging and slinging, emergency response and management, environmental awareness and chemical handling. In 2018, we provided a total of 69,432 hours of training in the above-mentioned areas.

EMERGENCY PREPAREDNESS

A critical element of HSE management is the availability of competent skilled resources and their readiness to respond to emergency situations in accordance with structured location emergency contingency plans. Drills and emergency response training exercises were conducted routinely and against fixed schedules throughout the Group as relevant to specific operations.

We set and measure targets against the performance of sites in respect to drill conduct compliance, in addition to management reviews of drills conducted and verification of the quality of drill exercise outcomes. It is a requirement for specific project owners to provide immediate feedback at drill critique sessions for improvements to be undertaken as accountable actions. Some of the standard drills held during the year include oil spill response drills, fire drills, well control drills, vessel evacuation drills, confined space rescue drills and diver rescue exercises.

BUSINESS CONTINUITY PLANS – OPERATIONS AND INFORMATION TECHNOLOGY

Our awareness and commitment to pro-actively manage impact to disruptive events are of paramount importance to ensure business continuity. The earliest possible restoration and maintaining business critical functions after a disruption are key to business continuity. The business continuity programme is structured to expedite business recovery and return the affected business to pre-event levels.

Risk assessments for crucial business functions and mitigation plans have been conducted and put in place. Key business critical personnel and their roles and responsibilities have also been identified. Vital data and information critical to our operations have been properly backed-up and stored.

In the event of a business disruption, communication will be done by authorised personnel to employees and relevant parties in accordance with the severity level.

05 SUSTAINABILITY REPORT

ENVIRONMENTAL MANAGEMENT

Our management systems and policies guide us to minimise our environmental impact in our projects and operations. Each workstream focuses on key environmental areas for continuous improvement. These systems take into account our performance in complying with responsible environmental impact to ensure continued business resilience.

Policy guidelines on safeguarding the environment form the foundation of how we conduct our business to protect the environment, people and assets. This is where we take responsibility for the safety and security of ourselves and others by measuring our performance against environmental and corporate regulatory requirements.

MANAGEMENT SYSTEMS

Our Group HSE Policy expresses the Group's commitment to employee's health and safety, and to minimise impact on the environment. Our operating business units are ISO 14001:2004 compliant, which is an internationally-recognised accreditation that validates a company's environmental management system, its continual improvement commitment and management of environmental-related aspects of the operations.



SPILLS RESPONSE



Emergency
Response



Investigate



Communicate



Implement Corrective
Measures

SPILL MANAGEMENT

We define spills as an uncontrolled discharge of any solid or liquid into the environment. They refer to various forms of discharge, including discharges that are not harmful to the environment. We closely monitor our processes and equipment integrity to prevent spills from our operations and strive to achieve our target of zero spills. We have put in place Emergency Response Plans and Shipboard Marine Pollution Prevention Plans to respond to spills. Any spill incident is treated with the same level of seriousness and subject to rigorous investigation and corrective actions.

We are members of both the national and regional oil spill responder organisations, namely, the Petroleum Industry Malaysia Mutual Aid Group and Oil Spill Response Limited that provide oil spill preparedness, response and intervention services. We are regularly trained by these organisations to ensure our efficient response to oil spill incidents. We have also regularly participated in National Oil Spill exercises with the Department of Environment ("DOE") on integrated oil spill responses at the national level.

HAZARDOUS WASTE MANAGEMENT

As a by-product of our operations, hazardous waste generated needs to be handled and disposed of safely and appropriately. Licensed contractors collect, recycle and dispose of our hazardous waste in accordance with regulatory requirements. Employees tasked with handling this waste are trained and certified to ensure appropriate controls are in place and effective. We continue to improve our internal processes to monitor and reduce the amount of hazardous waste disposed by implementing

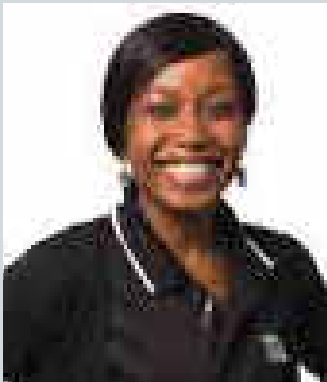
a waste minimisation programme. Hazardous wastes are segregated at source and highly recoverable wastes of value such as hydrocarbon wastes and reusable containers are sent to recovery facilities licensed by DOE for recycling.



05

SUSTAINABILITY
REPORT

POSITIVELY IMPACTING THE ENVIRONMENT



“

As of April 2018, the solar power system has reduced TMT's electricity costs by 60% and generated a combined total of 236.2MWh in 17 months of operation.

Francesca Nyakunu

”

Francesca said, “I am so pleased to be part of this green initiative in TMT's collective effort to positively impact on the environment. As of April 2018, the solar power system has reduced TMT's electricity costs by 60% and generated a combined total of 236.2MWh in 17 months of operation.”

“This meant that the 100kW system had generated an equivalent of energy needed to power 33 households for a year, based on the average annual energy consumption of an Australian household consumes per year, according to the Australian Bureau of Statistics,” she explained.

“Solar power will continue to play a significant role in reducing the carbon footprint from TMT's daily operations in addition to the energy saving conservation measures currently in place at our on-site facility,” added Francesca.

Francesca Nyakunu, a Health, Safety and Environmental Advisor at Total Marine Technology (“TMT”), a Sapura Energy subsidiary in Perth, Australia shared her involvement in one of TMT's environmental projects, which was commissioned in December 2016.

The project was aimed at reducing electricity consumption at its Bibra Lake, Western Australian facility where TMT installed a 100kW solar power system comprising 384 solar panels located on the roof of its main building and three inverter stations.



ENVIRONMENTAL TRAINING

Process owners responsible for monitoring and managing environmental elements of our projects are provided with training on relevant internal procedures, skill sets and knowledge, to equip them to uphold their responsibilities. We are committed to continuously improving our environmental management performance and impact in the areas we operate. One of our efforts is to increase the variety and frequency of environmental-related training provided to employees to raise awareness and ownership. Key training and study activities include Scheduled Waste Management, Environmental Awareness, Spill Drills, Noise Exposure Monitoring and Environmental-Aспект and Impact.

The actions that we undertook together with the other initiatives outlined in this report are indicative of our responsibility in ensuring the sustainability of our business and the well-being of our stakeholders. Our commitment is to maintain this emphasis and continuously improve in all aspects that we do.



06

CALENDAR OF EVENTS

22 February 2017

Chinese New Year Celebration

Sapura@Mines, Seri Kembangan, Selangor



23 March 2017

Extraordinary General Meeting

Sapura@Mines, Seri Kembangan, Selangor



27 March 2017

Logo Unveiling Ceremony

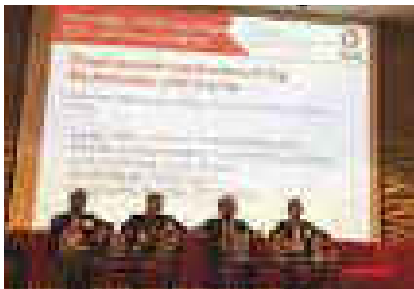
Sapura@Mines, Seri Kembangan, Selangor



22 - 23 March 2017

**IADC Drilling HSE&T Asia Pacific 2017
Conference & Exhibition**

Park Royal Hotel, Kuala Lumpur



26 March 2017

CIMB Cycle 2017@Seri Menanti

Seri Menanti, Negeri Sembilan



30 March 2017

SEB Blood Donation Drive

Sapura@Mines, Seri Kembangan, Selangor



7 - 9 May 2017

Asia Oil and Gas Conference (AOGC) 2017
Kuala Lumpur Convention Centre, Kuala Lumpur



20 - 21 May 2017

GRADUAN ASPIRE 2017
Kuala Lumpur Convention Centre, Kuala Lumpur



14 June 2017

Sapura Energy Iftar Session 2017
Sapura@Mines, Seri Kembangan, Selangor



19 - 20 May 2017

Karnival Sahabat Maritim Mega 2017
Kampung Pantai Geting, Tumpat, Kelantan



13 - 15 June 2017

Sapura Energy Charity Visits
Pusat Perubatan Universiti Kebangsaan Malaysia, Kuala Lumpur
Hospital Serdang, Kajang, Selangor
Hospital Kajang, Kajang, Selangor



10 July 2017

Sapura Energy Hari Raya Aidilfitri Open House (Internal)
Grand Hyatt Kuala Lumpur, Kuala Lumpur



06 CALENDAR OF EVENTS

11 July 2017

Sapura Energy Hari Raya Aidilfitri Open House (External)

Grand Hyatt Kuala Lumpur, Kuala Lumpur



25 July 2017

Annual General Meeting 2017

Sapura@Mines, Seri Kembangan, Selangor



18 - 19 August 2017

Malaysia Petroleum Golf Classic 2017

Tropicana Golf & Country Club, Petaling Jaya, Selangor



11 - 13 July 2017

Asian Oil, Gas & Petrochemical Engineering Exhibition 2017 (OGA 2017)

Kuala Lumpur Convention Centre, Kuala Lumpur



29 - 30 July 2017

Industry Insights 2017

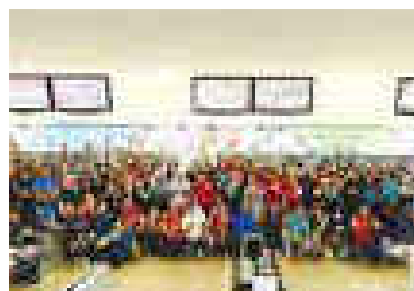
Sunway Resort Hotel and Spa, Petaling Jaya, Selangor



20 August 2017

Malaysian Oil and Gas Services Council Bowling Tournament 2017

WangsaBowl, Wangsa Walk, Kuala Lumpur



27 August 2017

Ride with Stars 2017

Marina Putrajaya, Putrajaya



24 September 2017

Orchid Run & Ride 2017

Plaza Persiaran KLCC, Kuala Lumpur



30 September 2017

SEB Volunteers for Make-A-Wish Malaysia

Kuala Lumpur



14 September 2017

Bursa Bull Charge 2017

Bursa Malaysia, Kuala Lumpur



30 September 2017

Gotong Royong Activities

Pertubuhan Kebajikan Anak-Anak Yatim
Al-Nasuha, Batu Caves, Selangor



7 October 2017

Sapura Energy Bowling Tournament 2017

U-Bowl, 1 Utama Shopping Centre, Petaling Jaya,
Selangor



06

CALENDAR OF
EVENTS**12 - 15 October 2017****CIMB Classic 2017**

Tournament Players Club, Kuala Lumpur

**4 November 2017****Sapura Energy Futsal Carnival 2017**

Sports Planet Ampang, Kompleks Sukan Ampang, Kuala Lumpur

**18 November 2017****Malaysians UNITED Run 2017**

Sepang International Circuit, Sepang, Selangor

**14 October 2017****Malaysian Oil and Gas Services Council
Futsal Tournament 2017**

Sports Planet Ampang, Kompleks Sukan Ampang, Kuala Lumpur

**18 November 2017****Save the Turtles Programme 2017**

Pusat Konservasi dan Penerangan Penyu Pasir Panjang, Segari, Lumut, Perak

**27 November 2017****SK310 B15 First Gas Appreciation Dinner**

Grand Hyatt Kuala Lumpur, Kuala Lumpur



07

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS OF SAPURA ENERGY BERHAD (“SAPURA ENERGY”) 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 2017 (“CODE” OR “MCCG 2017”) 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 set out the Corporate Governance Overview Statement (“CG Overview Statement”), which summarises the application by the Group on the Principles of the Code for the financial year ended 31 January 2018. The detailed application of the Code can be found in the Corporate Governance Report (“CG Report”) published on the Company’s website at www.sapuraenergy.com. This CG Overview Statement and the CG Report are prepared in compliance with the MMLR.

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 10 January 2018 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 Committees 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 Group 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 Board 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

07. CORPORATE GOVERNANCE OVERVIEW STATEMENT

by the Group's limits of authority, while any non-compliance issues are brought to the attention of the Management, the Board Audit Committee ("BAC") 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 Group'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 (5) Independent Non-Executive Directors and four (4) Non-Independent Directors. The Board has achieved the target of having a majority of Independent Directors in compliance with the Code and exceeding the minimum one-third (1/3) requirement as set out in the MMLR.

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

Diversity in the Board's composition is essential to facilitate good decision-making as this enables different insights and perspectives to be harnessed. This diversity criteria may include competencies, skills, knowledge, experience, ethnicity, gender, age and educational background. The Group'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.

Currently, there is one (1) female member on the Board, representing 11% of the total Board Members. The Board is continuously on the lookout to seek persons that would best fit the skill sets to fill up any vacancy required on the Board.

In terms of diversity in skills, experience and competencies, the Board comprises members with various professional backgrounds from the fields of engineering, information technology, accounting, management,

economics, business and public administration, all of whom bring in-depth and diverse experiences, expertise and perspectives to the Group's operations to ultimately enhance shareholders' value for the long-term.

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 Director, reflect the commitment of the Group 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 (5) 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 Group.

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 22 to 30 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 on-going 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 as the conduit between the two parties.

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

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 Bugo 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: +603-8659 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 Group, current issues and corporate strategies, as well as the structure and management of the Group.

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 Group through the Board Nomination Committee ("BNC") has on an on-going 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 Group 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.

07. CORPORATE GOVERNANCE OVERVIEW STATEMENT

The training programmes attended by each of the Directors of the Group for the FY2018 are as follows:

| Director | Date | Organiser | Title of Programme |
|---------------------------------------|----------------------|---|---|
| Dato' Hamzah Bakar | 8 May 2017 | PETRONAS | 19th Asia Oil & Gas Conference |
| | 11 July 2017 | Sapura Energy Berhad | Asian Oil, Gas & Petroleum Engineering Exhibition OGA 2017 |
| | 5 September 2017 | The Economist | Asia Regional Strategic Forecast |
| | 2-3 October 2017 | Khazanah | Khazanah Megatrends Forum 2017 |
| | 21-22 November 2017 | Malaysian Institute of Economic Research ("MIER") | MIER National Economic Outlook Conference (2018 - 19) |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCCG 2017 |
| Tan Sri Dato' Seri Shahril Shamsuddin | 29 March 2017 | Offshore Technology Conference ("OTC") Asia | OTC Asia 2018 |
| | 3 April 2017 | The National Chamber of Commerce and Industry of Malaysia | Malaysia-India Business Forum |
| | 8 May 2017 | PETRONAS | 19th Asia Oil & Gas Conference |
| | 11 July 2017 | Sapura Energy Berhad | Asian Oil, Gas & Petroleum Engineering Exhibition OGA 2017 |
| | 12-14 September 2017 | Pareto Securities | Pareto Investor Event |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCCG 2017 |
| | 15 January 2018 | Sapura Secured Technologies Sdn Bhd ("SST") | SST Business Foresight Forum |
| | 23 January 2018 | Bursa Malaysia | Invest Malaysia 2018 |
| Tan Sri Datuk Amar (Dr) Hamid Bugo | 7 March 2017 | Bursatra Sdn Bhd | "Are we heading for Another Global Recession or Do we care?" |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCCG 2017 |
| Dato' Shahrman Shamsuddin | 21 February 2017 | The ICLIF Leadership And Governance Centre | In House Directors Training: (a) The Open Source Organisation in the 21st Century, New Leadership & Management Imperatives for the Digital Age (b) Leaders of Today: Be the Change (c) The Symphony of Integrated Thinking (d) Ethics & Corporate Integrity |
| | 11 July 2017 | Sapura Energy Berhad | Asian Oil, Gas & Petroleum Engineering Exhibition OGA 2017 |

| Director | Date | Organiser | Title of Programme |
|--|------------------|---|--|
| Dato' Shahrman Shamsuddin (cont'd.) | 29 August 2017 | Dviation Training Centre Sdn Bhd | Safety Management System Refresher |
| | | | Human Factor Refresher |
| | 30 August 2017 | Dviation Training Centre Sdn Bhd | Part M Awareness |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCCG 2017 |
| Mohamed Rashdi Mohamed Ghazalli | 11 July 2017 | Sapura Energy Berhad | Asian Oil, Gas & Petroleum Engineering Exhibition OGA 2017 |
| | 17 July 2017 | Bursa Malaysia | Beyond Compliance For Sustainability |
| | 1 August 2017 | Bursa Malaysia | Driving Financial Integrity and Performance |
| | 10 August 2017 | Financial Institutions Directors' Education Programme | Cryptocurrency and Blockchain Technology |
| | 14 November 2017 | Financial Institutions Directors' Education Programme | Leveraging Technology for Growth |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCCG 2017 |
| Gee Siew Yoong | 6 March 2017 | Tenaga Nasional Berhad | Working visit to Coal Fired Power Plant Project – Technology briefing and Site Visit |
| | 27 March 2017 | Sapura Energy Berhad/Ernst & Young | Related Party Transactions and Recurrent Related Party Transactions |
| | 21 April 2017 | Tenaga Nasional Berhad | Technical visit to Electricity Distribution Substation (PMU: Pencawang Masuk Utama) |
| | | | Technical visit to small-scale Power Generation Plant |
| | 11 July 2017 | Sapura Energy Berhad | Asian Oil, Gas & Petroleum Engineering Exhibition OGA 2017 |
| | 10 August 2017 | Aram Global Sdn Bhd | National Seminar on Malaysian Code on Corporate Governance (New) – an Overview |
| | 15 August 2017 | Tenaga Nasional Berhad/Bloomberg New Energy/Finance | The Future of Energy & Transport – Demand/Disruption/Democratisation/Deregulation |
| | 3 October 2017 | Khazanah | Khazanah Megatrends Forum 2017 – Cerebrum, Algorithm and Building True Value in a Post-Truth World |
| | 7 November 2017 | Bursa Malaysia – MINDA | Corporate Governance Breakfast Series for Directors: Unleashing the Mindset for Innovation while Up Keeping Effective Governance |

07. CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Director | Date | Organiser | Title of Programme |
|---------------------------|------------------|--|--|
| Gee Siew Yoong (cont'd.) | 19 December 2017 | Tenaga Nasional Berhad | Working visit to hydro power stations in Cameron Highlands |
| | 20 December 2017 | Tenaga Nasional Berhad | Site visits to hydro power station & dams – environmental contributions, challenges and mitigation |
| | 22 December 2017 | Tenaga Nasional Berhad | Site visit to mini hydro power station and dams |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCG 2017 |
| | 25 January 2018 | Telekom Malaysia/IMD | Developing Leaders, Transforming organisations, Impacting your future |
| Datuk Ramlan Abdul Malek | 29 March 2017 | Aram Global Sdn Bhd | The new Companies Act 2016 – “Raising the Bar for Directors” |
| | 11 July 2017 | Sapura Energy Berhad | Asian Oil, Gas & Petroleum Engineering Exhibition OGA 2017 |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCG 2017 |
| Datuk Muhamad Noor Hamid | 11 July 2017 | Sapura Energy Berhad | Asian Oil, Gas & Petroleum Engineering Exhibition OGA 2017 |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCG 2017 |
| Datuk Ramlan Abdul Rashid | 15 February 2017 | Aram Global Sdn Bhd | Corporate Governance, Directors' Duties & Regulatory Updates Seminar 2017 |
| | 11 July 2017 | Sapura Energy Berhad | Asian Oil, Gas & Petroleum Engineering & Exhibition OGA 2017 |
| | 29 August 2017 | Aram Global Sdn Bhd | Annual Corporate Governance, Directors' Duties & Regulatory Updates Seminar 2017 |
| | 10 January 2018 | PricewaterhouseCoopers Risk Services Sdn Bhd | Briefing on the MCG 2017 |

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 Committees 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 (3) working days prior to the meetings. However, Board papers that are deemed urgent may still be submitted to the Group Company Secretary for tabling at the meeting subject to the approvals of the Chairman and the PGCEO. Information is 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 training, 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 considered and informed decisions.

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 FY2018 is as set out below:

| Directors | Designation | Attendance | Percentage |
|---|---|--------------|------------|
| Dato' Hamzah Bakar | Chairman, Non-Independent Non-Executive Director | 10 out of 10 | 100% |
| Tan Sri Dato' Seri Shahril Shamsuddin | President and Group Chief Executive Officer, Non-Independent Executive Director | 10 out of 10 | 100% |
| Tan Sri Datuk Amar (Dr) Hamid Bugo | Senior Independent Non-Executive Director | 10 out of 10 | 100% |
| Dato' Shahrman Shamsuddin | Non-Independent Non-Executive Director | 7 out of 10 | 70% |
| Mohamed Rashdi Mohamed Ghazalli | Independent Non-Executive Director | 10 out of 10 | 100% |
| Gee Siew Yoong | Independent Non-Executive Director | 10 out of 10 | 100% |
| Datuk Muhamad Noor Hamid | Independent Non-Executive Director | 10 out of 10 | 100% |
| Datuk Ramlan Abdul Rashid | Independent Non-Executive Director | 9 out of 10 | 90% |
| Datuk Ramlan Abdul Malek ^(a) | Non-Independent Executive Director | 9 out of 10 | 90% |
| Tunku Alizakri Raja Muhammad Alias ^(b) | Non-Independent Non-Executive Director | 8 out of 10 | 80% |

Notes:

^(a) Redesignated as Non-Independent Non-Executive Director on 1 March 2018

^(b) Resigned on 31 January 2018

07. CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 (5) 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 ("BRC"), 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 BRC 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 additional fees for added 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, 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 BRC 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 BRC for the approval by the Board. The Executive Directors are not entitled to fees.

Details of the Directors' remuneration (both Executive and Non-Executive) in FY2018 are as follows:

| Group | Salaries and other emoluments RM'000 | Fees RM'000 | Bonus ^ RM'000 | Defined contribution plan RM'000 | Shares vested under the LTIP scheme RM'000 | Benefits-in-kind RM'000 | Total RM'000 |
|---------------------------------------|--------------------------------------|-------------|----------------|----------------------------------|--|-------------------------|--------------|
| Executive Directors | | | | | | | |
| Tan Sri Dato' Seri Shahril Shamsuddin | 7,236 | - | 55,000 | 9,336 | - | 348 | 71,920 |
| Datuk Ramlan Abdul Malek | 1,620 | - | 900 | 1,034 | - | 170 | 3,724 |
| | 8,856 | - | 55,900 | 10,370 | - | 518 | 75,644 |
| Non-Executive Directors | | | | | | | |
| Datuk Hamzah Bakar | 38 | 961 | - | - | - | 31 | 1,030 |
| Tan Sri Datuk Amar (Dr) Hamid Bugo | - | 575 | - | - | - | - | 575 |
| Dato' Shahrman Shamsuddin | - | 358 | - | - | - | - | 358 |
| Mohamed Rashdi Mohammed Ghazalli | - | 575 | - | - | - | - | 575 |
| Gee Siew Yoong | - | 527 | - | - | - | - | 527 |
| Datuk Muhamad Noor Hamid | - | 455 | - | - | - | - | 455 |
| Datuk Ramlan Abdul Rashid | - | 406 | - | - | - | - | 406 |
| Tunku Alizakri Raja Muhammad Alias * | - | 342 | - | - | - | - | 342 |
| | 38 | 4,199 | - | - | - | 31 | 4,268 |

^ Based on prior year's Group performance and achievements

* 50% of the fee was paid to the organisation that the Director represents

The PGCEO's performance was measured against the following Key Performance Indicators applicable for FY2017:

| | | |
|---|----------------------------------|---|
| 1 | Financials | Delivery of financial objectives on profitability and returns |
| 2 | Operations | Achievement of operational and HSE performance |
| 3 | Stakeholder relationships | Engagement with stakeholders including shareholders and lenders |
| 4 | People | Developing appropriate succession plans and talent management |
| 5 | Strategic initiatives | <ul style="list-style-type: none"> Initiated and driving the implementation of the Group transformation program Finalised the Group refinancing exercise Negotiated the cessation of the Berantai Risk Service Contract Seeking and acquiring new markets and E&P opportunities |

07. CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD COMMITTEES

The Board, where appropriate, delegates specific responsibilities to its Board 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 BAC, which was established to assist the Board in the execution of its responsibilities, comprises solely of Independent Directors.

