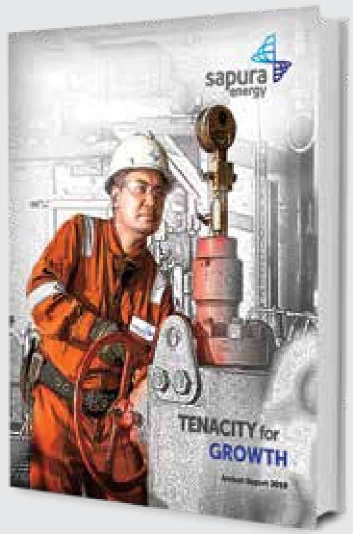
TENACITY for GROWTH

Annual Report 2019



TENACITY FOR GROWTH

A reflection of our perseverance and determination in charting our future. Our relentless pursuit for growth reflects our tenacious spirit amidst the changing operating landscape.

The online version of SAPURA ENERGY
Annual Report 2019 can be found at
http://www.sapura.com.my/annual_reports.html

WHAT'S INSIDE

SAPURA ENERGY BERHAD

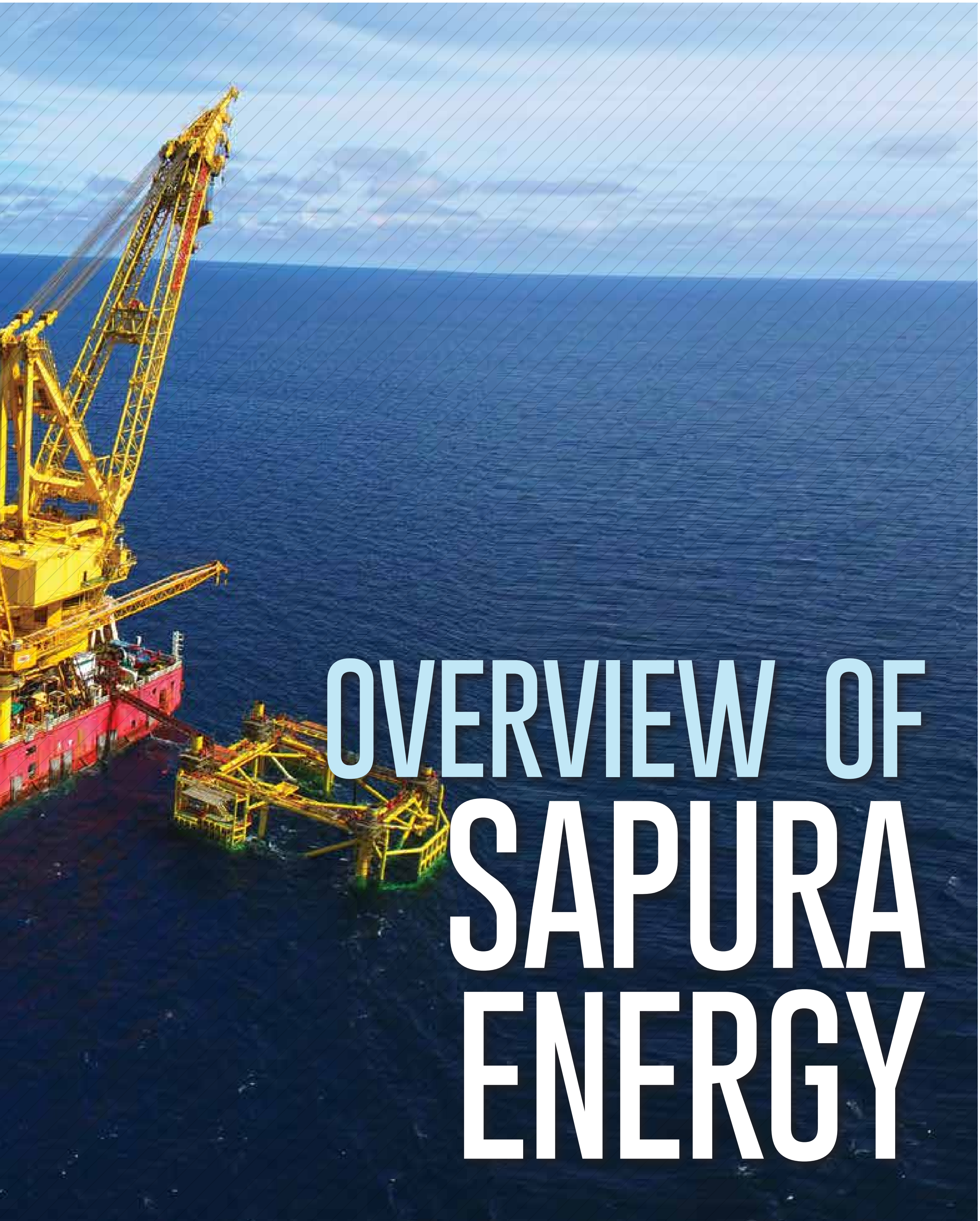
8TH ANNUAL GENERAL MEETING OF SAPURA ENERGY BERHAD

18 July 2019, Thursday

Grand Ballroom 1 & 2
Level 3 (East Wing)
Kuala Lumpur Convention Centre
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia

10.00 a.m.