The members of the BAC are as follows:

- Gee Siew Yoong (*Chairman*)
- Tan Sri Datuk Amar (Dr) Hamid Bugo
- Mohamed Rashdi Mohamed Ghazalli
- Datuk Muhamad Noor Hamid (*appointed on 20 February 2017*)
- Datuk Ramlan Abdul Rashid (*appointed as a member of BAC on 20 February 2017 and re-assigned as a member of Board Risk Management Committee ("BRMC") on 1 February 2018*)

The BAC members possess a variety of skills and experience including accounting, strategy and corporate finance. All members of the BAC are able to understand matters under the purview of the Audit Committee including the financial reporting process. Ms Gee Siew Yoong, the Chairman of the BAC is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

The BAC is governed by written Terms of Reference which ensures it deals clearly within its authority and duties. The duties and responsibilities of the BAC includes:

- assessing the control environment, overseeing financial reporting
- evaluate independence, objectivity and performance of the external auditors
- ensuring the Group Internal Audit ("GIA") function is effective and independent
- reviewing conflict of interest situations and related party transactions

The Terms of Reference of BAC is published on the Company's website at www.sapuraenergy.com.

Group Internal Audit

The GIA of Sapura Energy reports to the BAC, and the GIA 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.

Currently, the GIA of Sapura Energy is headed by Puan Sazlyna Sapiee, a Chartered Accountant and a member of Malaysian Institute of Accountants, Fellow Member of Association of Chartered Certified Accountants and Professional Member of Institute of Internal Auditors Malaysia, and is supported by a team of full-time internal auditors.

The Report of the BAC is presented on pages 101 to 104 of this Annual Report.

Board Risk Management Committee

The Board assumes the ultimate responsibility over the effectiveness of the Group's risk management practices by establishing a BRMC to oversee the assessment of processes relating to the Group's risks and controls. The BRMC 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 BRMC is governed by written Terms of Reference which ensures it deals clearly within its authority and duties, which is available on the Company's website at www.sapuraenergy.com.

The members of the BRMC are as follows:

- Mohamed Rashdi Mohamed Ghazalli (*Chairman*)
- Datuk Muhamad Noor Hamid
- Datuk Ramlan Abdul Rashid (*appointed on 1 February 2018*)
- Datuk Ramlan Abdul Malek (*appointed on 4 May 2017 and resigned on 1 February 2018*)
- Dato' Shahrman Shamsuddin (*resigned on 1 June 2017*)

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

Risk Management Framework

The Board adopts practices designed to identify significant areas of business risks and to effectively manage those risks in accordance with the Group's risk profile and ISO 31000 principles and guidelines.

The Group's principal areas of risk include:

- Business risk – changes in economic conditions, commodity prices and investor sentiment
- Financial risk – market, credit, liquidity and operational
- Operational risk – associated with continuous disclosure obligations, internal processes and systems
- Sustainability risk – safety, health, environmental and community impacts

Details of Risk Management of the Group are set out in the Statement on Risk Management and Internal Control on pages 99 and 100 of this Annual Report.

Board Nomination Committee

The BNC which comprises three (3) 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 BNC is governed by written Terms of Reference which ensures it deals clearly within its authority and duties, which is available on the Company's website at www.sapuraenergy.com.

The members of the BNC are as follows:

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

Board Appointment Process

The BNC is responsible for recommending new nominees to fill vacancies on the Board as well as Board Committees. All nominees are initially considered by the BNC taking into consideration the required mix of skills, competencies and experience as well as other required qualities such as commitment of time, integrity and professionalism before they are recommended to the Board for consideration and approval. The Board would consider recommendations from independent sources should the candidate fit the necessary skill sets and experience.

Board Evaluation Assessment

The BNC assists the Board in assessing the effectiveness of the Board as a whole, the Board Committees as well as the performance of each Director. There is also a peer assessment and self-assessment of individual directors.

The results of the assessments and areas which required improvement were compiled and reviewed by the BNC which was recommended to the Board. Overall, the Board is satisfied with the performance, roles and responsibilities of the Directors. The Board identified key areas that required enhancement and other areas where the Board could further solidify its strength. The Board would consider engaging independent experts periodically to facilitate the objective and candid board evaluations, as stipulated within the Board Charter.

Re-election of Directors

The BNC is also responsible for recommending Directors for re-election at the Annual General Meeting of the Group.

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 Annual General Meeting 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 (3) years. They will, however, still be eligible for re-election at every Annual General Meeting. The retiring Directors would be those who have been longest in office since their last election. This provides shareholders the opportunity to evaluate the performance of the Directors and promote effective Board members.

Directors subject to retirement by rotation pursuant to the Articles are initially considered by the BNC, taking into consideration their required mix of skills, competencies, experience and other qualities required before they are recommended for re-election by shareholders.

Independence of Independent Directors

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

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

07. CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 FY2018, none of the five (5) Independent Directors have served the Board for more than nine (9) years and the BNC 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 BNC during FY2018 were as follows:

- (a) Assessed the competencies, commitment and contributions of the Directors standing for re-election at the Annual General Meeting 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;
- (d) Reviewed and made recommendations on the composition of Board Committees;
- (e) Reviewed and recommended the Board Diversity (including Gender Diversity) Policy; and
- (f) Reviewed the assessment of pivotal positions in tandem with the Group's strategy in managing critical talent on succession planning.

Board Remuneration Committee

The primary objective of the BRC is to assist the Board in assessing and recommending the remuneration packages of the PGCEO, Executive Director and Non-Executive Directors. The BRC also assists in reviewing and recommending the annual bonus payment and increment range for all employees including Senior Management. The BRC is governed by its Terms of Reference which ensures it deals clearly within its authority and duties, which is available on the Company's website at www.sapuraenergy.com.

The members of the BRC 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 transactions 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.

CODE OF ETHICAL CONDUCT

The Group has in place a Code of Ethical Conduct that sets the tone for how the Group's business is conducted globally that applies to all members of the organisation. The Group aims to act responsibly, accountably and with transparency in all areas of operation. The areas covered by the Code

of Ethical Conduct are anti-corruption and bribery, gifts and hospitality, conflict of interest, fair competition, whistleblowing and sanctions for violations.

The Code of Ethical Conduct is available at www.sapuraenergy.ethicspoint.com.

WHISTLEBLOWING POLICY

The Group is committed to maintaining a working environment where open, honest communication are the expectation, not the exception. The Group has launched a Whistleblowing helpline, which is accessible to the employees or other stakeholders at www.sapuraenergy.ethicspoint.com.

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

Investor Meetings

The Investor Relations Department of the Group has frequent one-on-one and group meetings with analysts, investors and potential investors throughout the year to provide constant communication 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, Terms of Reference of Board Committees and corporate news. The Company's website is regularly updated to provide current and comprehensive information about the Group.

Annual Report

Sapura Energy Annual Report provides comprehensive coverage of the Group's operations and financial performance. An abridged version of the Annual Report is also circulated together with a digital version in CD-ROM format. An online version of the Annual Report is also available on the Company's website.

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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. As stipulated within the Board Charter, notice of Annual General Meeting should be provided to shareholders at least 28 days prior to the meeting. During general meetings, the question and answer session is open to all shareholders present. The Board, Senior Management of the Group, as well as the Group's auditors are present to respond to issues raised during general meetings.

Sapura Energy held its Sixth Annual General Meeting on 25 July 2017 and an Extraordinary General Meeting on 23 March 2017. The notice for the Sixth Annual General Meeting was given on 30 May 2017. All members of the Board and Board Committees, Senior Management and Sapura Energy external auditors were present at the general meetings.

Pursuant to Paragraph 8.29A of the Bursa Malaysia MMLR, all resolutions set out in the notice of the Seventh Annual General Meeting will be put to vote on a poll. An Independent Scrutineer will be appointed to validate the votes cast at the Seventh Annual General Meeting.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

Financial Reporting

The Board is assisted by the BAC 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 114 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 Group's financial reports each year. In doing so, the Group has established a transparent arrangement to meet the professional requirements by the auditors. The BAC also reviews the results of the annual audit, the audit report and management letters, including Management's responses thereon with the auditors. Three (3) private sessions between the auditors and the BAC, 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 BAC. The BAC 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.

Having evaluated Messrs Ernst & Young's performance, independence and suitability, the BAC recommended the re-appointment 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 8 May 2018 approved the recommendation for the shareholders' approval at the Seventh Annual General Meeting of the Company to be held on 18 July 2018.

Statement of Directors' Responsibility

The Company and the Group's financial statements are drawn up in accordance with the applicable approved accounting standards. The Board has the responsibility for ensuring that the financial statements of the Company and the Group provide a true and fair view of the affairs of the Company and the Group. A statement on Directors' responsibilities in preparing the financial statements is set out on page 106 of this Annual Report.

This CG Overview Statement is made in accordance with a resolution passed by the Board on 8 May 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT AND INTERNAL CONTROL

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 system 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 & 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 accordingly.

Management of the Group is accountable for providing assurance to the Board that risk management policies and internal control systems are implemented and monitored. The Senior Vice President of Drilling Business and Group Performance leads the risk function to ensure that risk management and internal control systems are operating adequately and effectively. The Board also received such assurance from the PGCEO and the Group Chief Financial Officer/Senior Vice President of Group Finance and Strategy.

During the financial year under review, the Board actively reviewed the risk management framework, processes and responsibilities and implemented an online risk register, highlighting the adoption of technology in capturing, monitoring and managing risks across the Group. Such tool helped in providing the reasonable assurance that all identified risks were monitored and managed within a tolerable level.

Based on the assurances provided and own routine reviews, the Board is of the opinion that the risk management and internal control systems 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 of Risk Management and Internal Control

The Board Risk Management Committee ("BRMC") oversees the assessment of processes relating to the Group's risks and internal controls and ensures Management has implemented and follows a robust risk management framework.

Such framework, operationalised by each of the Senior Vice Presidents within their areas of responsibilities, has a primary objective to assess, eliminate or mitigate, monitor and report the risks within each areas of the Group as well as to ensure consolidation and coordination at Group-wide level with the PGCEO.

It also provides regular reviews and reporting opportunities, and the most noticeable of these are as follows:

- (a) Reporting of key risks to the Board of Directors through the BRMC on a quarterly basis;
- (b) Reporting of key risks to the PGCEO as part of monthly business review meetings;
- (c) Reviewing key risks within each business at least on a quarterly basis;
- (d) Continuous engagements with the business and support functions to nurture a pro-active risk management culture, embedded within the organisation.

Group Internal Audit

Group Internal Audit ("GIA") reports to the Board Audit Committee ("BAC"). The main roles and responsibilities of GIA is to provide independent and objective assurance 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 Group's subsidiaries, joint-venture businesses 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 were reviewed and approved by the BAC.

07 STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 BAC.

Further activities of the GIA are outlined in the Report of the BAC on pages 103 and 104 of this Annual Report.

Review of Statement by External Auditors

As requested 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 28 March 2018.

REPORT OF BOARD AUDIT COMMITTEE

THE BOARD OF DIRECTORS OF SAPURA ENERGY BERHAD ("SAPURA ENERGY") IS PLEASED TO PRESENT THE REPORT OF THE BOARD AUDIT COMMITTEE ("BAC") ("REPORT") INCLUDING A SUMMARY OF THE ACTIVITIES OF THE BAC AND THE INTERNAL AUDIT FUNCTION FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018 ("FY2018").

COMPOSITION

During the financial year, the BAC comprises five (5) members, all of whom are Independent Non-Executive Directors. Datuk Ramlan Abdul Rashid, who was appointed on 20 February 2017, had been re-assigned as a member of the Board Risk Management Committee ("BRMC") on 1 February 2018. The BAC would like to put on record its appreciation to Datuk Ramlan Abdul Rashid for his contribution during his tenure as a member of the BAC.

The current members of the BAC are:

| Members | Designation |
|------------------------------------|---|
| Gee Siew Yoong (<i>Chairman</i>) | Independent Non-Executive Director |
| Tan Sri Datuk Amar (Dr) Hamid Bugo | Senior Independent Non-Executive Director |
| Mohamed Rashdi Mohamed Ghazalli | Independent Non-Executive Director |
| Datuk Muhamad Noor Hamid | Independent Non-Executive Director |

The composition of the Company's BAC fulfills the requirements of Paragraphs 15.09(1)(a), 15.09(1)(b) and 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR"). All members of the BAC are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities.

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

In performing its duties and discharging its responsibilities, the BAC is guided by a Terms of Reference ("TOR"). The BAC TOR is available on the website of Sapura Energy at www.sapuraenergy.com.

07. REPORT OF BOARD AUDIT COMMITTEE

MEETINGS

A total of eleven meetings and one adjourned meeting were held during FY2018. The details of attendance of each member are as follows:

| Members | Attendance | Percentage |
|--|--------------|------------|
| Gee Siew Yoong (<i>Chairman</i>) | 12 out of 12 | 100% |
| Tan Sri Datuk Amar (Dr) Hamid Bugo | 12 out of 12 | 100% |
| Mohamed Rashdi Mohamed Ghazalli | 12 out of 12 | 100% |
| Datuk Muhamad Noor Hamid | 11 out of 12 | 92% |
| Datuk Ramlan Abdul Rashid (<i>Re-assigned as member of BRMC on 1 February 2018</i>) | 12 out of 12 | 100% |

Pursuant to the BAC TOR, BAC is responsible to assist the Board in ensuring that the financial statements of the Group comply with the applicable Financial Reporting Standards. The Group Chief Financial Officer/Senior Vice President of Group Finance and Strategy was invited to all BAC meetings to deliberate the financial results of the Group. The Chief Internal Auditor was invited for deliberation of internal control and governance matters arising from Internal Audit reports. This provided a platform for direct interaction between members of the BAC and Management.

The external auditors were engaged to conduct a limited review of quarterly financial results of the Group before these were presented to the BAC for review and recommendation for the Board's approval and adoption. Representatives of the engagement team of the external auditors attended six (6) BAC meetings.

The Chairman of the BAC presented reports to the Board highlighting key issues discussed in BAC meetings.

The minutes of each BAC meeting was tabled for confirmation at subsequent BAC meetings and tabled to the Board for notation.

SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

Over the course of FY2018, the BAC undertook the following activities:

Annual Report

- The BAC reviewed Report of the BAC, Statement on Risk Management and Internal Control, Additional Compliance Information and Corporate Governance disclosures, Audited Financial Statements of the Group for inclusion in the Annual Report prior to recommending the same for consideration and approval of the Board.

Financial Reporting

- Reviewed all the four (4) Quarters' unaudited quarterly financial results and performance of the Group, and recommended the same for approval by the Board; and
- Deliberated and made recommendations to the Board with respect to dividend.

Internal Audit

- Reviewed and approved the Group Internal Audit Plan ("Audit Plan") presented by the Chief Internal Auditor ("CIA") to ensure adequate scope and coverage;
- Deliberated major and critical findings including Management's responses, mitigation action plans and deadline for closures presented in the internal audit reports prepared by the CIA;
- Reviewed the status of past internal audit recommendations on outstanding issues to ensure that all key risks and controls have been addressed; and
- Assessed the resource requirements of internal audit, and evaluate the adequacy and effectiveness of the internal audit function.

External Audit

- Discussed with the external auditors before the audit commences, the Audit Planning Memorandum, nature and scope of the audit;
- Held three (3) private discussions with the external auditors in the absence of Management and the Company Secretary to discuss the areas of audit concern;
- Discussed the external auditor's reviews of the financial statements of the Group;
- Discussed and deliberated on the significant audit and accounting matters identified during the statutory audit of the Group;
- Reviewed the independence, suitability, objectivity and effectiveness of the external auditors and services provided. In this respect, the BAC 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 FY2018; and
- Considered and recommended to the Board for re-appointment 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 Annual General Meeting.

Related Party Transactions

The BAC 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 BAC takes into consideration whether the proposed related party transactions are:

- in the best interests of the Group;
- fair, reasonable and on normal commercial terms; and
- not detrimental to the interests of minority shareholders.

INTERNAL AUDIT FUNCTION

Internal auditing is an independent and objective assurance 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 in-house, led by the CIA who reports directly to the BAC. The CIA 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.

Further information on the resources, objectivity and independence of the internal auditors are provided in the Corporate Governance Report in accordance with Practice 10.2 of the Malaysian Code on Corporate Governance 2017.

During FY2018, the following activities were carried out:

- Prepared and presented the Audit Plan which included budget and human capital planning for the review and approval by the BAC;
- 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;

07. REPORT OF BOARD AUDIT COMMITTEE

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

- 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 rectification of deficiencies identified in the existing internal control systems and thereafter, incorporated the pertinent information into the final reports which were then circulated to the BAC;

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

(vi) Carried out follow-up reviews and updated the BAC on the status; and

(vii) Performed ad-hoc and special reviews.

The total cost incurred by Group Internal Audit in discharging function and responsibilities during FY2018 was approximately RM4.0 million (FY2017: RM3.4 million).

ADDITIONAL COMPLIANCE INFORMATION

REQUIREMENTS OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("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 FY2018 are as follows:

| | Company (RM'000) | Group (RM'000) |
|--|---------------------|-------------------|
| Audit fees | 166 | 3,680 |
| Non-Audit fees | | |
| - Review of interim financial statements, review of Production Sharing Contracts and Statement on Risk Management and Internal Control | 696 | 1,092 |
| - Implementation of new accounting standards and other technical advice | 900 | 1,008 |
| - Compliance review and other agreed upon procedures | - | 329 |
| Total | 1,762 | 6,109 |

LIST OF PROPERTIES

The Company does not own any material properties during FY2018 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 FY2018 save as disclosed in Note 37(a) to the financial statements as set out on pages 197 and 198 of this Annual Report.

07 STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE AUDITED FINANCIAL STATEMENTS

The Companies Act 2016 (“Act”) requires the Board of Directors (“Board”) to prepare financial statements which give a true and fair view of the state of affairs together with the results and cash flows of the Group and the Company for each financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the financial statements for the financial year ended 31 January 2018 (“FY2018”) 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 FY2018 set out on pages 108 to 236 of this Annual Report, the Board considers that the Group and the Company have adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. The Board also acknowledges that the Group and the Company have prepared the financial statements on a going concern basis.

The Board has the responsibility for ensuring that the Group and the Company maintain accounting records that disclose the financial position of the Group and the Company 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 Group and the Company 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 30 April 2018.

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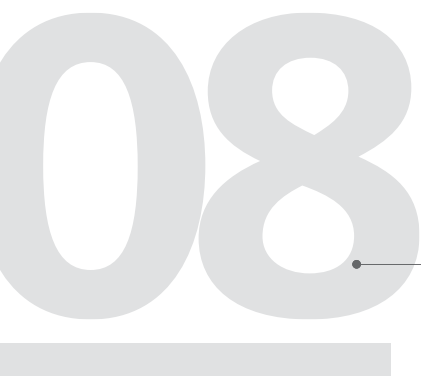
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DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2018.

Principal Activities

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

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

Results

| | Group RM'000 | Company RM'000 |
|---|-----------------|-------------------|
| Loss for the financial year, net of tax | (2,504,815) | (309,790) |
| Loss attributable to: | | |
| Owners of the Parent | (2,503,473) | (309,790) |
| Non-controlling interests | (1,342) | - |
| | (2,504,815) | (309,790) |

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

In respect of the financial year ended 31 January 2017 and as reported in the directors' report of that year, the tax exempt (single-tier) dividend of RM59,627,513 was declared on 31 March 2017 and subsequently paid on 28 April 2017.

The Board of Directors does not recommend any dividend in respect of 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' Shahrizan bin Shamsuddin
 Mohamed Rashdi bin Mohamed Ghazalli *
 Gee Siew Yoong
 Datuk Ramlan bin Abdul Malek
 Datuk Muhamad Noor bin Hamid
 Datuk Ramlan bin Abdul Rashid
 Tunku Alizakri bin Raja Muhammad Alias (Resigned on 31 January 2018)

** 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 Ibrahim
 Bundit Kittitanarux
 Chow Mei Mei
 Datuk Kris Azman bin Abdullah
 Geoffrey Neil Walker
 John Michael Golden
 Johannes Franciscus Maria Stinenbosch
 Karl Winter
 Komathi A/P Balakrishnan
 Md Yusoff bin Mohamad Noor
 Mohamad Nasri bin Mehat
 Mohd Saiman bin Abdullah
 Nelson Anderson Cheong Boon Guan
 New Cheng Swee
 Noor Roslinah binti Hj Metussin
 Noordin bin Sulaiman
 Norzaiddi bin Mohd Zahidin ^
 Paul Standon Colley
 Paulette Lopes
 Phanindhar Chivukula
 Raphael Michel Francois Yves Siri
 Ravisankar Venkata Mamidanna
 Reza bin Abdul Rahim

08 DIRECTORS' REPORT (cont'd.)

Directors (cont'd.)

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: (cont'd.)

Rita Lydia Hartono
 Rose binti Mat
 Thavakumar A/L Kandiahpillai
 Ungku Suleiman bin Ungku Abdul Aziz
 Vivek Arora

Appointed since the beginning of the financial year to the date of this report:

Blair Andrew Lucas (Appointed on 22 February 2018)
 Chiang Wai Ming (Appointed on 1 October 2017)
 José Tavares de Lucena (Appointed on 11 September 2017)
 Kedar Lagvankar (Appointed on 31 March 2017)
 Lim Kok Keong (Appointed on 31 March 2017)
 Lindsay Alan Long (Appointed on 19 January 2018)
 Sirlene Santos Brêtas de Noronha (Appointed on 11 September 2017)
 Suhaimi bin Ismail (Appointed on 15 February 2018)

Resigned during the year:

Fabio Di Giorgi (Resigned on 19 January 2018)
 Lokman bin Salleh (Resigned on 30 June 2017)
 Mohamed bin Rastam Shahrom (Resigned on 7 May 2017)
 Patrick Donald Evers (Resigned on 31 January 2018)
 Syed Hasan Saifud-Deen Abdul-Basseer Alsagoff (Resigned on 18 January 2018)

[^] 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 the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 37 to the financial statements.

The directors and officers of the Group and of the Company are covered by Directors and Officers Liability Insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium charged during the financial year amounted to RM160,000.

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 | | | As at 31.1.2018 ‘000 |
|--|---------------------------|------------------|--------------|----------------------------|
| | As at 1.2.2017 ‘000 | Acquired ‘000 | Sold ‘000 | |
| The Company | | | | |
| Indirect interest | | | | |
| 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 |
| Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo | - | 275 | - | 275 |
| Direct interest | | | | |
| Tan Sri Dato’ Seri Shahril bin Shamsuddin | 37,812 | - | - | 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 | 485 | - | - | 485 |

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.

08 DIRECTORS' REPORT (cont'd.)

Shares Held Under Trust

In the current financial year, the trustee appointed by the Company purchased 26,502,000 units of its issued ordinary shares from the open market at an average price of RM1.74 per share for the purpose of the share bonus scheme in relation to Long Term Incentive Plan ("LTIP").

As at 31 January 2018, a total of 39,877,750 units of the Company's issued ordinary shares is held under trust. Such shares are held at a carrying amount of RM114,942,000 and further relevant details are disclosed in Note 27 to the financial statements.

Other Statutory Information

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment on receivables and satisfied themselves that there were no known bad debts and that adequate impairment had been made for receivables; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to their expected realisable values.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or the amount of the impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (cont'd.)

Significant and Subsequent Events

Significant and subsequent events are disclosed in Note 44 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.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2018.

Dato' Hamzah bin Bakar

Tan Sri Dato' Seri Shahril bin Shamsuddin

08

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, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 120 to 236 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 2018 and of financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2018.

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, do solemnly and sincerely declare that the accompanying financial statements set out on pages 120 to 236 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 30 April 2018

Reza bin Abdul Rahim
MIA 22950

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 (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sapura Energy Berhad, which comprise the statements of financial position as at 31 January 2018 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 120 to 236.

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 2018, 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 Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group 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 context.

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. 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.

(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 31%, 16% and 43% 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 segments accordingly.

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INDEPENDENT
AUDITORS' REPORT (cont'd.)

TO THE MEMBERS OF SAPURA ENERGY 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.)**

In relation to OGP, vessels and drilling rigs, management has identified them to be tested for impairment in view of the uncertainties within the oil and gas industry.

The Group estimated the recoverable amounts of its CGUs or groups of CGUs to which the goodwill, OGP and drilling rigs are allocated respectively, based on the value-in-use ("VIU") method. The vessels' recoverable amounts are based on the 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 the key assumptions made, which in turn are affected by expected future market and economic conditions. The key assumptions made in relation to the goodwill on consolidation is disclosed in Note 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 judgement; and substantial audit effort is 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.

In addressing the matter above, we have amongst others performed the following audit procedures:

- (i) Obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs or groups of CGUs.
- (ii) Evaluated the key assumptions used by management in the cash flow projections, in particular, by comparing to past actual outcomes on whether the key assumptions made are reasonable.
- (iii) Corroborated the key assumptions with industry analysts' views, management's plans and existing contracts, where applicable.
- (iv) Evaluated the discount rates and the methodologies used to determine the present value of cash flows with the support of valuation specialist, 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. We benchmarked such inputs against international and domestic markets in which the Group operates.
- (v) Compared the hydrocarbon reserve data used by management in the impairment assessment of OGP to the report provided by the external reservoir evaluation consultants. We also assessed the independence, competency and objectivity of the external reservoir evaluation consultant.
- (vi) Performed sensitivity analysis on the key inputs as to understand the impact that alternative assumptions would have on the overall carrying value.

Recoverable amounts based on FVLCS are obtained from independent valuers commissioned by the Group. In relation to this, amongst others, we:

- (i) Considered the independence, reputation and capabilities of the management's specialist.
- (ii) Obtained an understanding of the work of the management's specialist.
- (iii) Evaluated the management's specialist work by considering the significant assumptions, methods and models.

INDEPENDENT AUDITORS' REPORT (cont'd.)

TO THE MEMBERS OF SAPURA ENERGY BERHAD (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd.)

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

Revenue from contracts (Note 3 to the financial statements) recognised based on the percentage-of-completion ("POC") method contributed to approximately 53% of the Group's revenue. POC is determined by the proportion of cost incurred for work performed to date over the estimated total contract cost. The use of POC requires management to exercise significant judgement in estimating the costs to complete (Note 2.32(a)(i) to the financial statements).

In estimating the costs to complete, management considered the completeness and accuracy of its costs estimation including its obligations in respect of contract variations, claims and cost contingencies. The costs to complete can vary with market conditions and unforeseen events during the contract period.

In addressing the matter above, we have performed amongst others the following audit procedures:

- (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 POC of the projects.
- (ii) Agreed the work scopes in the estimation of contract cost of significant projects to the contractual terms and conditions.
- (iii) Evaluated the assumptions applied in estimating the total contract cost of significant projects by examining documentary evidence and considered the historical accuracy of management's forecasts for similar projects.
- (iv) Assessed the consistency of management's estimates on the project's profit margin, by comparing to management's initial budget and past actual outcomes derived from similar projects.
- (v) Discussed the status of significant projects with management, cost controllers and project managers and reviewed correspondences with customers. With the knowledge gained from those discussions and the results of our audit procedures, we evaluated the completeness of the costs incurred to-date and cost to complete, and evaluated the estimates made for significant projects, including the effect of variation orders ("VO") and contingencies, where applicable.
- (vi) Reperformed the calculations of the revenue and profit based on the POC method and where applicable, considered the implications of any changes in estimates.
- (vii) Evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2018 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.

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INDEPENDENT
AUDITORS' REPORT (cont'd.)

TO THE MEMBERS OF SAPURA ENERGY BERHAD (INCORPORATED IN MALAYSIA)

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 but 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.
- (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.

INDEPENDENT AUDITORS' REPORT (cont'd.)

TO THE MEMBERS OF SAPURA ENERGY BERHAD (INCORPORATED IN MALAYSIA)

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

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 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

Kuala Lumpur, Malaysia
30 April 2018

Ahmad Zahirudin bin Abdul Rahim

No. 02607/12/2018 J

Chartered Accountant

08

CONSOLIDATED AND SEPARATE
INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Revenue | 3 | 5,894,998 | 7,651,323 | 666,364 | 661,410 |
| Cost of sales | 4 | (4,925,530) | (5,953,543) | - | - |
| Gross profit | | 969,468 | 1,697,780 | 666,364 | 661,410 |
| Other income | 5 | 124,549 | 1,565,338 | 24,572 | 65,171 |
| Other expenses | | (210,258) | (1,703,594) | - | - |
| Administrative expenses | | (492,905) | (548,634) | (264,191) | (293,100) |
| | | 390,854 | 1,010,890 | 426,745 | 433,481 |
| Provision for impairment | 6 | (2,132,293) | (282,683) | (614,085) | - |
| Finance costs | 7 | (858,666) | (799,856) | (119,123) | (153,753) |
| Share of profit from associates and joint ventures | | 276,516 | 456,897 | - | - |
| (Loss)/profit before tax | 8 | (2,323,589) | 385,248 | (306,463) | 279,728 |
| Income tax expense | 11 | (181,226) | (179,084) | (3,327) | (3,678) |
| (Loss)/profit net of tax | | (2,504,815) | 206,164 | (309,790) | 276,050 |
| (Loss)/profit attributable to: | | | | | |
| Owners of the Parent | | (2,503,473) | 208,316 | (309,790) | 276,050 |
| Non-controlling interests | | (1,342) | (2,152) | - | - |
| | | (2,504,815) | 206,164 | (309,790) | 276,050 |
| (Loss)/earnings per share attributable to owners of the Parent (sen per share) | | | | | |
| Basic/Diluted | 12 | (42.10) | 3.50 | | |

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 2018

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| (Loss)/profit net of tax | (2,504,815) | 206,164 | (309,790) | 276,050 |
| Other comprehensive (loss)/income: | | | | |
| Items that may be reclassified to income statements in subsequent periods: | | | | |
| Foreign currency translation differences | (670,117) | 478,551 | - | - |
| Cash flow hedge: | | | | |
| - Changes in fair value of derivatives | 284,422 | (21,859) | - | - |
| - Foreign exchange loss on hedged items | (334,418) | - | - | - |
| Share of other comprehensive (loss)/income of associates and joint ventures: | | | | |
| - Foreign currency translation differences | (157,634) | 165,202 | - | - |
| - Changes in fair value of derivatives | 23,150 | 58,321 | - | - |
| Item that has been reclassified to income statements in current year: | | | | |
| Transfer of exchange differences arising upon dissolution of joint ventures | (189,265) | - | - | - |
| Total other comprehensive (loss)/income | (1,043,862) | 680,215 | - | - |
| Total comprehensive (loss)/income for the year | (3,548,677) | 886,379 | (309,790) | 276,050 |
| Total comprehensive (loss)/income attributable to: | | | | |
| Owners of the Parent | (3,544,886) | 888,243 | (309,790) | 276,050 |
| Non-controlling interests | (3,791) | (1,864) | - | - |
| | (3,548,677) | 886,379 | (309,790) | 276,050 |

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

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CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

T 31 JANUARY 2018

| | | Group | | Company | |
|---------------------------------------|------|----------------|----------------|----------------|----------------|
| | Note | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 14 | 11,454,733 | 15,140,032 | 21,698 | 19,687 |
| Expenditure on oil and gas properties | 15 | 3,938,046 | 4,398,855 | - | - |
| Intangible assets | 16 | 7,918,880 | 8,483,530 | - | - |
| Investment in subsidiaries | 17 | - | - | 9,966,062 | 9,112,537 |
| Investment in associates | 18 | 21,835 | 23,042 | - | - |
| Investment in joint ventures | 19 | 1,535,671 | 1,835,567 | - | - |
| Deferred tax assets | 20 | 103,690 | 221,571 | 37,597 | 37,597 |
| Derivative assets | 34 | 262,563 | - | - | - |
| Trade receivables | 23 | 30,537 | 39,129 | - | - |
| Amount due from subsidiaries | 22 | - | - | 302,347 | 108,102 |
| | | 25,265,955 | 30,141,726 | 10,327,704 | 9,277,923 |
| Current assets | | | | | |
| Inventories | 21 | 376,555 | 458,483 | - | - |
| Amount due from subsidiaries | 22 | - | - | 614,478 | 1,707,669 |
| Trade and other receivables | 23 | 2,530,111 | 3,234,444 | 17,885 | 22,328 |
| Tax recoverable | | 103,913 | 95,099 | 19,081 | 13,805 |
| Cash and cash equivalents | 25 | 1,716,235 | 3,519,509 | 31,626 | 25,800 |
| | | 4,726,814 | 7,307,535 | 683,070 | 1,769,602 |
| Total assets | | 29,992,769 | 37,449,261 | 11,010,774 | 11,047,525 |

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION (cont'd.)

As at 31 JANUARY 2018

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 26 | 8,066,410 | 8,066,410 | 8,066,410 | 8,066,410 |
| Shares held under trust | 27 | (114,942) | (93,304) | (114,942) | (93,304) |
| Other reserves | 28 | 1,443,619 | 2,485,032 | - | - |
| Retained profits | | 54,879 | 2,617,980 | 737,949 | 1,107,367 |
| | | 9,449,966 | 13,076,118 | 8,689,417 | 9,080,473 |
| Non-controlling interests | | 399 | 4,190 | - | - |
| Total equity | | 9,450,365 | 13,080,308 | 8,689,417 | 9,080,473 |
| Non-current liabilities | | | | | |
| Borrowings | 29 | 14,692,954 | 15,135,967 | 177 | 290 |
| Amount due to a subsidiary | 31 | - | - | 2,000,483 | 1,097,550 |
| Trade and other payables | 32 | 1,620 | 347,043 | - | - |
| Provision for asset retirement obligations | 33 | 196,118 | 251,967 | - | - |
| Derivative liabilities | 34 | - | 21,859 | - | - |
| Deferred tax liabilities | 20 | 1,023,726 | 1,282,684 | - | - |
| | | 15,914,418 | 17,039,520 | 2,000,660 | 1,097,840 |
| Current liabilities | | | | | |
| Amount due to subsidiaries | 31 | - | - | 19,883 | 482,074 |
| Borrowings | 29 | 1,722,201 | 3,511,050 | 147 | 224 |
| Trade and other payables | 32 | 2,797,114 | 3,765,602 | 300,667 | 386,914 |
| Provision for asset retirement obligations | 33 | 25,086 | 28,377 | - | - |
| Income tax payable | | 83,585 | 24,404 | - | - |
| | | 4,627,986 | 7,329,433 | 320,697 | 869,212 |
| Total liabilities | | 20,542,404 | 24,368,953 | 2,321,357 | 1,967,052 |
| Total equity and liabilities | | 29,992,769 | 37,449,261 | 11,010,774 | 11,047,525 |

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

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CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

| | Attributable to the owners of the Parent | | | | | | |
|---------------------------------------|--|---|-----------------------------|-------------------------------|---|--|---------------------------|
| | Non-distributable | | Distributable | | | | |
| | Share capital 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 2017 | 8,066,410 | (93,304) | 2,485,032 | 2,617,980 | 13,076,118 | 4,190 | 13,080,308 |
| Total comprehensive loss | - | - | (1,041,413) | (2,503,473) | (3,544,886) | (3,791) | (3,548,677) |
| | 8,066,410 | (93,304) | 1,443,619 | 114,507 | 9,531,232 | 399 | 9,531,631 |
| Transactions with owners: | | | | | | | |
| Purchase of shares held under trust | - | (46,000) | - | - | (46,000) | - | (46,000) |
| Shares transferred during the year | - | 24,362 | - | - | 24,362 | - | 24,362 |
| Dividend on ordinary shares (Note 13) | - | - | - | (59,628) | (59,628) | - | (59,628) |
| Total transactions with owners | - | (21,638) | - | (59,628) | (81,266) | - | (81,266) |
| At 31 January 2018 | 8,066,410 | (114,942) | 1,443,619 | 54,879 | 9,449,966 | 399 | 9,450,365 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

| | Attributable to the owners of the Parent | | | | | | Non-controlling interests RM'000 | Total equity RM'000 |
|--|--|-------------------------|-----------------------------------|--------------------------|----------------------------|---|-------------------------------------|------------------------|
| | Non-distributable | | | Distributable | | | | |
| | 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 | | |
| 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/(loss) | - | - | - | 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 transferred 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 |

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

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COMPANY STATEMENT OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

| | 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 2017 | 8,066,410 | - | (93,304) | 1,107,367 | 9,080,473 |
| Total comprehensive loss | - | - | - | (309,790) | (309,790) |
| | 8,066,410 | - | (93,304) | 797,577 | 8,770,683 |
| Transactions with owners: | | | | | |
| Purchase of shares held under trust | - | - | (46,000) | - | (46,000) |
| Shares transferred during the year | - | - | 24,362 | - | 24,362 |
| Dividend on ordinary shares (Note 13) | - | - | - | (59,628) | (59,628) |
| Total transactions with owners | - | - | (21,638) | (59,628) | (81,266) |
| At 31 January 2018 | 8,066,410 | - | (114,942) | 737,949 | 8,689,417 |
| 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 transferred 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 |

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 2018

| | 2018 RM'000 | 2017 RM'000 |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| (Loss)/profit before tax | (2,323,589) | 385,248 |
| Adjustments for: | | |
| Amortisation of intangible assets | 15,484 | 28,117 |
| Amortisation of expenditure on oil and gas properties | 203,695 | 843,253 |
| Depreciation of property, plant and equipment | 842,800 | 920,702 |
| Net gain on disposal of property, plant and equipment | (9,745) | (6,976) |
| Share of profit from associates and joint ventures | (276,516) | (456,897) |
| Provision for/(reversal of) impairment on: | | |
| - Expenditure on oil and gas properties | - | (1,198) |
| - Property, plant and equipment | 2,132,293 | 283,881 |
| Long Term Incentive Plan scheme | 64,318 | 66,696 |
| Inventories written off | 24,552 | 5,370 |
| Expenditure on oil and gas properties written off | 2,195 | 25,644 |
| Net unrealised foreign exchange loss/(gain) | 82,467 | (180,997) |
| Finance costs | 858,666 | 799,856 |
| Interest income | (21,398) | (23,798) |
| Operating profit before working capital changes | 1,595,222 | 2,688,901 |
| Decrease in inventories | 22,771 | 128,242 |
| Decrease in trade and other receivables | 649,929 | 1,178,241 |
| Decrease in trade and other payables | (1,207,760) | (707,881) |
| Changes in balances with joint ventures and associates | (25,145) | (6,248) |
| Cash generated from operating activities | 1,035,017 | 3,281,255 |
| Taxes paid | (123,931) | (145,971) |
| Net cash generated from operating activities | 911,086 | 3,135,284 |

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CONSOLIDATED STATEMENT OF CASH FLOWS

(cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

| | 2018 RM'000 | 2017 RM'000 |
|---|----------------|----------------|
| Cash flows from investing activities | | |
| Net advances to joint ventures | (31,625) | (192,246) |
| Proceeds from disposal of property, plant and equipment | 9,745 | 9,756 |
| Purchase of property, plant and equipment | (1,055,632) | (180,520) |
| Purchase of intangible assets | - | (687) |
| Purchase of expenditure on oil and gas properties | (259,722) | (199,417) |
| Interest received | 19,267 | 16,287 |
| Dividends received from joint ventures | 423,695 | 449,479 |
| Net cash used in investing activities | (894,272) | (97,348) |
| Cash flows from financing activities | | |
| Purchase of shares held under trust | (46,000) | (80,000) |
| Net repayment of revolving credit, term loans, Islamic Facility and Sukuk Programme (Note 29 (c)) | (871,036) | (676,606) |
| Net repayment of hire purchase and finance lease creditors (Note 29 (c)) | (8,700) | (7,949) |
| Finance costs paid | (743,139) | (824,211) |
| Dividend paid on ordinary shares | (59,628) | - |
| Net cash used in financing activities | (1,728,503) | (1,588,766) |
| Net (decrease)/increase in cash and cash equivalents | (1,711,689) | 1,449,170 |
| Effects of exchange rate changes | (91,585) | 122,812 |
| Cash and cash equivalents at beginning of the year | 3,519,509 | 1,947,527 |
| Cash and cash equivalents at end of year (Note 25) | 1,716,235 | 3,519,509 |

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 2018

| | 2018 RM'000 | 2017 RM'000 |
|---|----------------|----------------|
| Cash flows from operating activities | | |
| (Loss)/profit before tax | (306,463) | 279,728 |
| Adjustments for: | | |
| Depreciation of plant and equipment | 12,227 | 15,306 |
| Dividends income | (423,695) | (400,000) |
| (Gain)/loss on disposal of plant and equipment | (82) | 24 |
| Net unrealised foreign exchange loss/(gain) | 52,969 | (19,278) |
| Provision for impairment on investment in subsidiaries and amount due from subsidiaries | 614,085 | - |
| Finance costs | 119,123 | 153,753 |
| Interest income | (11,218) | (45,887) |
| Long Term Incentive Plan scheme | 37,172 | 37,738 |
| Operating profit before working capital changes | 94,118 | 21,384 |
| Net changes in balances with related companies | (288,492) | (400,155) |
| Increase in other receivables | (1,604) | (4,477) |
| (Decrease)/increase in other payables | (100,828) | 50,751 |
| Cash used in operating activities | (296,806) | (332,497) |
| Taxes (paid)/refund | (1,250) | 74 |
| Net cash used in operating activities | (298,056) | (332,423) |
| Cash flows from investing activities | | |
| Proceeds from disposal of plant and equipment | 82 | 7 |
| Purchase of plant and equipment | (14,238) | (7,994) |
| Interest received | 21,653 | 12,025 |
| Dividends received from subsidiaries | 423,695 | 401,631 |
| Net cash generated from investing activities | 431,192 | 405,669 |
| Cash flows from financing activities | | |
| Dividends paid on ordinary shares | (59,628) | - |
| Purchase of shares held under trust | (46,000) | (80,000) |
| Net repayment of hire purchase creditors | (190) | (261) |
| Finance costs paid | (21,492) | (11,949) |
| Net cash used in financing activities | (127,310) | (92,210) |
| Net increase/(decrease) in cash and cash equivalents | 5,826 | (18,964) |
| Cash and cash equivalents at beginning of year | 25,800 | 44,764 |
| Cash and cash equivalents at end of year (Note 25) | 31,626 | 25,800 |

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

08

NOTES TO THE
FINANCIAL STATEMENTS

- 31 JANUARY 2018

1. CORPORATE INFORMATION

Sapura Energy 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 42 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 30 April 2018.

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 2017, the Group and the Company adopted the following new and amended MFRSs:

| Description | Effective for annual periods beginning on or after |
|--|--|
| MFRS 107: Disclosure Initiative (Amendments to MFRS 107) | 1 January 2017 |
| MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112) | 1 January 2017 |
| Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12: Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12 | 1 January 2017 |

Adoption of the above amended standards did not have any effect on the financial performance or position of the Group and of the Company, except the following change:

MFRS 107: Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107: Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The application of these amendments is disclosed in Note 29(c).

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

2.3 Standards issued but not yet effective

The standards and interpretations 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 |
|---|--|
| MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2) | 1 January 2018 |
| MFRS 9: Financial Instruments | 1 January 2018 |
| MFRS 15: Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 140: Transfers of Investment Property (Amendments to MFRS 140) | 1 January 2018 |
| Annual Improvements to MFRS Standards 2014 – 2016 Cycle | 1 January 2018 |
| IC Interpretation 22: Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9) | 1 January 2019 |
| MFRS 16: Leases | 1 January 2019 |
| MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128) | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015–2017 Cycle | 1 January 2019 |
| MFRS 119: Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119) | 1 January 2019 |
| IC Interpretation 23: Uncertainty over Income Tax Treatments | 1 January 2019 |
| MFRS 17: Insurance Contracts | 1 January 2021 |
| 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 9: Financial Instruments

MFRS 9 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. During financial year ended 31 January 2018, the Group and the Company have performed an impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available when the Group and the Company adopts MFRS 9.

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 31 January 2018 on the basis of facts and circumstances that exist at that date, the Group and the Company do not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade receivables, which is not expected to have a material impact to the impairment allowance.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.3 Standards issued but not yet effective (cont'd.)****MFRS 15: Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step 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 and the Company plan to adopt the new standard on the stipulated effective date using the modified retrospective method and apply all the practical expedients available for modified retrospective method under MFRS 15.

The Group and the Company have undertaken an assessment of the impact and have concluded that MFRS 15 is not expected to have a significant impact on the results and financial position of the Group and the Company. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available when the Group and Company adopts MFRS 15.

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be more extensive. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows. The Group and the Company will continue to monitor the implementation of the appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

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

MFRS 16: Leases (cont'd.)

The standard will affect primarily the accounting for the Group's and Company's operating leases. However, the Group and the Company has not assessed if there are any adjustments which are necessary because of the different treatment of variable lease payments, extension or termination options. It is therefore not practicable at this juncture to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of MFRS 16 and how this may affect the Group's and Company's profit or loss and classification of cash flows going forward. The Group and the Company will assess the impact of MFRS 16 in financial year ending 31 January 2019 and plan to adopt the new standard on the required effective date.

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.

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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Basis of consolidation (cont'd.)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

2.5 Subsidiaries

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

2.6 Investments in associates and joint ventures

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

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

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

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 the 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 the income statement.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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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.

When an entity's ownership interest in an associate or a joint venture is reduced, but the entity continues to apply the equity method, the entity reclassifies to profit or loss the proportion of gain or loss that has been previously recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit and loss upon the disposal of the related assets or liabilities.

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.)

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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 drydocking date, whichever is shorter.

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

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

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

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

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

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

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

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.11 Intangible assets****(a) Goodwill**

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

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash-Generating Units ("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 the income statement when the asset is derecognised.

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

| | |
|------------------------------|------------------------------|
| Patents | 10 years |
| Intellectual property rights | 5 years |
| Software 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.

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

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 Contract ("RSC")

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

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

(b) Production Sharing Contract ("PSC")

(i) Oil and gas properties

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

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

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

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.

(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 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.

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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 (cont'd.)****(b) Development expenditure**

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

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

2.13 Impairment of non-financial assets

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

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

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

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

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

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

2.14 Financial assets (cont'd.)

(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) unless hedge accounting is adopted 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.

(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 preceding 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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.15 Impairment of financial assets carried at amortised cost (cont'd.)**

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

2.16 Cash and cash equivalents

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

2.17 Construction contracts

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

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

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

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.

In the upstream business, the value of the crude oil inventory is determined by the weighted average cost basis and is stated of the lower of cost or net realisable value at the reporting date.

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

2.19 Provisions**(a) Provision for asset retirement obligations**

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

A corresponding item of 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

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

2.19 Provisions (cont'd.)

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

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) 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 or loss.

(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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.20 Financial liabilities (cont'd.)****(c) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due. 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.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

2.22 Employee benefits (cont'd.)

(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 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.

(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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.24 Revenue (cont'd.)****(c) Sale of crude oil and gas, and oilfield development and production****(i) Sale of crude oil and gas and its related products**

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

(ii) Revenue from petroleum cost reimbursement

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

(iii) Remuneration fees

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

(d) Revenue from other services

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

(e) Interest income

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

(f) Dividend income

Dividend income is recognised when the Group and the 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

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

2.25 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

When assessing whether taxable profits will be available against which it can utilise a deductible temporary differences, the Group has taken into account the restrictions in the tax laws on certain sources of taxable profits which may not be available against the deductions on the reversal of that deductible temporary differences. If the law imposes no such restrictions, the Group assesses a deductible temporary difference in combination with all of its other deductible temporary differences. However, if law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**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 of the Company.

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

2.30 Hedge accounting

The Group uses derivatives to manage its exposure to foreign currency risk. 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

2.30 Hedge accounting (cont'd.)

Cash flow hedges (cont'd.)

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.

2.31 Deferred mobilisation costs

In relation to drilling services contracts, the Group makes payments to vendor or related companies for the mobilisation of rigs prior to commencement of drilling services.

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

2.32 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:

(i) Treatment of contract variation

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

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

The management is 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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.32 Significant accounting judgements and estimates (cont'd.)****(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.

(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.

(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.)

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

2.32 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) 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 33) and carrying value of deferred tax assets/liabilities (Note 20).