01



OVERVIEW OF SAPURA ENERGY

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, our empowered people.

WHO WE ARE

Sapura Energy Berhad is a leading global integrated oil and gas services and solutions provider operating across the entire upstream value chain. As a fully-fledged upstream player, the Group's spectrum of capabilities cover exploration, development, production, rejuvenation, as well as decommissioning and abandonment stages of the value chain.

With a highly skilled and technically-capable multinational workforce, strategic world-class assets, and strong project management capabilities, the Group today has a global presence in over 20 countries.

Global footprint across **5** continents, over **20** countries

10 key global operating centres

11,500 multinational workforce

CORE VALUES

We will be guided by our honesty, trust and respect to achieve our business objectives. We will continue to be safe, agile and professional in meeting our stakeholders' expectations.

Honesty

Safe

Trust

Agile

Respect

Professional

AWARDS

2013 & 2014
Fabulous 50 listing by Forbes Asia

2014
Asia's Overall Best Managed Company in Natural Resources by FinanceAsia

2015
New Upstream Player of the Year award by The Oil & Gas Year

2015
Marginal Oil Fields Development Company of the Year award by Frost & Sullivan

2019
APAC Company of the Year (Energy Services, Offshore and Marine) by Energy Council

WHAT DIFFERENTIATES US

IN-HOUSE CAPABILITIES
in engineering and project management

CUSTOMISED AND FIT-FOR-PURPOSE SOLUTIONS
across the entire upstream value chain

EXPERIENCED LEADERSHIP TEAM

OWN AND OPERATE
world-class assets

FACTS AT A GLANCE

ENGINEERING AND CONSTRUCTION

Sapura Energy's Engineering and Construction business provides end-to-end turnkey Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) solutions for the oil and gas industry. Supported by a highly capable and technically-competent in-house engineering team, strategic assets and project management expertise, we deliver high quality services across the full EPCIC spectrum.

- **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
- **2** Diving/Support Vessels
- **2** Anchor Handling Tug Supply Vessels
- **1** Floatover Launch Barge
- **4** Accommodation Workboats/Barges

DRILLING

With more than four decades of experience in tender-assist drilling operations, Sapura Energy's Drilling segment is the world's leading tender rig owner and operator. We have the world's largest fleet of tender-assist drilling rigs. As the pioneer in the tender drilling industry, our mission is to provide our partners with the safest operations, paired with sustainable technical solutions for the most efficient and cost-effective delivery for our clients' development drilling programme.

8

Tender Barge Rigs

7

Semi-Submersible Tender Rigs

FACTS AT A GLANCE (CONT'D.)

EXPLORATION AND PRODUCTION

Combining creativity, technical expertise and entrepreneurial focus, our Exploration and Production segment provides the exploration, development and production solutions to extract returns from even the smallest and most challenging fields.