(iv) 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 33.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

3. REVENUE

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Engineering, procurement, construction, installation and commissioning * | 3,145,045 | 3,586,485 | - | - |
| Offshore drilling services | 1,145,540 | 2,018,835 | - | - |
| Sale of crude oil and gas, and oilfield development and production | 850,408 | 1,120,966 | - | - |
| Offshore support, geotechnical, maintenance and consultation services | 754,005 | 925,037 | - | - |
| Dividends income | - | - | 423,695 | 400,000 |
| Management fees from subsidiaries | - | - | 185,056 | 190,101 |
| Intellectual property rights, trademarks and branding fees from subsidiaries | - | - | 57,613 | 71,309 |
| | 5,894,998 | 7,651,323 | 666,364 | 661,410 |

* Includes revenue from construction contracts.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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5. OTHER INCOME

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Income arising from cessation of Berantai RSC (Note 15(b)(ii)) | - | 1,336,488 | - | - |
| Interest income: | | | | |
| - third parties | 17,277 | 19,624 | 193 | 129 |
| - joint ventures | 4,121 | 4,174 | - | - |
| - subsidiaries | - | - | 11,025 | 45,758 |
| Gain on disposal of property, plant and equipment | 9,745 | 6,976 | 82 | - |
| Foreign exchange differences: | | | | |
| - net realised exchange gain | 47,430 | - | 3,869 | - |
| - net unrealised exchange gain | - | 180,997 | - | 19,278 |
| Contingent consideration received arising from previous business combination | 9,403 | - | 9,403 | - |
| Miscellaneous income | 36,573 | 17,079 | - | 6 |
| | 124,549 | 1,565,338 | 24,572 | 65,171 |

6. PROVISION FOR IMPAIRMENT

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Provision for/(reversal of) impairment on: | | | | |
| - expenditure on oil and gas properties (Note 15) | - | (1,198) | - | - |
| - property, plant and equipment (Note 14) | 2,132,293 | 283,881 | - | - |
| - investment in subsidiaries and amount due from subsidiaries (Note 17 and Note 22) | - | - | 614,085 | - |
| | 2,132,293 | 282,683 | 614,085 | - |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

7. FINANCE COSTS

| | Group | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Interest expense on borrowings | 833,604 | 779,799 | 119,123 | 153,753 |
| Less: Interest expense capitalised in property, plant and equipment (Note 14(c)) | (4,980) | (12,727) | - | - |
| | 828,624 | 767,072 | 119,123 | 153,753 |
| Accretion of asset retirement obligations (Note 33) | 30,042 | 32,784 | - | - |
| | 858,666 | 799,856 | 119,123 | 153,753 |

8. (LOSS)/PROFIT BEFORE TAX

| | Group | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| This is arrived at after charging: | | | | |
| Employee benefits expense (Note 9) | 1,122,453 | 1,420,859 | 79,003 | 148,389 |
| Non-executive directors' remuneration (Note 10) | 4,237 | 3,991 | 4,209 | 3,929 |
| Auditors' remuneration: | | | | |
| - Statutory audits: | | | | |
| - Group auditors | 3,680 | 3,454 | 166 | 166 |
| - Other services: | | | | |
| - Group auditors | 2,429 | 1,142 | 1,596 | 696 |
| Charter of vessels, barges and rigs and hire of equipment | 360,922 | 353,869 | - | - |
| Depreciation of property, plant and equipment (Note 14) | 842,800 | 920,702 | 12,227 | 15,306 |
| Amortisation of intangible assets (Note 16) | 15,484 | 28,117 | - | - |
| Expenditure on oil and gas properties written off (Note 15) | 2,195 | 25,644 | - | - |
| Inventories written off (Note 21) | 24,552 | 5,370 | - | - |
| Rental of premises | 45,895 | 65,003 | 3,756 | 5,565 |
| Foreign exchange differences: | | | | |
| - net unrealised exchange loss | 82,467 | - | 52,969 | - |
| - net realised exchange loss | - | 137,258 | - | - |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| This is arrived at after charging (cont'd): | | | | |
| Amortisation of expenditure on oil and gas properties (Note 15) ^ | 203,695 | 843,253 | - | - |
| Early termination payment arising from cessation of Berantai RSC (Note 15(b)(ii)) | - | 763,767 | - | - |
| Intellectual property rights, trademarks and branding fees (Note 37(a)) | 55,920 | 70,000 | 55,920 | 70,000 |

^ In the previous financial year, included in amortisation of expenditure on oil and gas properties was 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).

9. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Wages and salaries | 941,263 | 1,138,565 | 69,861 | 130,771 |
| Social security contributions | 2,065 | 5,993 | 115 | 86 |
| Contributions to defined contribution plan | 67,661 | 74,300 | 7,208 | 16,329 |
| Other benefits | 127,553 | 237,874 | 1,819 | 1,203 |
| | 1,138,542 | 1,456,732 | 79,003 | 148,389 |
| Represented by: | | | | |
| Capitalised in exploration and evaluation assets (Note 15) | 16,089 | 35,873 | - | - |
| Charged to income statements (Note 8) | 1,122,453 | 1,420,859 | 79,003 | 148,389 |
| | 1,138,542 | 1,456,732 | 79,003 | 148,389 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration as disclosed in Note 10, LTIP transferred to eligible executive directors and employees of the Group and of the Company as disclosed in Note 27.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

10. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Directors of the Company | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 10,607 | 10,607 | 10,607 | 10,607 |
| Bonus and LTIP scheme * | 64,519 | 77,604 | 64,519 | 77,604 |
| Benefits-in-kind | 518 | 499 | 518 | 499 |
| | 75,644 | 88,710 | 75,644 | 88,710 |
| Non-Executive: | | | | |
| Fees ^ | 4,199 | 3,950 | 4,171 | 3,888 |
| Other emoluments | 38 | 41 | 38 | 41 |
| Total remuneration (Note 8) | 4,237 | 3,991 | 4,209 | 3,929 |
| Benefits-in-kind | 31 | 10 | 31 | 10 |
| | 4,268 | 4,001 | 4,240 | 3,939 |
| | 79,912 | 92,711 | 79,884 | 92,649 |
| Analysis excluding benefits-in-kind: | | | | |
| Total executive directors' remuneration | 75,126 | 88,211 | 75,126 | 88,211 |
| Total non-executive directors' remuneration | 4,237 | 3,991 | 4,209 | 3,929 |
| Total directors' remuneration | 79,363 | 92,202 | 79,335 | 92,140 |

^ 50% of the fee for one of the directors was paid to the organisation that the director represents.

* Based on prior years' Group performance and achievements, and includes shares vested in relation to the shares granted in the respective years under the LTIP scheme.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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11. INCOME TAX EXPENSE

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Income tax: | | | | |
| Malaysian income tax | 109,951 | 151,278 | 3,327 | 919 |
| Foreign tax | 99,790 | 91,061 | - | - |
| | 209,741 | 242,339 | 3,327 | 919 |
| (Over)/under provided in prior years: | | | | |
| Malaysian income tax | (16,506) | (26,530) | - | 892 |
| Effect of prior years' Group tax relief | (1,655) | (16,104) | - | - |
| Foreign tax | 679 | 4,354 | - | - |
| | (17,482) | (38,280) | - | 892 |
| | 192,259 | 204,059 | 3,327 | 1,811 |
| Deferred tax (Note 20): | | | | |
| Relating to origination of temporary differences | 2,225 | (18,812) | - | (13,383) |
| (Over)/under provided in prior years | (13,258) | (6,163) | - | 15,250 |
| | (11,033) | (24,975) | - | 1,867 |
| Total income tax expense | 181,226 | 179,084 | 3,327 | 3,678 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 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% (2017: 38%).

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

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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11. INCOME TAX EXPENSE (CONT'D.)

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

| | 2018 RM'000 | 2017 RM'000 |
|---|----------------|----------------|
| Group | | |
| (Loss)/profit before tax | (2,323,589) | 385,248 |
| Taxation at Malaysian statutory tax rate of 24% (2017: 24%) | (557,661) | 92,460 |
| Effect of taxation at Malaysian petroleum income tax rate of 38% (2017: 38%) | 25,145 | 43,710 |
| Effect of different tax rates in other countries and jurisdictions | 35,743 | 67,132 |
| Effect of income not subject to tax | (82,831) | (514,203) |
| Effect of double deduction of expenses and tax incentive | (6,397) | (16,335) |
| Effect of expenses not deductible for tax purposes | 787,892 | 749,983 |
| Effect of share of results of associates and joint ventures | (47,974) | (119,226) |
| Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (4,867) | (138,392) |
| Deferred tax assets not recognised in respect of tax losses and unabsorbed capital allowances | 62,916 | 58,398 |
| Over provided of deferred tax in prior years | (13,258) | (6,163) |
| Over provided of statutory tax in prior years | (17,482) | (38,280) |
| Income tax expense for the year | 181,226 | 179,084 |
| Company | | |
| (Loss)/profit before tax | (306,463) | 279,728 |
| Taxation at Malaysian statutory tax rate of 24% (2017: 24%) | (73,551) | 67,135 |
| Effect of income not subject to tax | (101,687) | (96,000) |
| Effect of expenses not deductible for tax purposes | 181,855 | 23,154 |
| Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (4,731) | (6,753) |
| Under provided of statutory tax in prior year | - | 892 |
| Under provided of deferred tax in prior year | 1,441 | 15,250 |
| Income tax expense for the year | 3,327 | 3,678 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

12. (LOSS)/EARNINGS PER SHARE

Basic/Diluted (loss)/earnings per share are calculated by dividing (loss)/profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, as follows:

| | Group | |
|--|--------------|-------------|
| | 2018 | 2017 |
| In respect of financial year: | | |
| (Loss)/profit for the year attributable to owners of the Parent (RM'000) | (2,503,473) | 208,316 |
| Weighted average number of ordinary shares in issue ('000) * | 5,946,662 | 5,950,838 |
| Basic/Diluted (loss)/earnings per share (sen) | (42.10) | 3.50 |

* 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 | |
|---|--------------------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Recognised during the financial year: | | |
| Dividends on ordinary shares: | | |
| In respect of the 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 | - |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

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 2018 | | | | | | | | |
| Cost | | | | | | | | |
| At 1 February 2017 | 4,568 | 514,002 | 5,380,666 | 13,231,708 | 29,349 | 352,361 | 1,475,005 | 20,987,659 |
| Additions | - | 1,343 | 552,993 | 204,491 | 71 | 27,923 | 45,784 | 832,605 |
| Disposals | - | - | - | (248,509) | - | (3,889) | - | (252,398) |
| Write-off | - | - | (15,385) | (48,537) | - | (1,406) | - | (65,328) |
| Reclassification/transfer | - | - | 102,960 | - | - | - | (102,960) | - |
| Exchange differences | - | - | (603,073) | (1,593,181) | - | (40,421) | (134,396) | (2,371,071) |
| At 31 January 2018 | 4,568 | 515,345 | 5,418,161 | 11,545,972 | 29,420 | 334,568 | 1,283,433 | 19,131,467 |
| Accumulated depreciation and impairment | | | | | | | | |
| At 1 February 2017 | - | 82,601 | 1,394,194 | 3,929,026 | 21,853 | 259,055 | 160,898 | 5,847,627 |
| Depreciation charge for the year (Note 8) | - | 8,719 | 203,864 | 585,097 | 2,876 | 42,244 | - | 842,800 |
| Impairment (Note 6) | - | - | 70,121 | 1,672,595 | - | - | 389,577 | 2,132,293 |
| Disposals | - | - | - | (248,509) | - | (3,889) | - | (252,398) |
| Write-off | - | - | (15,276) | (48,537) | - | (1,404) | - | (65,217) |
| Exchange differences | - | - | (198,971) | (602,361) | - | (27,039) | - | (828,371) |
| At 31 January 2018 | - | 91,320 | 1,453,932 | 5,287,311 | 24,729 | 268,967 | 550,475 | 7,676,734 |
| Net carrying amount | | | | | | | | |
| At 31 January 2018 | 4,568 | 424,025 | 3,964,229 | 6,258,661 | 4,691 | 65,601 | 732,958 | 11,454,733 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

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 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 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

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

| Company | Equipment, furniture and motor vehicles RM'000 |
|---|--|
| At 31 January 2018 | |
| Cost | |
| At 1 February 2017 | 72,780 |
| Additions | 14,238 |
| Disposal | (371) |
| At 31 January 2018 | 86,647 |
| Accumulated depreciation | |
| At 1 February 2017 | 53,093 |
| Depreciation charge for the year (Note 8) | 12,227 |
| Disposal | (371) |
| At 31 January 2018 | 64,949 |
| Net carrying amount | |
| At 31 January 2018 | 21,698 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

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

- (a) 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 RM2,132.3 million (2017: RM283.9 million) as disclosed in Note 6 to the financial statements.

Included in the total impairment is an impairment loss of RM2,062.2 million on 12 tender assisted drilling rigs (including a rig under construction) with a recoverable amount of RM4,836.7 million based on value-in-use. In determining the value-in-use of these assets, the future cash flows were discounted at a post-tax rate of 9.0% (2017: 9.0%).

Included in the total impairment is an impairment loss of RM70.1 million on 6 vessels with recoverable amounts of RM559.1 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 39(c).

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

| | Group | | Company | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Motor vehicles | 356 | 1,022 | 356 | 597 |
| Plant and machinery | 17,024 | 18,741 | - | - |
| | 17,380 | 19,763 | 356 | 597 |

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 30.

- (c) The amount of borrowing costs capitalised in property, plant and equipment during the year is:

| | Group | |
|--------------------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Borrowing costs capitalised (Note 7) | 4,980 | 12,727 |

- (d) Included in the Group's accumulated depreciation and impairment losses of property, plant and equipment are impairment losses carried forward of RM3,019.9 million (2017: RM887.6 million).

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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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 2018 | | | |
| Cost | | | |
| At 1 February 2017 | 4,336,002 | 4,013,362 | 8,349,364 |
| Additions [^] | 342,012 | 2,390 | 344,402 |
| Change in decommissioning liabilities (Note 33) | (67,035) | - | (67,035) |
| Cessation of Berantai RSC [*] | (1,291,734) | - | (1,291,734) |
| Write-off (Note 8) | - | (2,195) | (2,195) |
| Reclassification | 1,558,409 | (1,558,409) | - |
| Exchange differences | (525,986) | (351,683) | (877,669) |
| At 31 January 2018 | 4,351,668 | 2,103,465 | 6,455,133 |
| Accumulated depletion, depreciation and amortisation/impairment | | | |
| At 1 February 2017 | 3,138,837 | 811,672 | 3,950,509 |
| Charge for the year (Note 8) | 203,695 | - | 203,695 |
| Cessation of Berantai RSC [*] | (1,291,734) | - | (1,291,734) |
| Reclassification | 438,863 | (438,863) | - |
| Exchange differences | (284,866) | (60,517) | (345,383) |
| At 31 January 2018 | 2,204,795 | 312,292 | 2,517,087 |
| Net carrying amount | | | |
| At 31 January 2018 | 2,146,873 | 1,791,173 | 3,938,046 |

[^] Included in the additions are employee benefits expense capitalised amounting to RM16.1 million (2017: RM35.9 million) and addition in provision for asset retirement obligations of RM40.5 million (2017: RM nil) as disclosed in Note 9 and Note 33 respectively.

^{*} Relates to the disposal of oil and gas properties upon cessation of the Berantai RSC. In prior year, the carrying amount of expenditure on oil and gas properties in relation to Berantai RSC became nil, post acceleration of amortisation of expenditure on oil and gas properties.

⁺ In the current financial year, the Group has completed its first gas development project for SK310 B15 field.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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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 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 33) | 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 |
| Charge for the year (Note 8) | 843,253 | - | 843,253 |
| (Reversal of impairment)/impairment during the year (Note 6) | (399,618) | 398,420 | (1,198) |
| 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 accumulated depletion, depreciation and amortisation/impairment of expenditure on oil and gas properties are impairment losses carried forward of RM1,451.0 million (2017: RM1,451.0 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 Petrolinam 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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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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

| | 2018 RM'000 | 2017 RM'000 |
|--------------------------------------|----------------|----------------|
| Provision for impairment | - | 398,420 |
| Reversal of provision for impairment | - | (399,618) |
| Net reversal of impairment (Note 6) | - | (1,198) |

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.

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.

In the previous financial year, 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 Contract

- (i) Expenditure on 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 SEB Energy Sdn. Bhd. (formerly known as Kencana Energy Sdn. Bhd.) and 50% by Petrofac Energy Developments Sdn. Bhd. (collectively known as "Contractors").

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

- (ii) In the previous financial year, the Company announced that its wholly-owned subsidiaries, Sapura Energy Ventures Sdn. Bhd. and SEB Energy Sdn. Bhd. (formerly known as Kencana Energy Sdn. Bhd.) and their partner, Petrofac Energy Developments Sdn. Bhd., had 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 has reimbursed all outstanding capital and operational expenditures to the Contractors.

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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 2018 | | | | | | |
| Cost | | | | | | |
| At 1 February 2017 | 38,455 | 2,053 | 24,180 | 117,317 | 8,443,539 | 8,625,544 |
| Exchange differences | (3,667) | - | (3,059) | (11,885) | (544,425) | (563,036) |
| At 31 January 2018 | 34,788 | 2,053 | 21,121 | 105,432 | 7,899,114 | 8,062,508 |
| Accumulated amortisation | | | | | | |
| At 1 February 2017 | 37,082 | 1,913 | 7,507 | 95,512 | - | 142,014 |
| Charge for the year (Note 8) | 849 | 140 | 2,128 | 12,367 | - | 15,484 |
| Exchange differences | (3,143) | - | (1,181) | (9,546) | - | (13,870) |
| At 31 January 2018 | 34,788 | 2,053 | 8,454 | 98,333 | - | 143,628 |
| Net carrying amount | | | | | | |
| At 31 January 2018 | - | - | 12,667 | 7,099 | 7,899,114 | 7,918,880 |
| 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 |

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FINANCIAL STATEMENTS (cont'd.)

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16. INTANGIBLE ASSETS (CONT'D.)**Impairment tests for goodwill****Allocation of goodwill**

Goodwill has been allocated to the Group's Cash-Generating Units ("CGU") identified according to business segments as follows:

| | Group | |
|------------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Engineering and Construction | 4,077,395 | 4,128,395 |
| Drilling | 3,821,719 | 4,315,144 |
| | 7,899,114 | 8,443,539 |

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 10-year period for drilling CGU which reflect the industry cycle and for the E&C CGU a 5-year period cash flow was used.

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 3% to 32% and for Drilling is ranging from -36% to 49%.

The revenue growth is based on order book, a percentage on bid book and management expectations of the day rates and utilisation rates.

(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% (2017: 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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17. INVESTMENT IN SUBSIDIARIES

| | Group | |
|-------------------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Cost of investment | 10,309,415 | 9,119,415 |
| Less: Accumulated impairment losses | (343,353) | (6,878) |
| | 9,966,062 | 9,112,537 |

The details of the subsidiaries are set out in Note 42.

During the financial year, the Company increased its investment in certain subsidiaries amounting to RM1,190.0 million by way of capitalisation of amount due from its subsidiaries.

The Company also made an impairment loss on its investment in certain subsidiaries of RM336.5 million (2017: RM nil) in the current financial year. The Company recognised impairment losses after applying the value-in-use method on 5-year cash flow projections discounted at a post tax rate of 9%.

18. INVESTMENT IN ASSOCIATES

| | Group | |
|------------------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Unquoted shares, at cost | 27,765 | 27,765 |
| Share of post-acquisition reserves | (5,930) | (4,723) |
| | 21,835 | 23,042 |

08 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:

| | | | Proportion of Ownership Interest | |
|---|--------------------------|--|----------------------------------|--------|
| Name of Company | Country of Incorporation | Principal Activities | 2018 % | 2017 % |
| (a) Held through Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology Sdn. Bhd.) | | | | |
| Geowell Sdn. Bhd. | Malaysia | Wireline and well completion services | 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 Sapura Engineering Sdn. Bhd. (formerly known as SapuraKencana Engineering Sdn. Bhd.) | | | | |
| Best Wide Engineering (M) Sdn. Bhd. | Malaysia | Engineering services and fabrication of oil and gas skids and modules | 30 | 30 |
| Matrix Maintenance Sdn. Bhd. | Malaysia | Maintenance services for oil, gas, petrochemical and general industries | 30 | 30 |

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 2018.

Aggregate information of associates that are not individually material:

| | 2018 RM'000 | 2017 RM'000 |
|--|-------------|-------------|
| Share of (loss)/profit before tax | (1,207) | 11,509 |
| Share of total comprehensive (loss)/income | (1,207) | 11,509 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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19. INVESTMENT IN JOINT VENTURES

| | Group | |
|--|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Unquoted shares, at cost | 196,211 | 196,753 |
| Share of post-acquisition reserves | 801,083 | 1,062,828 |
| | 997,294 | 1,259,581 |
| Shareholders' advances to joint ventures | 538,377 | 575,986 |
| | 1,535,671 | 1,835,567 |

The shareholders' advances are unsecured, not due within twelve months, non-interest bearing and treated as deemed investment.

Details of the joint ventures are as follows:

| | | | Proportion of Ownership Interest | |
|---|---------------------------------------|--|----------------------------------|--------|
| Name of Company | Country of Incorporation | Principal Activities | 2018 % | 2017 % |
| (a) Held through Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.) | | | | |
| Uzmal Oil Inc. | Uzbekistan | Oilfield production | | |
| (b) Held through Sapura Nautical Essence Sdn. Bhd. (formerly known as SapuraKencana Nautical Essence Sdn. Bhd.) | | | | |
| SapuraAcergy Sdn. Bhd. | Malaysia | Management and operation of vessel and provision of offshore related works | | |
| SapuraAcergy Assets Pte. Ltd. | Federal Territory of Labuan, Malaysia | Leasing of vessels and operational equipment | | |
| (c) Held through SapuraAcergy Sdn. Bhd. | | | | |
| # SapuraAcergy (Australia) Pty. Ltd. | Australia | Management and operation of vessel and provision of offshore related works | | |

In the process of voluntary liquidation

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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 | |
|---|---------------------------------------|--|----------------------------------|--------|
| | | | 2018 % | 2017 % |
| (d) Held through Sapura Nautical Power Pte. Ltd. (formerly known as SapuraKencana Nautical Power Pte. Ltd.) | | | | |
| L&T Sapura Shipping Private Limited | India | Vessel owner and chartering | 40 | 40 |
| L&T Sapura Offshore Private Limited | 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 |
| (f) Held through Sapura Engineering Sdn. Bhd. (formerly known as SapuraKencana Engineering Sdn. Bhd.) | | | | |
| ^ Best Wide MCCS Sdn. Bhd. | Malaysia | Dormant | - | 50 |
| (g) Held through Sapura Offshore Sdn. Bhd. (formerly known as 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 Marítima 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 |

* Dissolved on 14 May 2017

^ Struck off with effect from 16 June 2017

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

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 | |
|--|--------------------------|--|----------------------------------|--------|
| | | | 2018 % | 2017 % |
| (j) Held through Seabras Sapura PLSV Holding GmbH (cont'd.) | | | | |
| 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 |
| (l) Held through Sapura Navegação Marítima S.A. | | | | |
| Let's Log Serviços Intergrados de Logística Ltda. | Brazil | Management of general warehouses and deposits | 50 | 50 |
| (m) Held through Sapura Services Sdn. Bhd. (formerly known as SapuraKencana Services Sdn. Bhd.) | | | | |
| Sapura GE Oil & Gas Services Sdn. Bhd. (formerly known as SapuraKencana GE Oil & Gas Services Sdn. Bhd.) | Malaysia | Provision of repair and maintenance services & sales of parts to the energy sector | 51 | 51 |

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NOTES TO THE
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19. INVESTMENT IN JOINT VENTURES (CONT'D.)

The annual 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 Private Limited | 31 March |
| (ii) L&T Sapura Offshore Private Limited | 31 March |
| (iii) Berantai Floating Production Limited | 31 December |
| (iv) Best Wide M CCS 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 Marítima 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 end and 31 January 2018.

Information relating to the joint ventures:

- (a) In the previous financial year, the Company announced that through its wholly-owned subsidiaries, Sapura Energy Ventures Sdn. Bhd. and SEB Energy Sdn. Bhd. (formerly known as Kencana Energy Sdn. Bhd.) and their partner, Petrofac Energy Developments Sdn. Bhd., had reached a mutual agreement with PETRONAS for the cessation of the Berantai RSC. Further details are disclosed in Note 15(b)(ii).

Following the cessation of Berantai RSC, Berantai Floating Production Limited was also dissolved on 14 May 2017 in accordance to the Labuan Companies Act 1990.

A gain of RM52.8 million relating to realisation of the cumulative exchange difference arising from foreign currency translation of the investment in this joint venture has been recognised in the income statement.

- (b) On 17 October 2017, the Company and Subsea 7 S.A have mutually agreed to discontinue three joint ventures namely SapuraAcergy Sdn. Bhd., SapuraAcergy Assets Pte. Ltd. and SapuraAcergy (Australia) Pty. Ltd..

On that date, Sapura 3000 (which was previously owned by SapuraAcergy Assets Pte. Ltd.) has been disposed to a wholly-owned subsidiary of the Company, Sapura 3000 Pte. Ltd. (formerly known as SapuraKencana 3500 Pte. Ltd.) for RM592.2 million (USD140.0 million).

On 2 February 2018, SapuraAcergy (Australia) Pty. Ltd. has been placed under voluntary liquidation.

A gain of RM136.5 million relating to realisation of the cumulative exchange difference arising from foreign currency translation of the investment in these joint ventures have been recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

Information relating to the joint ventures (cont'd.):

- (c) 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 comprise of SapuraAcergy Sdn. Bhd. and its subsidiaries, SapuraAcergy Assets Pte. Ltd., Seabras Sapura Holding, GmbH and its subsidiary and Seabras Sapura Participações S.A. and its subsidiaries, whilst Exploration and Production ("E&P") (previously referred to as Energy Segment) comprised 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:

| | 2018 | | 2017 | |
|--|---------------|----------------|---------------|---------------|
| | E&C RM'000 | E&P* RM'000 | E&C RM'000 | E&P RM'000 |
| Cash and cash equivalents [^] | 1,181,873 | - | 1,566,825 | 1,952 |
| Other current assets | 512,656 | - | 571,702 | 10 |
| Total current assets | 1,694,529 | - | 2,138,527 | 1,962 |
| Non-current assets | | | | |
| Cash and cash equivalents [^] | 432,547 | - | 474,058 | - |
| Other non-current assets | 6,423,227 | - | 8,267,985 | - |
| Total assets | 8,550,303 | - | 10,880,570 | 1,962 |
| Borrowings # | 534,156 | - | 610,899 | - |
| Other current liabilities | 2,343,481 | - | 2,850,216 | 412 |
| Total current liabilities | 2,877,637 | - | 3,461,115 | 412 |
| Borrowings # | 3,911,225 | - | 5,107,222 | - |
| Other non-current liabilities | 27,889 | - | 36,167 | - |
| Total liabilities | 6,816,751 | - | 8,604,504 | 412 |
| Net assets | 1,733,552 | - | 2,276,066 | 1,550 |
| Interest in joint ventures | 50% | - | 50% | 49% |
| Carrying value of interest in joint ventures | 866,776 | - | 1,138,033 | 760 |
| Shareholders' advances | 538,376 | - | 554,966 | - |
| Net carrying value of interest in joint ventures | 1,405,152 | - | 1,692,999 | 760 |
| Dividends paid during the year to the Group | (423,695) | - | - | (449,479) |

[^] Included in the cash and cash equivalents of E&C are RM1,287.0 million (2017: RM775.9 million), pledged as security over the borrowings as at 31 January 2018.

* Following the cessation of Berantai RSC, Berantai Floating Production Limited was also dissolved on 14 May 2017 in accordance to the Labuan Companies Act 1990.

The borrowings are secured by the joint ventures' vessels.

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FINANCIAL STATEMENTS (cont'd.)

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

Information relating to the joint ventures (cont'd.):

(c) (cont'd.)

(ii) Summarised statements of comprehensive income:

| | 2018 | | 2017 | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | E&C RM'000 | E&P RM'000 | E&C RM'000 | E&P RM'000 |
| Revenue | 2,265,469 | - | 2,242,102 | - |
| Other income | - | 3,894 | - | 171,099 |
| Depreciation and amortisation | (360,180) | - | (336,323) | - |
| Interest income | 42,777 | - | 17,851 | 141,256 |
| Interest expense | (312,867) | - | (307,046) | (35,703) |
| Other expenses | (1,056,471) | - | (1,016,515) | (10,619) |
| Profit before tax | 578,728 | 3,894 | 600,069 | 266,033 |
| Income tax expense | (85,245) | - | (1,339) | (21) |
| Profit after tax | 493,483 | 3,894 | 598,730 | 266,012 |
| Other comprehensive (loss)/income | (231,005) | (5,446) | 321,963 | (8,783) |
| Total comprehensive income | 262,478 | (1,552) | 920,693 | 257,229 |

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

| | 2018 RM'000 | 2017 RM'000 |
|--|----------------|----------------|
| Carrying value of interest in joint ventures | 130,519 | 141,808 |
| Share of profit after tax | 7,535 | 13,722 |
| Share of total comprehensive (loss)/income | (15,823) | 13,722 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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20. DEFERRED TAX

| | Group | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| At 1 February 2017/2016 | 1,061,113 | 1,058,142 | (37,597) | (39,464) |
| Recognised in the income statement (Note 11) | (11,033) | (24,975) | - | 1,867 |
| Exchange differences | (130,044) | 27,946 | - | - |
| At 31 January | 920,036 | 1,061,113 | (37,597) | (37,597) |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (103,690) | (221,571) | (37,597) | (37,597) |
| Deferred tax liabilities | 1,023,726 | 1,282,684 | - | - |
| | 920,036 | 1,061,113 | (37,597) | (37,597) |

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 2017 | 1,281,595 | 20,348 | 1,301,943 |
| Recognised in the income statement | (56,516) | (13,260) | (69,776) |
| Exchange differences | (134,336) | (1,893) | (136,229) |
| At 31 January 2018 | 1,090,743 | 5,195 | 1,095,938 |
| At 1 February 2016 | 1,256,722 | 43,122 | 1,299,844 |
| Recognised in the income statement | (10,666) | (22,952) | (33,618) |
| Exchange differences | 35,539 | 178 | 35,717 |
| At 31 January 2017 | 1,281,595 | 20,348 | 1,301,943 |

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NOTES TO THE
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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 2017 | (209,497) | (25,697) | (5,636) | (240,830) |
| Recognised in the income statement | 61,536 | (1,039) | (1,754) | 58,743 |
| Exchange differences | 4,129 | 1,850 | 206 | 6,185 |
| At 31 January 2018 | (143,832) | (24,886) | (7,184) | (175,902) |
| At 1 February 2016 | (211,950) | (21,990) | (7,762) | (241,702) |
| Recognised in the income statement | 9,937 | (3,520) | 2,226 | 8,643 |
| Exchange differences | (7,484) | (187) | (100) | (7,771) |
| At 31 January 2017 | (209,497) | (25,697) | (5,636) | (240,830) |

Deferred tax liabilities of the Company:

| | Accelerated capital allowances RM'000 |
|------------------------------------|--|
| At 1 February 2017/31 January 2018 | 1,604 |
| At 1 February 2016 | 4,210 |
| Recognised in the income statement | (2,606) |
| At 31 January 2017 | 1,604 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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20. DEFERRED TAX (CONT'D.)

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 2017/31 January 2018 | (410) | (38,791) | (39,201) |
| 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) |

During the financial year, the unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences of the Group amounted to RM1,287.3 million (2017: RM1,045.4 million).

Deferred tax assets have not been recognised in respect of these items 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 | |
|----------------------------------|-------------|-------------|
| | 2018 RM'000 | 2017 RM'000 |
| At cost | | |
| Consumable, materials and spares | 361,164 | 438,702 |
| Work-in-progress | 1,764 | 2,013 |
| Crude oil | 13,627 | 17,768 |
| | 376,555 | 458,483 |

The cost of inventories recognised as an expense during the financial year amounted to RM490.0 million (2017: RM646.4 million).

During the year, the Group has written off its inventories totalling RM24.6 million (2017: RM5.4 million).

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22. AMOUNT DUE FROM SUBSIDIARIES

| | Company | |
|--------------------------------|----------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Non-current assets | | |
| Amount due from subsidiaries | 302,347 | 108,102 |
| Current assets | | |
| Amount due from subsidiaries | 1,063,383 | 1,878,964 |
| Less: Provision for impairment | (448,905) | (171,295) |
| | 614,478 | 1,707,669 |

Amount due from subsidiaries are unsecured, interest free and repayable on demand except for RM121.0 million (2017: RM323.0 million) which is subject to interest rates ranging from 5.12% to 8.00% (2017: 4.09% to 8.00%) per annum.

The Company made an impairment loss on amount due from its subsidiaries of RM277.6 million (2017: RM nil) in the current financial year.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks are disclosed in Note 38.

23. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|----------------------------|---------------|---------------|----------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current assets | | | | |
| Trade receivables | | | | |
| Retention sums | 28,407 | 31,493 | - | - |
| Deferred mobilisation cost | 2,130 | 7,636 | - | - |
| | 30,537 | 39,129 | - | - |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

| | Group | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Current assets | | | | |
| Trade receivables | | | | |
| Third parties | 926,700 | 1,566,840 | - | - |
| Deferred mobilisation cost | 4,958 | 37,866 | - | - |
| Retention sums | 5,317 | 15,386 | - | - |
| | 936,975 | 1,620,092 | - | - |
| Less: Provision for impairment Third parties | (34,446) | (30,328) | - | - |
| | 902,529 | 1,589,764 | - | - |
| Construction contracts: | | | | |
| Due from customers on contracts (Note 24) | 639,551 | 351,844 | - | - |
| Trade receivables, net | 1,542,080 | 1,941,608 | - | - |
| Other receivables | | | | |
| Amount due from: | | | | |
| Related parties | 542 | 541 | 316 | 315 |
| Joint ventures and associates | 433,430 | 394,152 | 3,836 | 4,001 |
| Joint venture partners | 167,568 | 230,930 | - | - |
| | 601,540 | 625,623 | 4,152 | 4,316 |
| Deposits and prepayments | 91,585 | 112,995 | 4,722 | 9,264 |
| Sundry receivables | 294,906 | 554,218 | 9,011 | 8,748 |
| Other receivables, net | 386,491 | 667,213 | 13,733 | 18,012 |
| Total current trade and other receivables | 2,530,111 | 3,234,444 | 17,885 | 22,328 |

(a) Trade receivables

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 120 days (2017: 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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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23. TRADE AND OTHER RECEIVABLES (CONT'D.)**(a) Trade receivables (cont'd.)**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:

| | 2018 RM'000 | 2017 RM'000 |
|--|----------------|----------------|
| Neither past due nor impaired | 576,185 | 515,844 |
| 1 to 30 days past due not impaired | 172,733 | 445,335 |
| 31 to 60 days past due not impaired | 47,288 | 129,559 |
| 61 to 90 days past due not impaired | 31,055 | 74,287 |
| 91 to 120 days past due not impaired | 13,884 | 109,854 |
| More than 121 days past due not impaired | 84,833 | 308,512 |
| | 349,793 | 1,067,547 |
| Impaired | 34,446 | 30,328 |
| | 960,424 | 1,613,719 |

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 RM33.7 million (2017: RM46.9 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 RM349.8 million (2017: RM1,067.5 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

(a) Trade receivables (cont'd.)

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 | |
|-------------------------------------|--------------------------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Trade receivables - nominal amounts | 34,446 | 30,328 |
| Less: Provision for impairment | (34,446) | (30,328) |
| | - | - |

Movement in provision accounts:

| | Group | |
|-------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| At 1 February 2017/2016 | 30,328 | 45,826 |
| Exchange differences | 4,118 | (15,498) |
| At 31 January | 34,446 | 30,328 |

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 previous financial year's sundry receivables was 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 RM196.5 million (2017: RM126.8 million) provided to joint ventures, L&T Sapura Shipping Private Limited, Seabras Sapura Participações S.A. and its subsidiaries which is subject to interest rates ranging from 3.0% to 3.4% (2017: 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 and construction activities, which are unsecured, repayable on demand and interest free.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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24. DUE FROM CUSTOMERS ON CONTRACTS

| | Group | |
|--|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Construction contract costs incurred and recognised profit to date * | 6,214,922 | 7,556,709 |
| Less: Progress billings | (5,683,062) | (7,401,788) |
| | 531,860 | 154,921 |
| Presented as: | | |
| Due from customers on contracts (Note 23) | 639,551 | 351,844 |
| Due to customers on contracts (Note 32) | (107,691) | (196,923) |
| | 531,860 | 154,921 |

* Included in construction contract cost incurred and recognised profit to date is a total of RM3,699.1 million (2017: RM3,086.8 million) which relates to projects completed but not fully billed.

Correspondingly, the progress billings related to these projects amount to RM3,325.0 million (2017: RM3,172.8 million).

25. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Cash on hand and at banks | 1,405,696 | 1,881,698 | 31,626 | 25,800 |
| Deposits with licensed banks | 310,539 | 1,637,811 | - | - |
| Cash and cash equivalents | 1,716,235 | 3,519,509 | 31,626 | 25,800 |

Other information on financial risks of cash and cash equivalents are disclosed in Note 38.

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

| | Group | |
|-------------------|--------------|-------------|
| | 2018 | 2017 |
| Interest rate (%) | 0.40 - 5.32 | 0.40 - 4.92 |
| Maturities (days) | 1 - 90 | 1 - 90 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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26. SHARE CAPITAL

| | Group and Company | | | |
|--|-------------------|--------------|----------------|----------------|
| | Number of shares | | Amount | |
| | 2018 '000 | 2017 '000 | 2018 RM'000 | 2017 RM'000 |
| Issued and fully paid: | | | | |
| Ordinary shares | | | | |
| At 1 February 2017/2016 | 5,992,155 | 5,992,155 | 8,066,410 | 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 | 8,066,410 |

The holders of ordinary shares (except for shares held under trust as disclosed in Note 27) 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.

In the previous year, the balance of share premium has been transferred to share capital under the new requirement of the Companies Act 2016.

27. SHARES HELD UNDER TRUST

| | Group and Company | | | |
|-----------------------------|-------------------|--------------|----------------|----------------|
| | Number of shares | | Amount | |
| | 2018 '000 | 2017 '000 | 2018 RM'000 | 2017 RM'000 |
| At 1 February 2017/ 2016 | 29,404 | 20,358 | 93,304 | 80,000 |
| Purchased during the year | 26,502 | 48,983 | 46,000 | 80,000 |
| Transferred during the year | (16,028) | (39,937) | (24,362) | (66,696) |
| At 31 January | 39,878 | 29,404 | 114,942 | 93,304 |

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 amounts charged during the year to the Group's and the Company's employee benefits expense are RM64.3 million (2017: RM66.7 million) and RM37.2 million (2017: RM37.7 million) respectively, as included in Note 9.

The amounts charged during the year for key management personnel of the Group and of the Company are RM44.8 million (2017: RM47.4 million) and RM35.4 million (2017: RM36.0 million) respectively, as included in Note 37(b).

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

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27. SHARES HELD UNDER TRUST (CONT'D.)

In the current financial year, the trustee appointed by the Company purchased 26,502,000 units (2017: 48,983,000 units) of its issued ordinary shares from the open market at an average price of RM1.74 per share (2017: RM1.63 per share) for the purpose of the share bonus scheme in relation to LTIP.

During the year, these shares of 16,028,000 units (2017: 39,937,250 units), at an average price of RM1.52 per share (2017: RM1.67 per share), were transferred 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.

28. OTHER RESERVES

| | Group | |
|---|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Foreign currency translation reserve | 1,434,149 | 2,448,715 |
| Hedge reserve | (42,519) | (15,672) |
| Merger reserve | 51,989 | 51,989 |
| | 1,443,619 | 2,485,032 |
| The movements in the reserves are as follows: | | |
| Foreign currency translation reserve | | |
| At 1 February 2017/2016 | 2,448,715 | 1,805,251 |
| Transfer of exchange differences arising upon dissolution of joint ventures to profit or loss | (189,265) | - |
| Exchange differences on translation of foreign subsidiaries, joint ventures and associates | (825,301) | 643,464 |
| At 31 January | 1,434,149 | 2,448,715 |
| Hedge reserve | | |
| At 1 February 2017/2016 | (15,672) | (52,134) |
| Changes in fair value of derivatives held by a subsidiary and joint ventures | 307,571 | 36,462 |
| Foreign exchange loss on hedge items | (334,418) | - |
| At 31 January | (42,519) | (15,672) |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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28. OTHER RESERVES (CONT'D.)

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.

In the current financial year, a gain of RM189.3 million relating to realisation of the cumulative exchange difference arising from foreign currency translation of the investment in joint ventures have been recognised in the income statements.

(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 Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.) in previous years.

The difference between the recorded carrying value of the investment in Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.) (that is the value of the shares of the Company issued as consideration) and the value of Sapura Probadi Sdn. Bhd. shares transferred to the Company had been reflected within equity as merger reserve in the consolidated financial statements.

29. BORROWINGS

| | Group | |
|---|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Short term borrowings | | |
| Secured: | | |
| Hire purchase and finance lease liabilities (Note 30) | 6,134 | 8,740 |
| Unsecured: | | |
| Revolving credits | 1,714,681 | 1,183,742 |
| Term loans | 1,386 | 1,845,122 |
| Islamic Facility | - | 468,135 |
| Bank overdrafts | - | 5,311 |
| | 1,716,067 | 3,502,310 |
| | 1,722,201 | 3,511,050 |

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29. BORROWINGS (CONT'D.)

| | Group | |
|--|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Long term borrowings | | |
| Secured: | | |
| Hire purchase and finance lease liabilities (Note 30) | 287 | 6,634 |
| Unsecured: | | |
| Term loans | 6,820,682 | 8,473,926 |
| Islamic Facility | 3,403,489 | 5,600,300 |
| Sukuk Programme | 4,468,496 | 1,055,107 |
| | 14,692,667 | 15,129,333 |
| | 14,692,954 | 15,135,967 |
| Total borrowings | | |
| Term loans | 6,822,068 | 10,319,048 |
| Islamic Facility | 3,403,489 | 6,068,435 |
| Revolving credits | 1,714,681 | 1,183,742 |
| Sukuk Programme | 4,468,496 | 1,055,107 |
| Hire purchase and finance lease liabilities (Note 30) | 6,421 | 15,374 |
| Bank overdrafts | - | 5,311 |
| | 16,415,155 | 18,647,017 |
| Maturity of borrowings (excluding hire purchase and finance lease liabilities): | | |
| Within one year | 1,716,067 | 3,502,310 |
| More than 1 year and less than 2 years | 2,710,988 | 2,692,913 |
| More than 2 years and less than 5 years | 7,579,128 | 9,894,217 |
| More than 5 years | 4,402,551 | 2,542,203 |
| | 16,408,734 | 18,631,643 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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29. BORROWINGS (CONT'D.)

| | Company | |
|---|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Short term borrowings | | |
| Secured: | | |
| Hire purchase and finance lease liabilities (Note 30) | 147 | 224 |
| Long term borrowings | | |
| Secured: | | |
| Hire purchase and finance lease liabilities (Note 30) | 177 | 290 |
| Total borrowings | | |
| Hire purchase and finance lease liabilities (Note 30) | 324 | 514 |

- (a) The range of the interest rates (per annum) during the financial year for borrowings, excluding hire purchase and finance lease liabilities was as follows:

| | Group | |
|--|--------------|--------------|
| | 2018 % | 2017 % |
| Term loans, Islamic Facility and Sukuk Programme | 3.33 to 6.53 | 3.09 to 6.40 |
| Revolving credits | 2.27 to 4.95 | 1.93 to 4.66 |

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NOTES TO THE
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29. BORROWINGS (CONT'D.)

(b) Included in the Group's borrowings are foreign denominated borrowings as follows:

| | Short term borrowings | | Long term borrowings | | Total borrowings | |
|------------------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Foreign denomination | RM denomination | Foreign denomination | RM denomination | Foreign denomination | RM denomination |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| As at 31 January 2018 | | | | | | |
| Secured | | | | | | |
| Hire purchase | 1,055 | 5,079 | 110 | 177 | 1,165 | 5,256 |
| Unsecured | | | | | | |
| Revolving credits | 762,581 | 952,100 | - | - | 762,581 | 952,100 |
| Term loans | 1,386 | - | 6,820,682 | - | 6,822,068 | - |
| Islamic Facility | - | - | 1,534,595 | 1,868,894 | 1,534,595 | 1,868,894 |
| Sukuk Programme | - | - | 1,066,067 | 3,402,429 | 1,066,067 | 3,402,429 |
| | 765,022 | 957,179 | 9,421,454 | 5,271,500 | 10,186,476 | 6,228,679 |
| Total | | 1,722,201 | | 14,692,954 | | 16,415,155 |
| As at 31 January 2017 | | | | | | |
| Secured | | | | | | |
| Hire purchase | 2,476 | 6,264 | 1,097 | 5,537 | 3,573 | 11,801 |
| Unsecured | | | | | | |
| Revolving credits | 1,057,240 | 126,502 | - | - | 1,057,240 | 126,502 |
| Term loans | 1,845,122 | - | 8,473,926 | - | 10,319,048 | - |
| Islamic Facility | 226,174 | 241,961 | 2,704,102 | 2,896,198 | 2,930,276 | 3,138,159 |
| Sukuk Programme | - | - | 882,400 | 172,707 | 882,400 | 172,707 |
| Bank overdrafts | 5,311 | - | - | - | 5,311 | - |
| | 3,136,323 | 374,727 | 12,061,525 | 3,074,442 | 15,197,848 | 3,449,169 |
| Total | | 3,511,050 | | 15,135,967 | | 18,647,017 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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29. BORROWINGS (CONT'D.)

- (c) Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statements of cash flows as cash flows from financing activities.

A reconciliation of liabilities arising from financing activities is as follows:

| | At 1.2.2017 | Net cash changes | Non-cash changes | | At 31.1.2018 |
|---|-------------------|---------------------|--|---------------------------------|-------------------|
| | | | Amortisation of borrowing cost ^ | Foreign exchange movement | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Borrowings* | 18,631,643 | (871,036) | 60,962 | (1,412,835) | 16,408,734 |
| Hire purchase and finance lease liabilities | 15,374 | (8,700) | - | (253) | 6,421 |
| Total | 18,647,017 | (879,736) | 60,962 | (1,413,088) | 16,415,155 |

* Term loans, revolving credits, Islamic Facility and Sukuk Programme

^ Charged to income statements

- (d) Other 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) 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.

- (ii) The key terms of the term loans, revolving credits, Islamic Facility and Sukuk Programme are as follows:

- Corporate guarantee from the Company and key subsidiaries;
- Negative pledge over existing assets including assets under construction;
- Debenture over STMC fixed and floating assets;
- First legal charge over certain bank accounts of the Company and STMC; and
- Compliance with the facilities' covenants.

Other information of financial risks are disclosed in Note 38.

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30. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Future minimum lease payments: | | | | |
| Not later than 1 year | 6,268 | 10,386 | 163 | 265 |
| Later than 1 year and not later than 2 years | 244 | 5,446 | 134 | 157 |
| Later than 2 years and not later than 5 years | 62 | 216 | 62 | 174 |
| Total future minimum lease payments | 6,574 | 16,048 | 359 | 596 |
| Less: Future finance charges | (153) | (674) | (35) | (82) |
| Present value of hire purchase and finance lease liabilities (Note 29) | 6,421 | 15,374 | 324 | 514 |
| Analysis of present value of hire purchase and finance lease liabilities: | | | | |
| Not later than 1 year | 6,134 | 8,740 | 147 | 224 |
| Later than 1 year and not later than 2 years | 231 | 6,593 | 121 | 140 |
| Later than 2 years and not later than 5 years | 56 | 41 | 56 | 150 |
| | 6,421 | 15,374 | 324 | 514 |
| Due within 12 months (Note 29) | (6,134) | (8,740) | (147) | (224) |
| Due after 12 months (Note 29) | 287 | 6,634 | 177 | 290 |

The Group's and the Company's hire purchase and finance lease liabilities bore effective interest rates ranging from 3% to 8% (2017: 3% to 8%) per annum.

31. AMOUNT DUE TO SUBSIDIARIES

| | Company | |
|------------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Current liabilities | | |
| Amount due to subsidiaries | 19,883 | 482,074 |
| Non-current liability | | |
| Amount due to a subsidiary | 2,000,483 | 1,097,550 |

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

Amount due to subsidiaries are unsecured, interest free and repayable on demand, except for a loan of RM2,000.5 million (2017: RM1,446.1 million) which is subject to interest rate of 2% (2017: 2%) per annum above the cost of funds and will mature on 11 March 2026.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks of amount due to subsidiaries are disclosed in Note 38.

32. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Non-current liabilities | | | | |
| Deferred consideration (Note 32(a)) | - | 332,213 | - | - |
| Other payables | 1,620 | 14,830 | - | - |
| | 1,620 | 347,043 | - | - |
| Current liabilities | | | | |
| Trade payables | | | | |
| Third parties | 1,110,715 | 1,305,610 | - | - |
| Construction contracts: | | | | |
| Due to customers on contracts (Note 24) | 107,691 | 196,923 | - | - |
| | 1,218,406 | 1,502,533 | - | - |
| Other payables | | | | |
| Staff costs | 287,860 | 357,941 | 223,831 | 262,904 |
| Accruals | 730,833 | 1,160,337 | 58,941 | 106,437 |
| Deferred consideration (Note 32(a)) | 292,087 | 265,770 | - | - |
| Sundry payables | 131,514 | 177,897 | 17,895 | 17,573 |
| | 1,442,294 | 1,961,945 | 300,667 | 386,914 |
| Amount due to: | | | | |
| Joint ventures | 84,712 | 75,677 | - | - |
| Joint venture partners | 49,574 | 223,339 | - | - |
| Related parties | 2,128 | 2,108 | - | - |
| | 136,414 | 301,124 | - | - |
| | 2,797,114 | 3,765,602 | 300,667 | 386,914 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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32. TRADE AND OTHER PAYABLES (CONT'D.)**(a) Deferred consideration**

The deferred consideration is payable to Seadrill Limited arising from the acquisition of the tender rig business and bears interest rate of LIBOR + 5%.

(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 (2017: 30 days to 90 days).

(c) 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 (2017: 7 days to 90 days).

(d) Amount due to joint ventures and related parties

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

(e) Amount due to joint venture partners

The amount due to joint venture partners is in relation to upstream oil and gas business, which are unsecured, repayable on demand and interest free.

33. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

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

| | Group | |
|--|---------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| At 1 February 2017/2016 | 280,344 | 235,935 |
| Addition (Note 15) | 40,495 | - |
| Changes in decommissioning liabilities (Note 15) | (67,035) | 83,626 |
| Payment during the year | (31,147) | (66,799) |
| Accretion expense (Note 7) | 30,042 | 32,784 |
| Exchange differences | (31,495) | (5,202) |
| At 31 January | 221,204 | 280,344 |
| Current liabilities | 25,086 | 28,377 |
| Non-current liabilities | 196,118 | 251,967 |
| | 221,204 | 280,344 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

The current provision for asset retirement obligations represents 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.

34. DERIVATIVES

The Group has entered into Islamic Cross-Currency Swap ("ICRCS") contracts with various banks to hedge part of the Group's borrowings.

Details of the derivatives outstanding at reporting date are as follows:

| | Group | | | |
|------------------------------------|--------------------------|--------------------------------|--------------------------|-------------------------------------|
| | 2018 | | 2017 | |
| | Notional Value RM'000 | Assets Fair Value RM'000 | Notional Value RM'000 | Liabilities Fair Value RM'000 |
| Islamic Cross-Currency Swap | | | | |
| 5 years | 2,704,606 | 262,563 | 176,000 | (21,859) |

The Group treats the derivatives as cash flow hedges. The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency fluctuation over the hedging period on its borrowings.

There is no gain/(loss) recognised in the profit or loss arising from fair value changes of derivatives.

35. COMMITMENTS

| | Group | |
|---|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| (a) Capital expenditure | | |
| Approved and contracted for: | | |
| Property, plant and equipment and expenditure on oil and gas properties | 542,184 | 1,670,696 |
| Approved but not contracted for: | | |
| Property, plant and equipment and expenditure on oil and gas properties | 334,811 | 472,338 |
| | 876,995 | 2,143,034 |

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35. COMMITMENTS (CONT'D.)

| | Group | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| (b) Operating leases | | | | |
| Non-cancellable operating lease commitments as lessee: | | | | |
| - Within 1 year | 16,910 | 29,179 | 6,400 | 10,423 |
| - Later than 1 year but less than 5 years | 7,388 | 16,318 | - | 6,400 |
| | 24,298 | 45,497 | 6,400 | 16,823 |

The Group leases premises under non-cancellable operating leases expiring within 2 years (2017: 2 years). The leases have various terms and escalation clauses.

36. CORPORATE GUARANTEES

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

| | Group | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Secured | | | | |
| Corporate guarantees given to financial institutions for credit facilities granted to joint ventures | 816,804 | 1,174,659 | - | - |
| | 816,804 | 1,174,659 | - | - |
| Unsecured | | | | |
| Corporate guarantees in relation to performance of contracts by subsidiaries | - | - | 698,315 | 1,339,615 |
| | 816,804 | 1,174,659 | 698,315 | 1,339,615 |

The fair value of the corporate guarantees given to financial institutions for banking facilities granted to joint ventures are deemed immaterial as the value of the underlying collateral provided by the respective joint ventures is sufficient to cover the outstanding loan amounts. The banking facilities are secured by way of deposit pledged and legal charges over the vessels of the joint ventures.

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37. RELATED PARTY DISCLOSURES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

| | (Income)/expense | |
|--|------------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Group | | |
| (i) Transactions with companies connected to directors, current and former substantial shareholders | | |
| (a) Intellectual property rights, trademarks and branding fees (Note 8) | | |
| Sapura Holdings Sdn. Bhd. | 43,400 | 43,400 |
| Kencana Capital Sdn. Bhd. | 12,500 | 26,600 |
| | 55,920 | 70,000 |
| (b) Rental of office premises | | |
| Sapura Resources Berhad | 10,259 | 9,807 |
| Kencana Capital Assets Sdn. Bhd. | - | 7,838 |
| | 10,259 | 17,645 |
| Company | | |
| (ii) Transactions with subsidiaries | | |
| (a) Dividend income from subsidiaries | (423,695) | (400,000) |
| (b) Management fees from subsidiaries | (185,056) | (190,101) |
| (c) Intellectual property rights, trademarks and branding fees from subsidiaries | (57,613) | (71,309) |
| (d) Interest charged to subsidiaries | (11,025) | (45,758) |
| (e) Interest charged by a subsidiary | 119,091 | 153,700 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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37. RELATED PARTY DISCLOSURES (CONT'D.)**(a) Related party transactions (cont'd.)**

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: (cont'd.)

| | (Income)/expense | |
|--|------------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Company (cont'd.) | | |
| (iii) Transactions with companies connected to directors, current and former substantial shareholders | | |
| (a) Intellectual property rights, trademarks and branding fees (Note 8) | | |
| Sapura Holdings Sdn. Bhd. | 43,400 | 43,400 |
| Kencana Capital Sdn. Bhd. | 12,500 | 26,600 |
| | 55,920 | 70,000 |
| (b) Rental of office premises | | |
| Sapura Resources Berhad | 2,508 | 3,712 |
| Kencana Capital Assets Sdn. Bhd. | - | 2,954 |
| | 2,508 | 6,126 |

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 the key management personnel during the year are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Employee benefits and other emoluments | 115,620 | 141,623 | 71,345 | 94,400 |
| Contributions to defined contribution plan | 17,011 | 7,423 | 11,172 | 6,680 |
| | 132,631 | 149,046 | 82,517 | 101,080 |

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

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk and credit risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign currencies, liquidity and credit risks. The Group operates within clearly defined guidelines approved by the Board and the Group's policy is not to engage in speculative transactions.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost efficient.

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 exposure to interest rate risk arises primarily from its borrowings, whereas the Company's exposure to interest rate arises mainly from its amount due to a subsidiary which is subject to floating rate interest.

At the reporting date, approximately 92% 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 and the Company's profit before tax (through the impact on interest expense on floating rate loans and borrowings).

| | 2018 | | 2017 | |
|--------------------|---|---|---|---|
| | Increase/ decrease in basis points | Effect on profit before tax RM'000 | Increase/ decrease in basis points | Effect on profit before tax RM'000 |
| Group | | | | |
| - Ringgit Malaysia | + 25 | (7,750) | + 25 | (8,296) |
| - US Dollar | + 25 | (32,014) | + 25 | (34,441) |
| - Ringgit Malaysia | - 25 | 7,750 | - 25 | 8,296 |
| - US Dollar | - 25 | 32,014 | - 25 | 34,441 |
| Company | | | | |
| - Ringgit Malaysia | + 25 | (4,455) | + 25 | (4,467) |
| - Ringgit Malaysia | - 25 | 4,455 | - 25 | 4,467 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(b) Foreign currency risk**

Foreign currency (a currency which is other than the functional currency of the Group entities) risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of the changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from revenue or costs and advances that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the assets or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments. Where possible, the strategy is to match 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 before 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 before tax Group Increase/(decrease) | | Profit before tax Company Increase/(decrease) | |
|--------------------------|---|----------------|---|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| USD/RM - strengthened 5% | 64,725 | 49,777 | 33,425 | 44,286 |
| - weakened 5% | (64,725) | (49,777) | (33,425) | (44,286) |

(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 10% (2017: 19%) of the Group's borrowings (Note 29), 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.)

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38. 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.

| | On demand or within one year RM'000 | One to five years RM'000 | More than five years RM'000 | Total RM'000 |
|--|--|--------------------------------|-----------------------------------|-----------------|
| Group | | | | |
| At 31 January 2018 | | | | |
| Financial liabilities: | | | | |
| Trade and other payables | 2,685,636 | - | - | 2,685,636 |
| Borrowings | 2,471,226 | 12,326,612 | 4,419,591 | 19,217,429 |
| Corporate guarantees | 178,043 | 208,878 | 429,883 | 816,804 |
| Total undiscounted financial liabilities | 5,334,905 | 12,535,490 | 4,849,474 | 22,719,869 |
| At 31 January 2017 | | | | |
| 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 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(c) Liquidity risk (cont'd.)****Analysis of financial instruments by remaining contractual maturities (cont'd.)**

| | On demand or within one year RM'000 | One to five years RM'000 | Total RM'000 |
|--|--|--------------------------------|-----------------|
| Company | | | |
| At 31 January 2018 | | | |
| Financial liabilities: | | | |
| Amount due to subsidiaries | 582,331 | 2,072,318 | 2,654,649 |
| Other payables | 300,667 | - | 300,667 |
| Corporate guarantees | 698,315 | - | 698,315 |
| Total undiscounted financial liabilities | 1,581,313 | 2,072,318 | 3,653,631 |
| At 31 January 2017 | | | |
| Financial liabilities: | | | |
| Amount due to subsidiaries | 708,550 | 1,210,549 | 1,919,099 |
| Other payables | 386,914 | - | 386,914 |
| Corporate guarantees | 1,339,615 | - | 1,339,615 |
| Total undiscounted financial liabilities | 2,435,079 | 1,210,549 | 3,645,628 |

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

(d) Credit risk (cont'd.)

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.
- Corporate guarantees provided by the Group and the Company of RM816.8 million (2017: RM1,174.7 million) and RM698.3 million (2017: RM1,339.6 million) respectively (Note 36).

Information regarding credit risk 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 | | | |
|--------------------------|---------|------------|-----------|------------|
| | 2018 | | 2017 | |
| | RM'000 | % of total | RM'000 | % of total |
| By country/region | | | | |
| Malaysia | 624,494 | 68% | 620,956 | 39% |
| Asia | 177,475 | 19% | 389,449 | 25% |
| Turkey | 58,965 | 6% | - | 0% |
| Australia | 45,259 | 5% | 81,463 | 5% |
| Americas | 18,774 | 2% | 491,229 | 31% |
| Africa | 1,011 | 0% | 294 | 0% |
| | 925,978 | 100% | 1,583,391 | 100% |

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions.

The Group's principal customers with which it conducts business are diversified and there is no significant concentration of credit risk at reporting date.

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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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39. FINANCIAL INSTRUMENTS**(a) Classification of financial instruments**

The accounting policies in Note 2.14 and Note 2.20 describe how the categories of financial instruments are measured, and how income and expenses, including changes in fair value, are recognised.

The table below reflects the financial assets and liabilities in the statement of financial position by the categories of financial instrument to which they are assigned:

| | Note | Loans and receivables RM'000 | Other financial liabilities RM'000 | Total RM'000 |
|---------------------------------|------|------------------------------------|---|-----------------|
| 2018 | | | | |
| Group | | | | |
| Assets | | | | |
| Trade and other receivables | | 1,740,892 | - | 1,740,892 |
| Cash and cash equivalents | 25 | 1,716,235 | - | 1,716,235 |
| Derivative assets* | | - | 262,563 | 262,563 |
| Total financial assets | | 3,457,127 | 262,563 | 3,719,690 |
| Total non-financial assets | | | | 26,273,079 |
| Total assets | | | | 29,992,769 |
| Liabilities | | | | |
| Borrowings | 29 | - | 16,415,155 | 16,415,155 |
| Trade and other payables | | - | 2,653,389 | 2,653,389 |
| Total financial liabilities | | - | 19,068,544 | 19,068,544 |
| Total non-financial liabilities | | | | 1,473,860 |
| Total liabilities | | | | 20,542,404 |

* Derivatives used for cash flow hedge are classified under other financial liabilities for the purpose of this disclosure.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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39. 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.):

| | Note | Loans and receivables RM'000 | Other financial liabilities RM'000 | Total RM'000 |
|---------------------------------|------|------------------------------------|---|-----------------|
| 2017 | | | | |
| Group | | | | |
| Assets | | | | |
| Trade and other receivables | | 2,741,911 | - | 2,741,911 |
| Cash and cash equivalents | 25 | 3,519,509 | - | 3,519,509 |
| Total financial assets | | 6,261,420 | - | 6,261,420 |
| Total non-financial assets | | | | 31,187,841 |
| Total assets | | | | 37,449,261 |
| Liabilities | | | | |
| Derivative liabilities* | 34 | - | 21,859 | 21,859 |
| Borrowings | 29 | - | 18,647,017 | 18,647,017 |
| Trade and other payables | | - | 3,836,294 | 3,836,294 |
| Total financial liabilities | | - | 22,505,170 | 22,505,170 |
| Total non-financial liabilities | | | | 1,863,783 |
| Total liabilities | | | | 24,368,953 |

* Derivatives used for cash flow hedge are classified under other financial liabilities for the purpose of this disclosure.

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FINANCIAL STATEMENTS (cont'd.)

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39. 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.):

| | Note | Loans and receivables RM'000 | Other financial liabilities RM'000 | Total RM'000 |
|---------------------------------|------|------------------------------------|---|-----------------|
| 2018 | | | | |
| Company | | | | |
| Assets | | | | |
| Amount due from subsidiaries | 22 | 916,825 | - | 916,825 |
| Other receivables | | 12,850 | - | 12,850 |
| Cash and cash equivalents | 25 | 31,626 | - | 31,626 |
| Total financial assets | | 961,301 | - | 961,301 |
| Total non-financial assets | | | | 10,049,473 |
| Total assets | | | | 11,010,774 |
| Liabilities | | | | |
| Amount due to subsidiaries | 31 | - | 2,020,366 | 2,020,366 |
| Other payables | 32 | - | 300,667 | 300,667 |
| Total financial liabilities | | - | 2,321,033 | 2,321,033 |
| Total non-financial liabilities | | | | 324 |
| Total liabilities | | | | 2,321,357 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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39. 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.):

| | Note | Loans and receivables RM'000 | Other financial liabilities RM'000 | Total RM'000 |
|---------------------------------|------|------------------------------------|---|-----------------|
| 2017 | | | | |
| 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 | | | | 9,188,490 |
| Total assets | | | | 11,047,525 |
| Liabilities | | | | |
| Amount due to subsidiaries | 31 | - | 1,579,624 | 1,579,624 |
| Other payables | 32 | - | 386,914 | 386,914 |
| Total financial liabilities | | - | 1,966,538 | 1,966,538 |
| Total non-financial liabilities | | | | 514 |
| Total liabilities | | | | 1,967,052 |

(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 | 32 |
| Borrowings | 29 |
| Amount due from subsidiaries | 22 |
| Amount due to subsidiaries | 31 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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39. FINANCIAL INSTRUMENTS (CONT'D.)**(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd.)**

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.

(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: Inputs 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: Inputs 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.

40. CAPITAL MANAGEMENT

Capital management refers to implementing measures to maintain sufficient capital to support the Group's business and growth plans. The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and maximise shareholders' value.

One of the key considerations in this regard is to maintain ready access to capital markets and to preserve the Group's ability to repay and service debt obligations over time.

The Group manages its capital structure and monitors capital using a gearing ratio, which is net debt divided by total capital. The Group endeavours to maintain a healthy gearing ratio and regularly monitors its gearing level.

| | Note | Group | | Company | |
|-----------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Borrowings | 29 | 16,415,155 | 18,647,017 | 324 | 514 |
| Add: Unamortised transaction cost | | 248,407 | 184,578 | - | - |
| Less: Cash and cash equivalents | 25 | (1,716,235) | (3,519,509) | (31,626) | (25,800) |
| Net debt/(cash) | | 14,947,327 | 15,312,086 | (31,302) | (25,286) |
| Total equity | | 9,450,365 | 13,080,308 | 8,689,417 | 9,080,473 |
| Less: Non-controlling interests | | (399) | (4,190) | - | - |
| Total capital | | 9,449,966 | 13,076,118 | 8,689,417 | 9,080,473 |
| Net gearing ratio | | 1.58 | 1.17 | - | - |

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41. SEGMENT INFORMATION

(a) Operating segments

The Group organised its business activities into four major segments as follows:

- (i) Engineering and Construction ("E&C");
- (ii) Drilling;
- (iii) Exploration and Production ("E&P") (previously referred to as Energy segment); 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.

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

| | Engineering and Construction RM'000 | Drilling RM'000 | Exploration and Production RM'000 | Corporate RM'000 | Eliminations * RM'000 | Consolidated RM'000 |
|---|--|--------------------|--|---------------------|--------------------------|------------------------|
| 31 January 2018 | | | | | | |
| Revenue | | | | | | |
| External sales | 3,899,050 | 1,145,540 | 850,408 | - | - | 5,894,998 |
| Inter-segment sales | 56,824 | - | - | 666,364 | (723,188) | - |
| Total revenue | 3,955,874 | 1,145,540 | 850,408 | 666,364 | (723,188) | 5,894,998 |
| Results | | | | | | |
| Segment profit/(loss) | 96,908 | (1,939,166) | 281,017 | (179,259) | (22,337) | (1,762,837) |
| Finance costs | | | | | | (858,666) |
| Interest income | | | | | | 21,398 |
| Share of profit from associates and joint ventures | 274,569 | - | 1,947 | - | - | 276,516 |
| Loss before tax | | | | | | (2,323,589) |
| Income tax expense | | | | | | (181,226) |
| Loss net of tax | | | | | | (2,504,815) |
| Non-controlling interests | | | | | | 1,342 |
| Loss for the year attributable to owners of the Parent | | | | | | (2,503,473) |
| Assets | | | | | | |
| Segment assets | 7,514,991 | 7,315,924 | 4,691,869 | 958,282 | (48,607) | 20,432,459 |
| Investment in associates and joint ventures | 1,557,506 | - | - | - | - | 1,557,506 |
| Goodwill | 4,077,395 | 3,821,719 | - | - | - | 7,899,114 |
| Deferred tax assets | - | 200 | 66,743 | 37,597 | (850) | 103,690 |
| Consolidated total assets | | | | | | 29,992,769 |

* Inter-segment revenue and intercompany transactions are eliminated on consolidation

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

| | Engineering and Construction RM'000 | Drilling RM'000 | Exploration and Production RM'000 | Corporate RM'000 | Eliminations * RM'000 | Consolidated RM'000 |
|---|--|--------------------|--|---------------------|--------------------------|------------------------|
| 31 January 2018 (cont'd.) | | | | | | |
| Liabilities | | | | | | |
| Segment liabilities | 1,304,354 | 897,330 | 599,662 | 374,233 | (72,056) | 3,103,523 |
| Borrowings | | | | | | 16,415,155 |
| Deferred tax liabilities | 63,073 | 6,392 | 954,261 | - | - | 1,023,726 |
| Consolidated total liabilities | | | | | | 20,542,404 |
| Other Information | | | | | | |
| Capital expenditure | 588,337 | 448,528 | 260,697 | 14,238 | 3,554 | 1,315,354 |
| Depreciation of property, plant and equipment | 290,857 | 531,956 | 6,007 | 12,227 | 1,753 | 842,800 |
| Amortisation of intangible assets | 2,273 | 13,211 | - | - | - | 15,484 |
| Amortisation of expenditure on oil and gas properties | - | - | 203,695 | - | - | 203,695 |
| Provision for impairment on property, plant and equipment | 62,503 | 2,062,171 | - | - | 7,619 | 2,132,293 |

* Intercompany transactions are eliminated on consolidation

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

| | Engineering and Construction RM'000 | Drilling RM'000 | Exploration and Production 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.)

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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

| | Engineering and Construction RM'000 | Drilling RM'000 | Exploration and Production RM'000 | Corporate RM'000 | Eliminations * RM'000 | Consolidated RM'000 |
|---|--|--------------------|--|---------------------|--------------------------|------------------------|
| 31 January 2017 (cont'd.) | | | | | | |
| Assets | | | | | | |
| Segment assets | 7,854,556 | 11,131,155 | 5,817,209 | 2,114,596 | 8,026 | 26,925,542 |
| 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 |
| Consolidated total assets | | | | | | 37,449,261 |
| Liabilities | | | | | | |
| Segment liabilities | 1,795,927 | 1,466,357 | 787,197 | 444,502 | (54,731) | 4,439,252 |
| Borrowings | | | | | | 18,647,017 |
| Deferred tax liabilities | 80,430 | 3,101 | 1,199,153 | - | - | 1,282,684 |
| 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

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

41. SEGMENT INFORMATION (CONT'D.)**(b) Geographical information**

The Group operates in various geographical areas in the world. In Malaysia, its home country, the Group's areas of operation are installation of pipelines and facilities, engineering, procurement, construction and commissioning, offshore oil and gas drilling services, subsea and offshore support services and geotechnical and maintenance services. Malaysia is also the main country of operation for energy business that involved in exploration, development and production of crude oil and natural gas. Other operations in Malaysia include oilfield development and production, investment holding and provision of management services.

The Group also operates in other countries/regions:

- (i) Asia (comprise of Singapore, Indonesia, Brunei, Thailand, India, Hong Kong and China) - installation of pipelines and facilities, provision of engineering, procurement, construction and commissioning, provision for drilling rigs and services, provision of geotechnical and geophysical services to the oil and gas industry and vessel chartering.
- (ii) Turkey - installation and maintaining of offshore platforms and marine pipelines.
- (iii) Australia - installation of pipelines and facilities and development of marine technology and marine chartering, specialising on remotely operated underwater vehicle ("ROV").
- (iv) 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.
- (v) Africa - provision of offshore oil and gas drilling services.
- (vi) Others (comprise of United Kingdom 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:

| | 2018 RM'000 | 2017 RM'000 |
|--|----------------|----------------|
| Total revenue from external customers | | |
| Malaysia | 2,358,893 | 2,499,464 |
| Asia | 2,652,276 | 3,639,452 |
| Turkey | 441,084 | - |
| Australia | 329,771 | 288,903 |
| Americas | 96,070 | 710,648 |
| Africa | 6,511 | 500,647 |
| Others | 10,393 | 12,209 |
| Consolidated | 5,894,998 | 7,651,323 |

Majority of our segment assets are highly mobile and moves from one geographical area to another in order to maximise revenue generation opportunities. Consequently, segment assets by geographical area are not presented.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES

(i) Details of the subsidiaries are as follows:

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|--|--|---|----------------------------------|--------|
| | | | 2018 % | 2017 % |
| (a) Subsidiaries of Sapura Energy Berhad | | | | |
| Total Marine Technology (Malaysia) Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| Sapura Deepwater Pte. Ltd. (formerly known as SapuraKencana Deepwater Pte. Ltd.) | Bermuda | Chartering and hiring out of vessels and barges | 100 | 100 |
| Sapura GeoSciences Sdn. Bhd. (formerly known as 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 | 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 |
| Sapura Perdana Sdn. Bhd. (formerly known as Sasaran Perdana Sdn. Bhd.) | Malaysia | Dormant | 100 | 100 |
| Sapura Dana SPV Pte. Ltd. (formerly known as SapuraKencana Dana SPV Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Chartering and hiring out of vessels and barges | 100 | 100 |
| SapuraCrest Petroleum Berhad | Malaysia | Dormant | 100 | 100 |
| Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |
| Sapura Management Services Sdn. Bhd. (formerly known as SapuraKencana Bayu Padu Sdn. Bhd.) | Malaysia | Dormant | 100 | 100 |
| Sapura Nautical Essence Sdn. Bhd. (formerly known as SapuraKencana Nautical Essence Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|--|--|--|----------------------------------|--------|
| | | | 2018 % | 2017 % |
| (a) Subsidiaries of Sapura Energy Berhad (cont'd.) | | | | |
| Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) | Malaysia | Front-end engineering design (FEED), detailed design engineering (DDE), procurement, construction, offshore transportation and installation, hook-up, commissioning and maintenance of fixed and floating oil and gas facilities, diving and subsea services, flexible and rigid pipelay, installation of subsea umbilicals, risers and flowlines and decommissioning of offshore structures | 100 | 100 |
| Sapura Marine Engineering Sdn. Bhd. (formerly known as SapuraKencana Marine Engineering Sdn. Bhd.) | Malaysia | Provision of offshore construction and diving 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 |
| Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn. Bhd.) | Malaysia | Provision of offshore and onshore engineering, procurement, construction (fabrication), transportation, installation, hook-up, commissioning and maintenance of fixed and floating oil and gas facilities, brownfield rejuvenation, marine construction, marine conversion, marine repair and infrastructure construction | 100 | 100 |
| Sapura Onshore Sdn. Bhd. (formerly known as SapuraKencana Onshore Sdn. Bhd.) | Malaysia | Property investment and provision of engineering, fabrication and construction works | 100 | 100 |
| Sapura Engineering Sdn. Bhd. (formerly known as SapuraKencana Engineering Sdn. Bhd.) | Malaysia | Provision of front-end engineering design (FEED) and detailed design engineering (DDE) | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|--|--|--|----------------------------------|--------|
| | | | 2018 % | 2017 % |
| (a) Subsidiaries of Sapura Energy Berhad (cont'd.) | | | | |
| SE Petroleum Berhad (formerly known as Kencana Petroleum Berhad) | Malaysia | Dormant | 100 | 100 |
| Sapura Pinewell Sdn. Bhd. (formerly known as SapuraKencana Pinewell Sdn. Bhd.) | Malaysia | Hook-up, commissioning, maintenance brownfield rejuvenation and onshore construction | 100 | 100 |
| Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |
| SEB Energy Sdn. Bhd. (formerly known as Kencana Energy Sdn. Bhd.) | Malaysia | Development and production of petroleum resources | 100 | 100 |
| Sapura Subsea Services Sdn. Bhd. (formerly known as SapuraKencana Subsea Services Sdn. Bhd.) | Malaysia | Provision of offshore diving and related services and the provision of diving equipment for rental | 100 | 100 |
| Sapura TMC Sdn. Bhd. (formerly known as SapuraKencana TMC Sdn. Bhd.) | Malaysia | Provision of treasury management services | 100 | 100 |
| Sapura Drilling Pte. Ltd. (Labuan) (formerly known as SapuraKencana Drilling Pte. Ltd. (Labuan)) | Federal Territory of Labuan, Malaysia | Investment holding | 100 | 100 |
| Sapura 900 Pte. Ltd. (formerly known as SapuraKencana 900 Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Vessel owner and chartering | 100 | 100 |
| Sapura 1200 Pte. Ltd (formerly known as SapuraKencana 1200 Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Dormant | 100 | 100 |
| Sapura 3000 Pte. Ltd. (formerly known as SapuraKencana 3500 Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Vessel owner and chartering | 100 | 100 |
| Sapura FLB-1 Pte. Ltd. (formerly known as 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 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | |
|--|--|--|----------------------------------|--------|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % |
| (a) Subsidiaries of Sapura Energy Berhad (cont'd.) | | | | |
| ^ Sapura Energy Services Sdn. Bhd. (formerly known as Sapura Fabrication & HUC Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |
| (b) Held through Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.) and Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited) | | | | |
| Sapura Drilling Asia Sdn. Bhd. (formerly known as 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 gas rigs | 100 | 100 |
| (d) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) | | | | |
| * Total Marine Technology Pty. Ltd. | Australia | Development of marine technology and marine chartering, specialising on ROVs | - | 94 |
| SapuraKencana Talent Ltd. | Bermuda | Provision of manpower services | 100 | 100 |
| Sapura 1200 Ltd. (formerly known as SapuraKencana 1200 Ltd.) | Bermuda | Vessel owner and chartering | 100 | 100 |
| Sapura 3500 Ltd. (formerly known as SapuraKencana 3500 Ltd.) | Bermuda | Vessel owner and chartering | 100 | 100 |
| Sapura FLB-1 Ltd. (formerly known as SapuraKencana FLB-1 Ltd.) | Bermuda | Vessel owner and chartering | 100 | 100 |

[^] SapuraKencana Fabrication & HUC Sdn. Bhd. changed its name to Sapura Fabrication & HUC Sdn. Bhd. on 17 July 2017 and thereafter to Sapura Energy Services Sdn. Bhd. on 17 January 2018

^{*} Transferred to Sapura Energy Services Sdn. Bhd. (formerly known as Sapura Fabrication & HUC Sdn. Bhd.) on 30 January 2018

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | |
|---|--|--|----------------------------------|--------|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % |
| (d) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) (cont'd.) | | | | |
| # Sapura Saudi Arabia Company | Saudi Arabia | Engineering, procurement, construction, installation and commissioning of offshore and onshore facilities pipelines, subsea flexible pipes and cables hook-up, commissioning, brownfield rejuvenation and subsea inspection, maintenance and repair services | 100 | - |
| ^ Sapura Energy DMCC (formerly known as SapuraKencana Oil & Gas DMCC) | Dubai, United Arab Emirates | Onshore and offshore oil and gas fields services | 100 | - |
| (e) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) and Sapura Energy DMCC (formerly known as SapuraKencana Oil & Gas DMCC) | | | | |
| ~ Sapura Energy Do Brazil Ltda | Brazil | Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines | 100 | - |
| (f) Held through Total Marine Technology Pty. Ltd. | | | | |
| Sapura Excersize Pty. Ltd. (formerly known as SapuraKencana Excersize Pty. Ltd.) | Australia | Owner and operator of ROVs for the offshore oil and gas industries | 94 | 94 |
| Sapura Babalon Pty. Ltd. (formerly known as SapuraKencana Babalon Pty. Ltd.) | Australia | Owner and operator of ROVs for the offshore oil and gas industries | 94 | 94 |
| (g) Held through Sapura GeoSciences Sdn. Bhd. (formerly known as SapuraKencana GeoSciences Sdn. Bhd.) | | | | |
| Sapura Jaya Sdn. Bhd. (formerly known as SapuraKencana Jaya Sdn. Bhd.) | Malaysia | Chartering of vessels | 100 | 100 |

Incorporated on 22 October 2017

^ Transferred from Sapura Petroleum Sdn. Bhd. on 15 August 2017. SapuraKencana Oil & Gas DMCC has changed its name to Sapura Energy DMCC on 19 February 2018

~ Incorporated on 11 September 2017

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | | | |
|---|--|--|----------------------------------|--------|-----|-----|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % | | |
| (h) Held through Sapura Jaya Sdn. Bhd. (formerly known as SapuraKencana Jaya Sdn. Bhd.) | | | | | | |
| Sapura GeoSurvey Sdn. Bhd. (formerly known as SapuraKencana GeoSurvey Sdn. Bhd.) | Malaysia | Hydrographic surveys and related services | | | 100 | 100 |
| Sapura GeoTechnics Sdn. Bhd. (formerly known as SapuraKencana GeoTechnics Sdn. Bhd.) | Malaysia | Soil investigation and geotechnical services | | | 100 | 100 |
| (i) Held through Sapura GeoTechnics Sdn. Bhd. (formerly known as SapuraKencana GeoTechnics Sdn. Bhd.) | | | | | | |
| Sapura GeoTechnics (S) Pte. Ltd. (formerly known as SapuraKencana GeoTechnics (S) Pte. Ltd.) | Singapore | Soil investigation and geotechnical services | | | 100 | 100 |
| Sapura Oilserve Sdn. Bhd. (formerly known as SapuraKencana Oilserve Sdn. Bhd.) | Malaysia | Provision of marine vessel transportation services | | | 100 | 100 |
| (j) Held through Sapura GeoSurvey Sdn. Bhd. (formerly known as SapuraKencana GeoSurvey Sdn. Bhd.) | | | | | | |
| Sapura GeoSurvey Pte. Ltd. (formerly known as SapuraKencana GeoSurvey Pte. Ltd.) | Singapore | Hydrographic surveys and related services | | | 100 | 100 |
| Sapura GeoSurvey Pty. Ltd. (formerly known as SapuraKencana GeoSurvey Pty. Ltd.) | Australia | Hydrographic surveys and related services | | | 100 | 100 |
| (k) Held through Sapura Oilserve Sdn. Bhd. (formerly known as SapuraKencana Oilserve Sdn. Bhd.) | | | | | | |
| Sapura Oilserve Labuan Pte. Ltd. (formerly known as SapuraKencana Oilserve Labuan Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Leasing of vessels/barges | | | 100 | 100 |
| (l) Held through Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology Sdn. Bhd.) | | | | | | |
| Sapura Digital Solutions Sdn. Bhd. (formerly known as SapuraKencana Retail Solutions Sdn. Bhd.) | Malaysia | Retail automation systems and maintenance services | 100 | 100 | | |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | |
|---|--|---|----------------------------------|--------|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % |
| (l) Held through Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology Sdn. Bhd.) (cont'd.) | | | | |
| Sapura Project Services Sdn. Bhd. (formerly known as 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 |
| Sapura Diving Services Sdn. Bhd. (formerly known as SapuraKencana Diving Services Sdn. Bhd.) | Malaysia | Provision of rental equipment | 100 | 100 |
| Sapura Maintenance Services Sdn. Bhd. (formerly known as SapuraKencana Maintenance Services Sdn. Bhd.) | Malaysia | Provision of maintenance services to the oil and gas industry | 100 | 100 |
| Sapura Petroleum Technologies Sdn. Bhd. (formerly known as SapuraKencana Petroleum Technologies Sdn. Bhd.) | Malaysia | Provision of trading and maintenance services | 99.7 | 99.7 |
| Sapura Energy Infinite Sdn. Bhd. (formerly known as SapuraKencana Energy Unlimited Sdn. Bhd.) | Malaysia | Investment holding and provision of operations and maintenance services to the oil and gas industry | 100 | 100 |
| Sapura Vessels Pte. Ltd. (formerly known as SapuraKencana Vessels Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Leasing of barges, vessels and operational equipment on bareboat basis | 100 | 100 |
| Sapura Services Sdn. Bhd. (formerly known as SapuraKencana Services Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |
| (m) Held through Sapura Energy Infinite Sdn. Bhd. (formerly known as SapuraKencana Energy Unlimited Sdn. Bhd.) | | | | |
| Sapura Energy Resources Sdn. Bhd. (formerly known as SapuraKencana Resources Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |

08 NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | | |
|--|--|--|---|------|-----|
| Country of Incorporation/ Principal Place of Business | | Principal Activities | 2018 | 2017 | |
| Name of Subsidiaries | | | % | % | |
| (n) | Held through Sapura Energy Resources Sdn. Bhd. (formerly known as SapuraKencana Resources Sdn. Bhd.) | | | | |
| | Sarku Engineering Services Sdn. Bhd. | Malaysia | Provision of offshore engineering and marine support and logistic assistance for the oil and gas industry | 100 | 100 |
| ^ | Sarku Semantan Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| | Sapura Marine Ventures Sdn. Bhd. (formerly known as SapuraKencana Marine Ventures Sdn. Bhd.) | Malaysia | Provision of crew, chartering and hiring out of barges | 100 | 100 |
| ^ | Sarku Samudera Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| ^ | Sarku Utama Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| | Sapura Engineering (Offshore) Sdn. Bhd. (formerly known as SapuraKencana Engineering Offshore Sdn. Bhd.) | Malaysia | Chartering and hiring out of barges, vessels and operational equipment including provision of crew | 100 | 100 |
| | Sapura Prominent Energy Sdn. Bhd. (formerly known as SapuraKencana Prominent Energy Sdn. Bhd.) | Malaysia | Dormant | 100 | 100 |
| ^ | Sarku 2000 Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| (o) | Held through Sapura Petroleum Sdn. Bhd. | | | | |
| | Sapura Nautical Bay Pte. Ltd. (formerly known as SapuraKencana Nautical Bay Pte. Ltd.) | Singapore | Dormant | 100 | 100 |
| | Sapura Petroleum Inc. (formerly known as SapuraKencana Petroleum Inc.) | The State of Texas, United States of America | Regional Office for business development and marketing | 100 | 100 |
| # | Sapura Energy DMCC (formerly known as SapuraKencana Oil & Gas DMCC) | Dubai, United Arab Emirates | Onshore and offshore oil and gas fields services | - | 100 |
| | SapuraMex Pte. Ltd. | Singapore | Investment holding | 100 | 100 |

^ In the process of striking off

Transferred to Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) on 15 August 2017

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | |
|--|--|---|----------------------------------|--------|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % |
| (o) Held through Sapura Petroleum Sdn. Bhd. (cont'd.) | | | | |
| Sapura Energy B.V. (formerly known as SapuraKencana Engineering & Construction B.V) | The Netherlands | Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines | 100 | 100 |
| SapuraKencana Enerji Çözümleri Anonim Şirketi | Turkey | Engineering, procurement, construction, installation and commissioning of offshore facilities and cables | 100 | 100 |
| (p) Held through Sapura Nautical Bay Pte. Ltd. (formerly known as SapuraKencana Nautical Bay Pte. Ltd.) | | | | |
| Sapura Nautical Power Pte. Ltd. (formerly known as SapuraKencana Nautical Power Pte. Ltd.) | Singapore | Investment holding | 100 | 100 |
| (q) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) and SapuraMex Pte. Ltd. | | | | |
| SapuraKencana Mexicana, S.A.P.I. de C.V. | Mexico | Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines | 100 | 100 |
| (r) Held through SapuraMex Pte. Ltd. | | | | |
| Sapura 3500 (S) Pte. Ltd. (formerly known as SapuraKencana 3500 Pte. Ltd.) | Singapore | Chartering and hiring out of vessel | 100 | 100 |
| (s) Held through Momentum Energy Sdn. Bhd. | | | | |
| Sapura Australia (Holdings) Pty. Ltd. (formerly known as SapuraKencana Australia (Holdings) Pty. Ltd.) | Australia | Investment holding | 100 | 100 |
| (t) Held through Sapura Australia (Holdings) Pty. Ltd. (formerly known as SapuraKencana Australia (Holdings) Pty. Ltd.) | | | | |
| Sapura USA Holdings Incorporated (formerly known as SapuraKencana USA Holdings Incorporated) | State of Delaware, United States of America | Investment holding | 100 | 100 |
| Sapura Australia Pty. Ltd. (formerly known as SapuraKencana Australia Pty. Ltd.) | Australia | Investment holding | 100 | 100 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | |
|--|--|--|----------------------------------|--------|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % |
| (t) Held through Sapura Australia (Holdings) Pty. Ltd. (formerly known as SapuraKencana Australia (Holdings) Pty. Ltd.) (cont'd.) | | | | |
| 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 |
| (u) Held through Sapura Australia Pty. Ltd. (formerly known as SapuraKencana Australia Pty. Ltd.) | | | | |
| Sapura Petroleum (Australia) Pty. Ltd. (formerly known as SapuraKencana Petroleum (Australia) Pty. Ltd.) | Australia | Investment holding | 100 | 100 |
| Sapura Projects Pty. Ltd. (formerly known as SapuraKencana Projects Pty. Ltd.) | Australia | Investment holding | 100 | 100 |
| SC Projects Australia Pty. Ltd. | Australia | Investment holding | 100 | 100 |
| Sapura Constructor Pte. Ltd. (formerly known as SapuraKencana Constructor Pte. Ltd.) | Singapore | Vessel owner and chartering | 100 | 100 |
| Sapura Assets Pty. Ltd. (formerly known as SapuraKencana Assets Pty. Ltd.) | Australia | Owner and operator of marine assets | 100 | 100 |
| (v) Held through Sapura USA Holdings Incorporated (formerly known as SapuraKencana USA Holdings Incorporated) | | | | |
| Ocean Flow International LLC | The State of Texas, United States of America | Provision of technical consulting and advising to oil and gas companies | 100 | 100 |
| ^ Peritus International Incorporated | The State of Texas, United States of America | Provision of advanced subsea and floating systems engineering and project management services to offshore projects | 100 | - |

[^] Became a wholly owned subsidiary of Sapura USA Holdings Incorporated (formerly known as SapuraKencana USA Holdings Incorporated)

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|---|--|--|----------------------------------|-----------|
| | | | 2018 % | 2017 % |
| (w) Held through Momentum Energy Sdn. Bhd. and Sapura Australia Pty. Ltd. (formerly known as SapuraKencana Australia Pty. Ltd.) | | | | |
| Normand Sapura Pty. Ltd. | Australia | Sub-charter and provision of project delivery capabilities, technology and proprietary offshore assets | 100 | 100 |
| (x) Held through Sapura USA Holdings Incorporated (formerly known as SapuraKencana USA Holdings Incorporated) and Sapura Australia (Holdings) Pty. Ltd. (formerly known as SapuraKencana Australia (Holdings) Pty. Ltd.) | | | | |
| [^] Peritus International Incorporated | The State of Texas, United States of America | Provision of advanced subsea and floating systems engineering and project management services to offshore projects | - | 100 |
| (y) Held through Peritus International Pty. Ltd. | | | | |
| Peritus International Sdn. Bhd. | Malaysia | Provision of engineering consultancy services for the oil and gas industry | 100 | 100 |
| (z) Held through Sapura Constructor Pte. Ltd. (formerly known as SapuraKencana Constructor Pte. Ltd.) | | | | |
| Sapura Projects Singapore Pte. Ltd. (formerly known as SapuraKencana Projects Singapore Pte. Ltd.) | Singapore | Vessel leasing and chartering | 100 | 100 |
| (aa) Held through Geomark Sdn. Bhd. | | | | |
| Quippo Prakash Pte. Ltd. | Singapore | Dormant | 100 | 100 |
| (ab) Held through Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn Bhd.) | | | | |
| Sapura Marine Sdn. Bhd. (formerly known as SapuraKencana Marine Sdn. Bhd.) | Malaysia | Operation and management of fabrication yard | 100 | 100 |
| Sapura Infrastructure Sdn. Bhd. (formerly known as Kencana Infrastructure Sdn. Bhd.) | Malaysia | Dormant | 100 | 100 |
| Sapura Metering Sdn. Bhd. (formerly known as Kencana Metering Sdn. Bhd.) | Malaysia | Dormant | 100 | 100 |

[^] Became a wholly owned subsidiary of Sapura USA Holdings Incorporated (formerly known as SapuraKencana USA Holdings Incorporated)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|---|---|---|----------------------------------|-----------|
| | | | 2018 % | 2017 % |
| (ab) Held through Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn. Bhd.) (cont'd.) | | | | |
| Sapura Steelworks Sdn. Bhd. (formerly known as Kencana Steelworks Sdn. Bhd.) | Malaysia | Dormant | 70 | 70 |
| (ac) Held through Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn. Bhd.) and Sapura Petroleum Sdn. Bhd. | | | | |
| Sapura Engineering & Construction (India) Private Limited (formerly known as SapuraKencana Engineering & Construction (India) Pvt. Ltd.) | India | Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines | 100 | 100 |
| (ad) Held through Sapura Energy Services Sdn. Bhd. (formerly known as Sapura Fabrication & HUC Sdn. Bhd.) | | | | |
| Sapura HUC Sdn. Bhd. (formerly known as SapuraKencana HUC Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |
| Sapura Fabricators Sdn. Bhd. (formerly known as SapuraKencana Fabricators Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |
| * Total Marine Technology Pty. Ltd. | Australia | Development of marine technology and marine chartering, specialising on ROVs | 94 | - |
| (ae) Held through Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn. Bhd.) and Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.) | | | | |
| Sapura Energy (B) Sdn. Bhd. (formerly known as SapuraKencana (B) Sdn. Bhd.) | Brunei | Investment holding | 100 | 100 |
| (af) Held through Sapura Energy (B) Sdn. Bhd. (formerly known as SapuraKencana (B) Sdn. Bhd.) | | | | |
| RSK Petroleum Sdn. Bhd. | Brunei | To act as service provider for oil and gas industry | 70 | 70 |

* Transferred from Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) on 30 January 2018

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | | |
|----------------------|---|---------------------------------------|---------------------------------------|--------|--|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % | |
| (ag) | Held through Sapura Onshore Sdn. Bhd. (formerly known as SapuraKencana Onshore Sdn. Bhd.) | | | | |
| | Sapura Subsea Sdn. Bhd. (formerly known as SapuraKencana Subsea Sdn. Bhd.) | Malaysia | | | Provision of engineering, fabrication and construction works |
| | Sapura Assets Sdn. Bhd. (formerly known as SapuraKencana Assets Sdn. Bhd.) | Malaysia | | | Property investment |
| | Sapura Torsco (Hong Kong) Private Limited (formerly known as Kencana Torsco (Hong Kong) Private Limited) | Hong Kong | | | Dormant |
| (ah) | Held through Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.) | | | | |
| | Sapura Marine Drilling Sdn. Bhd. (formerly known as Kencana Marine Drilling Sdn. Bhd.) | Malaysia | | | Dormant |
| | Sapura Marine Rig 1 Pte. Ltd. (formerly known as Kencana Marine Rig 1 Pte. Ltd.) | Singapore | | | Dormant |
| | Sapura Nautilus Sdn. Bhd. (formerly known as SapuraKencana Nautilus Sdn. Bhd.) | Malaysia | | | Service provider for offshore support vessels |
| (ai) | Held through Sapura Nautilus Sdn. Bhd. (formerly known as SapuraKencana Nautilus Sdn. Bhd.) | | | | |
| | Sapura Gemia (Labuan) Pte. Ltd. (formerly known as SapuraKencana Gemia (Labuan) Pte. Ltd.) | Federal Territory of Labuan, Malaysia | | | Provision of offshore support vessels |
| | Sapura Teras Ventures Sdn. Bhd. (formerly known as SapuraKencana Teras Ventures Sdn. Bhd.) | Malaysia | Provision of offshore support vessels | | |
| | Sapura Redang (Labuan) Pte. Ltd. (formerly known as SapuraKencana Redang (Labuan) Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Provision of offshore support vessels | | |
| | * Dhow Offshore Sdn. Bhd. | Malaysia | Dormant | - | |

* Struck off with effect from 19 October 2017

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|---|--|---|----------------------------------|-----------|
| | | | 2018 % | 2017 % |
| (ai) Held through Sapura Nautilus Sdn. Bhd. (formerly known as SapuraKencana Nautilus Sdn. Bhd.) (cont'd.) | | | | |
| ^ 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.) | | | | |
| Sapura Marine Services Sdn. Bhd. (formerly known as SapuraKencana Marine Services Sdn. Bhd.) | Malaysia | Provision of vessel related management services | 100 | 100 |
| Sapura Subsea Corporation (formerly known as SapuraKencana Allied Corporation) | Federal Territory of Labuan, Malaysia | Leasing of vessels and related equipment | 100 | 100 |
| Maju Hydro Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| Sapura SS Corporation (formerly known as SapuraKencana AME Corporation) | Federal Territory of Labuan, Malaysia | Dormant | 100 | 100 |
| Sapura Subsea Robotics Corporation (formerly known as SapuraKencana Allied Robotics Corporation) | Federal Territory of Labuan, Malaysia | Leasing of ROV and Hyperbaric | 100 | 100 |
| (ak) Held through Sapura Subsea Services Sdn. Bhd. (formerly known as SapuraKencana Subsea Services Sdn. Bhd.), Sapura Marine Services Sdn. Bhd. (formerly known as SapuraKencana Marine Services Sdn. Bhd.) and Sapura SS Corporation (formerly known as SapuraKencana AME Corporation) | | | | |
| Sapura Energy (Thailand) Limited (formerly known as SapuraKencana Petroleum (Thailand) Ltd.) | Thailand | Provision of offshore diving and related services | 100 | 100 |
| (al) Held through Sapura Drilling Pte. Ltd. (Labuan) (formerly known as SapuraKencana Drilling Pte. Ltd. (Labuan)) | | | | |
| Sapura Drilling (S) Pte. Ltd. (formerly known as SapuraKencana Drilling Pte. Ltd.) | Singapore | Leasing of offshore oil and gas drilling rigs and providing management services | 100 | 100 |

^ In the process of voluntary liquidation

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

- 31 JANUARY 2018

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | |
|--|--|--|----------------------------------|--------|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % |
| (al) Held through Sapura Drilling Pte. Ltd. (Labuan) (formerly known as SapuraKencana Drilling Pte. Ltd. (Labuan)) (cont'd.) | | | | |
| Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.) | Bermuda | Investment holding | 100 | 100 |
| Sapura Drilling Resources Ltd. (formerly known as SapuraKencana Drilling Resources Ltd.) | Bermuda | Provision of crew services | 100 | 100 |
| Sapura Drilling Labuan Leasing Ltd. (formerly known as SapuraKencana Drilling Labuan Leasing Ltd.) | Federal Territory of Labuan, Malaysia | Hire and charter of the oil drilling rigs | 100 | 100 |
| (am) Held through Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.) | | | | |
| Sapura Drilling T-10 Ltd. (formerly known as SapuraKencana Drilling T-4 Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| Sapura Drilling T-19 Ltd. (formerly known as SapuraKencana Drilling T-19 Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| Sapura Drilling T-7 Ltd. (formerly known as SapuraKencana Drilling T-7 Ltd.) | Bermuda | Dormant | 100 | 100 |
| Sapura Drilling T-9 Ltd. (formerly known as SapuraKencana Drilling T-9 Ltd.) | Bermuda | Dormant | 100 | 100 |
| Sapura Drilling T-20 Ltd. (formerly known as SapuraKencana Drilling T-20 Ltd.) | Bermuda | Dormant | 100 | 100 |
| Sapura Drilling T-11 Ltd. (formerly known as SapuraKencana Drilling T-11 Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | | |
|----------------------|---|--|--|--------|--------|
| | | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % |
| Name of Subsidiaries | | | | | |
| (am) | Held through Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.) (cont'd.) | | | | |
| | Sapura Drilling T-12 Ltd. (formerly known as SapuraKencana Drilling T-12 Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| | Sapura Drilling T-17 Ltd. (formerly known as SapuraKencana Drilling T-17 Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| | Sapura Drilling T-18 Ltd. (formerly known as SapuraKencana Drilling T-18 Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| | Sapura Drilling Menang Ltd. (formerly known as SapuraKencana Drilling Menang Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| | Sapura Drilling Berani Ltd. (formerly known as SapuraKencana Drilling Berani Ltd.) | Bermuda/ Indonesia | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| | Sapura Drilling Alliance Ltd. (formerly known as SapuraKencana Drilling Alliance Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| | Sapura Drilling Pelaut Ltd. (formerly known as SapuraKencana Drilling Pelaut Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| | Sapura Drilling Setia Ltd. (formerly known as SapuraKencana Drilling Setia Ltd.) | Bermuda | Leasing of drilling rig and providing drilling service to offshore oil and gas industry | 100 | 100 |
| | Sapura Drilling Esperanza Ltd. (formerly known as SapuraKencana Drilling Esperanza Ltd.) | Bermuda | Leasing of drilling rig and providing drilling services to offshore oil and gas industry | 100 | 100 |
| | Sapura Drilling Jaya Ltd. (formerly known as 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 |
| | Sapura Drilling Raiqa Ltd. (formerly known as SapuraKencana Drilling Raiqa Ltd.) | Bermuda | Leasing of offshore oil and gas drilling rig | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| | | | Proportion of Ownership Interest | |
|--|--|--|----------------------------------|--------|
| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | 2018 % | 2017 % |
| (am) Held through Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.) (cont'd.) | | | | |
| Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited) | Hong Kong/ Thailand | Provision of oil drilling services | 100 | 100 |
| Sapura Drilling Services Sdn. Bhd. (formerly known as SapuraKencana Drilling Services Sdn. Bhd.) | Malaysia | Provision of management services for tender rig business | 100 | 100 |
| Sapura Drilling Holdings (Panama) Inc. (formerly known as SapuraKencana Drilling Holdings (Panama) Inc.) | Panama | Investment holding | 100 | 100 |
| Sapura Drilling T-19 Pte. Ltd. (formerly known as SapuraKencana Drilling T-19 Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| Sapura Drilling T-20 Pte. Ltd. (formerly known as SapuraKencana Drilling T-20 Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Leasing of offshore oil and gas drilling rig | 100 | 100 |
| Sapura Drilling Kinabalu Pte. Ltd. (formerly known as SapuraKencana Drilling Kinabalu Pte. Ltd.) | Federal Territory of Labuan, Malaysia | Dormant | 100 | 100 |
| Sapura Drilling Teknik Berkat Ltd. (formerly known as SapuraKencana Drilling Teknik Berkat Ltd.) | Bermuda | Dormant | 100 | 100 |
| (an) Held through Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited) | | | | |
| Sapura Drilling Holdings Limited (formerly known as SapuraKencana Drilling Holdings Limited) | Hong Kong/ Ivory Coast | Provision of oil drilling services | 100 | 100 |
| (ao) Held through SapuraKencana Drilling Holdings (Panama) Inc. and Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited) | | | | |
| Sapura Drilling Sdn. Bhd. (formerly known as SapuraKencana Drilling Sdn. Bhd.) | Brunei | Offshore drilling, workover and development of oil and gas wells | 100 | 100 |

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NOTES TO THE
FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|--|--|---|----------------------------------|-----------|
| | | | 2018 % | 2017 % |
| (ap) Held through Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited) and Sapura Drilling Holdings Limited (formerly known as SapuraKencana Drilling Holdings Limited) | | | | |
| SapuraKencana Drilling Angola, LDA | Republic of Angola | Dormant | 100 | 100 |
| (aq) Held through Sapura Drilling Pte. Ltd. (Labuan) (formerly known as SapuraKencana Drilling Pte. Ltd. (Labuan)) and Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited) | | | | |
| PT Sapura Nordrill Indonesia (formerly known as PT SapuraKencana 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.) | | | | |
| Sapura Exploration and Production Inc. (formerly known as SapuraKencana Energy Inc.) | Bahamas | Investment holding | 100 | 100 |
| # SapuraKencana Energy Resources Ltd. | Bermuda | Employment of manpowers | 100 | 100 |
| ^ Sapura Exploration and Production (NZ) Sdn. Bhd. (formerly known as Sapura Exploration and Production (JV) Sdn. Bhd.) | Malaysia/ New Zealand | Investment holding | 100 | 100 |
| Sapura Exploration and Production (RSC) Sdn. Bhd. (formerly known as SapuraKencana Energy (RSC) Sdn. Bhd.) | Malaysia | Investment holding | 100 | 100 |
| ~ Sapura Exploration and Production (Oceania) Sdn. Bhd. | Malaysia | Investment holding | 100 | - |
| * Sapura Exploration and Production (Americas) Sdn. Bhd. | Malaysia | Investment holding | 100 | - |

In the process of voluntary liquidation

^ SapuraKencana Energy (JV) Sdn. Bhd. changed its name to Sapura Exploration and Production (JV) Sdn. Bhd. on 21 June 2017 and thereafter to Sapura Exploration and Production (NZ) Sdn. Bhd. on 17 January 2018

~ Incorporated on 19 April 2018

* Incorporated on 18 April 2018

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|--|--|--|----------------------------------|-----------|
| | | | 2018 % | 2017 % |
| (as) Held through Sapura Exploration and Production (NZ) Sdn. Bhd. (formerly known as Sapura Exploration and Production (JV) Sdn. Bhd.) | | | | |
| ^ Sapura Exploration and Production OMV JV Sdn. Bhd. | Malaysia | Production of crude gaseous hydrocarbon (natural gas), draining and separation of liquid hydrocarbon fractions and mining of hydrocarbon liquids, obtain through liquefaction or pyrolysis | 100 | - |
| (at) Held through Sapura Exploration and Production Inc. (formerly known as SapuraKencana Energy Inc.) | | | | |
| Sapura Exploration and Production (Malaysia) Inc. (formerly known as SapuraKencana Energy Malaysia Inc.) | Bahamas | Investment holding | 100 | 100 |
| Sapura Exploration and Production (Vietnam) Inc. (formerly known as SapuraKencana Energy Vietnam Inc.) | Bahamas | Investment holding | 100 | 100 |
| (au) Held through Sapura Exploration and Production (Malaysia) Inc. (formerly known as SapuraKencana Energy Malaysia Inc.) | | | | |
| Sapura Exploration and Production (PM) Inc. (formerly known as SapuraKencana Energy Peninsula Malaysia Inc.) | Bahamas/ Malaysia | Exploration, development and production of crude oil and natural gas | 100 | 100 |
| Sapura Exploration and Production (Sabah) Inc. (formerly known as SapuraKencana Energy Sabah Inc.) | Bahamas/ Malaysia | Exploration, development and production of crude oil and natural gas | 100 | 100 |
| Sapura Exploration and Production (Sarawak) Inc. (formerly known as SapuraKencana Energy Sarawak Inc.) | Bahamas/ Malaysia | Exploration, development and production of crude oil and natural gas | 100 | 100 |
| (av) Held through Sapura Exploration and Production (RSC) Sdn. Bhd. (formerly known as SapuraKencana Energy (RSC) Sdn. Bhd.) | | | | |
| Sapura Sambang Sdn. Bhd. (formerly known as Sarku Sambang Sdn. Bhd.) | Malaysia | Dormant | 100 | 100 |

^ Incorporated on 19 April 2018

08 NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

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

| Name of Subsidiaries | Country of Incorporation/ Principal Place of Business | Principal Activities | Proportion of Ownership Interest | |
|---|---|----------------------|----------------------------------|-----------|
| | | | 2018 % | 2017 % |
| (aw) Held through Sapura Exploration and Production (Americas) Sdn. Bhd. | | | | |
| ^ Sapura Exploration and Production (Mexico) Sdn. Bhd. | Malaysia | Investment holding | 100 | - |

^ Incorporated on 23 April 2018

43. JOINT OPERATION ARRANGEMENTS

Details of the joint operation arrangements are as follows:

| i) Production Sharing Contracts | Participating Interest | |
|---|------------------------|-----------|
| | 2018 % | 2017 % |
| (a) Peninsular Malaysia | | |
| PM329 | 70 | 70 |
| PM323 | 60 | 60 |
| PM318 | 50 | 50 |
| Abu, Abu Kecil, Bubu, North Lukut and Penara Oil Fields | 50 | 50 |
| (b) Sarawak | | |
| SK408 ^ | 40 | 40 |
| SK310 | 30 | 30 |
| SK319 * | - | 25 |
| (c) Sabah | | |
| SB331 ^ | 70 | 70 |
| SB332 ^ | 70 | 70 |

^ Participating interest obtained upon the completion of Minimum Work Commitment

* The Group has exited this joint operation arrangement in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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44. SIGNIFICANT AND SUBSEQUENT EVENTS

In addition to the significant and subsequent events disclosed elsewhere in the financial statements, the other subsequent events are as follows:

- (a) On 26 March 2018, a wholly-owned subsidiary of the Company, Sapura Exploration and Production (NZ) Sdn. Bhd. (formerly known as Sapura Exploration and Production (JV) Sdn. Bhd.) ("Sapura E&P NZ"), has made inroads into New Zealand with a series of farm-in agreements to five offshore exploration permits within the Taranaki Basin, a prolific oil and gas region.

The farm-in agreements, which has secured the New Zealand government approval, are with OMV New Zealand Limited ("OMV") and Mitsui E&P Australia Pty Limited ("Mitsui").

The offshore exploration permits comprise PEP 57075, PEP 51906, PEP 60091, PEP 60092 and PEP 60093.

Sapura E&P NZ has a 30% interest in all five exploration permits, which will be operated by OMV. The participating interests of PEP 57075 and PEP 51906 are held by Sapura E&P NZ (30%) and OMV (70%) whilst participating interests of PEP 60091, PEP 60092 and PEP 60093 are held by Sapura E&P NZ (30%), OMV (40%) and Mitsui (30%).

- (b) On 29 March 2018, a wholly-owned subsidiary of the Company, Sapura Exploration and Production Sdn. Bhd. (formerly known as SapuraKencana Energy Sdn. Bhd.) ("Sapura E&P"), together with its joint venture partners DEA Deutsche Erdoel Mexico ("DEA") and Premier Oil Plc ("Premier") have been awarded Block 30 in Sureste Basin, a proven and prolific hydrocarbon province in the Gulf of Mexico.

Block 30, which is located in shallow waters at about 70 metres, directly to the South West of Premier's world-class Zama discovery and to the north of the Amoca oil field, was the most contested block in the bid. The consortium outbid six other bidders for the block.

Sapura E&P had earlier entered into the bidding agreement with DEA and Premier based on an equity split of DEA 40%, Sapura E&P 30% and Premier 30%.

- (c) On 11 April 2018, a wholly-owned subsidiary, Sapura Exploration and Production (Sarawak) Inc. (formerly known as SapuraKencana Energy Sarawak Inc.) ("Sapura E&P Sarawak") and its partners, PETRONAS Carigali Sdn Bhd and Sarawak Shell Berhad, have taken Final Investment Decision ("FID") to develop the Gorek, Larak and Bakong fields as phase 1 in the SK408 Production Sharing Contract.

The FID follows the Field Development Plan approval from Petroliaam Nasional Berhad and concurrently, the signing of the key terms to the gas sales agreement for phase 1 of the SK408 gas field development.

The fields under the SK408 gas field development project are part of the discoveries made by Sapura E&P Sarawak in its 2014 drilling campaign.

The fields will be developed as three separate wellhead platforms tied back to the existing processing facility and to the MLNG complex. The SK408 gas fields will be Sapura E&P Sarawak's second major upstream gas development project in East Malaysia, after the successful development and commencement of production from the SK310 B15 gas field.

Sapura E&P Sarawak is the development and production operator of the Larak and Bakong fields while Sarawak Shell Berhad is the development and production operator of the Gorek field. Sapura E&P Sarawak has working interest with partners PETRONAS Carigali Sdn Bhd and Sarawak Shell Berhad.

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- 31 JANUARY 2018

45. 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 were on 22 to 23 December 2014 and 5 to 7 January 2015.

The recent dates of hearing fixed by the tribunal were from 8 to 10 January 2018 and continued on 5 to 6 February 2018. ONGC's counsel started submission on 6 February 2018 and shall continue on 2 to 4 May 2018. Tribunal fixed rejoinder arguments for SESSB on 6 to 7 August 2018.

SESSB has been advised by its solicitors, that SESSB has a reasonable basis for its claims against ONGC.

09

ANALYSIS OF
SHAREHOLDINGS

T 30 APRIL 2018

| | |
|-------------------------------|---------------------------------|
| Total Number of Issued Shares | : 5,992,155,087 Ordinary Shares |
| Class of Security | : Ordinary Shares |
| Voting Rights | : One vote per Ordinary Share |
| No. of Shareholders | : 49,852 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 | 2,065 | 4.14 | 75,133 | 0.00 |
| 100 – 1,000 | 5,614 | 11.26 | 4,053,962 | 0.07 |
| 1,001 – 10,000 | 24,362 | 48.87 | 122,427,880 | 2.04 |
| 10,001 – 100,000 | 14,955 | 30.00 | 497,566,112 | 8.30 |
| 100,001 – to less than 5% of issued shares | 2,853 | 5.72 | 3,810,135,902 | 63.59 |
| 5% and above of issued shares | 3 | 0.01 | 1,557,896,098 | 26.00 |
| Total | 49,852 | 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 | 790,443,574 | 13.19 |
| 2 AMANAH RAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA | 387,000,000 | 6.46 |
| 3 KUMPULAN WANG PERSARAAN (DIPERBADANKAN) | 380,452,524 | 6.35 |
| 4 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD | 175,039,763 | 2.92 |
| 5 MUFG BANK (MALAYSIA) BERHAD PLEDGED SECURITIES ACCOUNT FOR SAPURA TECHNOLOGY SDN BHD | 162,560,900 | 2.71 |
| 6 LEMBAGA TABUNG HAJI | 118,701,200 | 1.98 |
| 7 CIMB GROUP NOMINESS (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR AFFIN HWANG MULTI-ASSET FUND 2 | 111,530,813 | 1.86 |
| 8 AMANAH RAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA | 93,153,700 | 1.55 |
| 9 DB (MALAYSIA) NOMINEE (ASING) SDN BHD BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM) | 87,091,300 | 1.45 |
| 10 CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67) | 84,352,064 | 1.41 |

09

ANALYSIS OF
SHAREHOLDINGS (cont'd.)

T 30 APRIL 2018

| Shareholders | No. of Shares | % of Shares |
|---|----------------------|--------------|
| 11 AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020 | 83,000,000 | 1.39 |
| 12 HSBC NOMINESS (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND | 82,859,862 | 1.38 |
| 13 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1) | 82,402,900 | 1.38 |
| 14 CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14) | 72,756,900 | 1.21 |
| 15 HSBC NOMINESS (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 66,747,062 | 1.11 |
| 16 AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA | 65,456,400 | 1.09 |
| 17 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI) | 60,000,000 | 1.00 |
| 18 CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM) | 58,169,900 | 0.97 |
| 19 HSBC NOMINEES (ASING) SDN BHD HSBC BANK PLC (LONDON) | 48,538,824 | 0.81 |
| 20 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SAPURA CAPITAL SDN BHD (PB) | 46,387,227 | 0.78 |
| 21 MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK TRUSTEES BERHAD (SKPB SHAREBONUS) | 42,583,350 | 0.71 |
| 22 DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG LONDON (DB LN EQ HSE CE) | 40,957,819 | 0.68 |
| 23 AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK | 37,554,240 | 0.63 |
| 24 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG) | 30,141,400 | 0.50 |
| 25 TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN | 29,935,600 | 0.50 |
| 26 CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2) | 28,463,900 | 0.48 |
| 27 AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI) | 27,509,100 | 0.46 |
| 28 LEMBAGA TABUNG ANGKATAN TENTERA | 24,931,200 | 0.42 |
| 29 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD | 24,804,600 | 0.41 |
| 30 CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (VCAM EQUITY FD) | 23,600,000 | 0.40 |
| Total | 3,367,126,122 | 56.19 |

ANALYSIS OF SHAREHOLDINGS (cont'd.)

As at 30 APRIL 2018

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

| Substantial Shareholders | Direct Interest | | Indirect Interest | |
|---|--------------------|-------|------------------------------|-------|
| | 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' Shahrman 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 | 312,085,263 | 5.21 | - | - |
| Kumpulan Wang Persaraan (Diperbadankan) | 380,452,524 | 6.35 | 49,898,400 ⁽⁴⁾ | 0.83 |
| AmanahRaya Trustees Berhad - Amanah Saham Bumiputera | 387,000,000 | 6.46 | - | - |

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⁾ Total shareholdings managed by Kumpulan Wang Persaraan (Diperbadankan)'s Fund Managers pursuant to Section 8 of the Act.

09

ANALYSIS OF SHAREHOLDINGS (cont'd.)

30 APRIL 2018

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

| Directors | Direct Interest | | Indirect Interest | |
|---------------------------------------|--------------------|-------|------------------------------|-------|
| | 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* | 275,000 ⁽²⁾ | 0.00* |
| Dato' Shahrman Shamsuddin | 506,385 | 0.01 | 1,007,544,718 ⁽¹⁾ | 16.81 |
| Mohamed Rashdi Mohamed Ghazalli | 97,864 | 0.00* | 48,932 ⁽³⁾ | 0.00* |
| Gee Siew Yoong | - | - | - | - |
| Datuk Ramlan Abdul Malek | 485,500 | 0.01 | - | - |
| Datuk Muhammad Noor Hamid | - | - | - | - |
| 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 him and his children in Sego Holdings Sdn Bhd, which in turn holds 50% in Santubong Properties Sdn Bhd pursuant to Section 8 of the Act.
- ⁽³⁾ 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 SEVENTH ANNUAL GENERAL MEETING OF SAPURA ENERGY BERHAD (“COMPANY”) WILL BE HELD AT THE GRAND BALLROOM 1 & 2, LEVEL 3 (EAST WING), KUALA LUMPUR CONVENTION CENTRE, KUALA LUMPUR CITY CENTRE, 50088 KUALA LUMPUR, MALAYSIA ON WEDNESDAY, 18 JULY 2018 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 2018.
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) Tan Sri Dato’ Seri Shahril Shamsuddin
 - ii) Encik Mohamed Rashdi Mohamed Ghazalli
 - iii) Datuk Muhamad Noor Hamid
3. To approve the payment of Directors’ fees and benefits to Non-Executive Directors up to an amount of RM5,600,000 from 19 July 2018 until the next Annual General Meeting of the Company.
4. To re-appoint 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 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

SPECIAL BUSINESS

5. 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 (“the Act”), 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 number of issued shares 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 6

6. To transact any other business for which due notice shall have been given in accordance with the Act and the Articles of Association of the Company.

BY ORDER OF THE BOARD

LEW SUE LI (MIA 42700)

Group Company Secretary

Seri Kembangan, Selangor Darul Ehsan

30 May 2018

09

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 Seventh Annual General Meeting is entitled to appoint up to two (2) 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 (2) 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, no later than Tuesday, 17 July 2018 at 10.00 a.m.

Pursuant to Paragraph 8.29A of Bursa Malaysia Main Market Listing Requirements, all resolutions set out in the Notice of the Seventh Annual General Meeting will be put to vote on a poll.

2. Corporate Representative

As an alternative to the appointment of a proxy, a corporate member may appoint its corporate representative to attend the Seventh Annual General Meeting pursuant to Section 333 of the 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 Seventh Annual General Meeting.

3. Members Entitled to Attend

For the purpose of determining a member who shall be entitled to attend the Seventh Annual General Meeting 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 11 July 2018. Only a depositor whose name appears on the Record of Depositors as at 11 July 2018 shall be entitled to attend the Seventh Annual General Meeting or appoint proxies to attend and/or vote on his/her behalf.

4. Audited Financial Statements for the financial year ended 31 January 2018

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. Directors' fees and benefits to Non-Executive Directors

Pursuant to Section 230(1) of the Act which stipulates among others that the fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The amount of up to RM5,600,000 under the proposed Resolution 4 comprising Directors' fees of RM5,270,000 and benefits of RM330,000 to Non-Executive Directors of the Company estimated for the period from 19 July 2018 until the next Annual General Meeting of the Company to be held in 2019.

Directors' benefits for Non-Executive Chairman of the Company comprises medical and insurance coverage, car allowance, driver, petrol and other claimable benefits. Whereas, benefits for other Non-Executive Directors comprises medical and insurance coverage and other claimable benefits.

Payment of Directors' fees and benefits will be made on a quarterly basis and/or as and when incurred.

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, the proposed Resolution 6 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 number of issued shares 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 Sixth Annual General Meeting held on 25 July 2017 which will lapse at the conclusion of this Seventh Annual General Meeting.

(I) Individuals who are standing for election as Directors at the Seventh Annual General Meeting of the Company

Details of the Directors who are standing for re-election are provided in the “Profiles of Board of Directors” on pages 23, 26 and 29 of this Annual Report. Details of their interests in the securities of the Company are set out in the “Analysis of Shareholdings” on page 240 of this Annual Report.

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 Seventh Annual General Meeting set out on page 242 of this Annual Report.

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PROXY FORM



| | | |
|---|---------|---------|
| CDS Account No. | | |
| Total number of ordinary shares held | | |
| Number of ordinary shares to be represented by each proxy | Proxy 1 | Proxy 2 |
| | | |

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, 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 Seventh Annual General Meeting of the Company to be held at the Grand Ballroom 1 & 2, Level 3 (East Wing), Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 18 July 2018 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 Tan Sri Dato' Seri Shahril Shamsuddin as Director of the Company | | |
| ORDINARY RESOLUTION 2 | Re-election of Encik Mohamed Rashdi Mohamed Ghazalli as Director of the Company | | |
| ORDINARY RESOLUTION 3 | Re-election of Datuk Muhamad Noor Hamid as Director of the Company | | |
| ORDINARY RESOLUTION 4 | Payment of Directors' fees and benefits up to RM5,600,000 | | |
| ORDINARY RESOLUTION 5 | Re-appointment of Messrs Ernst & Young as Auditors of the Company | | |
| ORDINARY RESOLUTION 6 | 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 _____ 2018

NOTES:

- A member of the Company who is entitled to attend and vote at the Seventh Annual General Meeting is entitled to appoint up to two (2) 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 (2) 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, no later than Tuesday, 17 July 2018 at 10.00 a.m.
- Pursuant to Paragraph 8.29A of Bursa Malaysia Main Market Listing Requirements, all resolutions set out in the Notice of the Seventh Annual General Meeting will be put to vote on a poll.
- By submitting the duly executed proxy form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of this Annual General Meeting and any adjournment thereof.

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STAMP

**SHARE REGISTRAR OF
SAPURA ENERGY 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