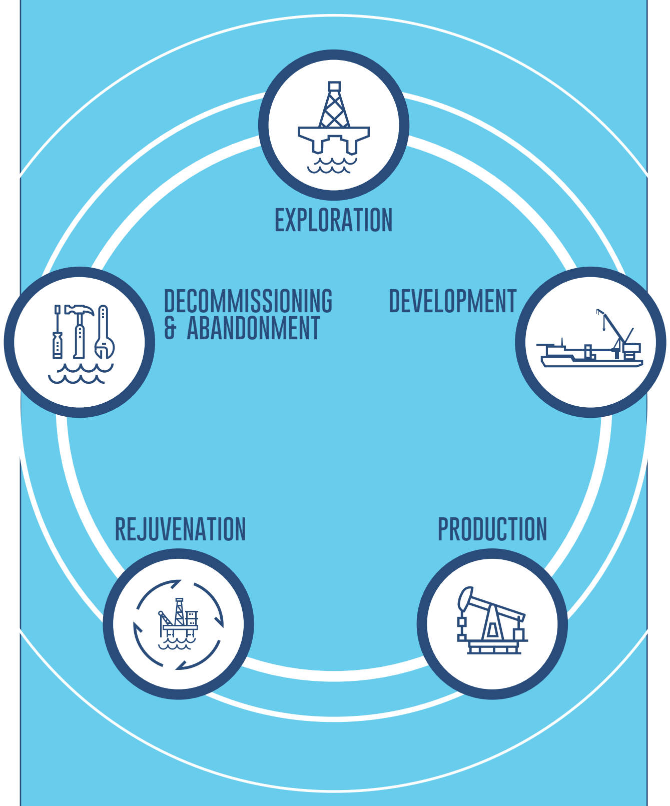
8

Production Sharing Contracts

9

Exploration Permits

OUR VALUE CHAIN



01
02
03
04
05
06
07
08

OUR GLOBAL FOOTPRINT

OUR LOCATIONS

ENGINEERING

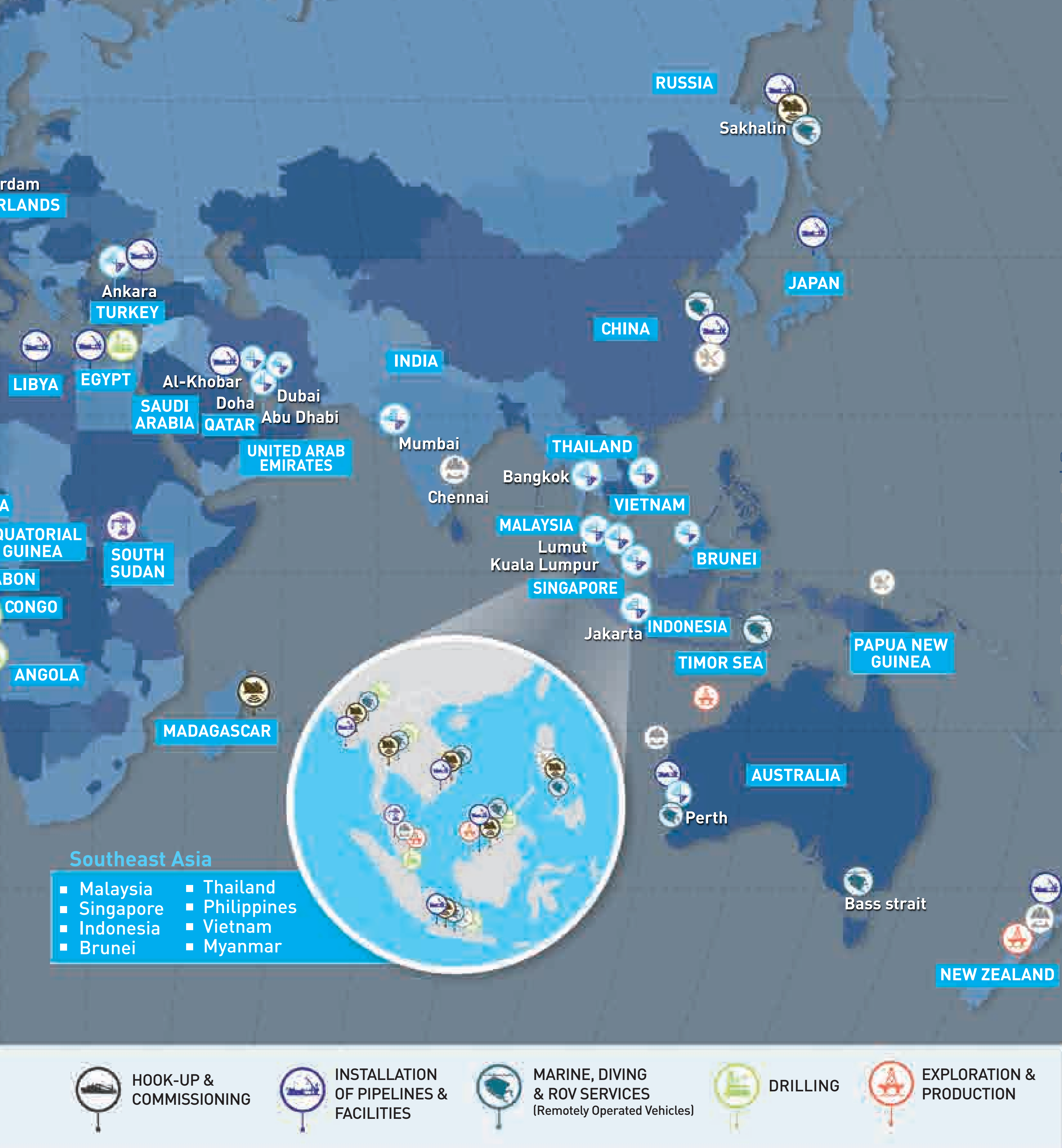
GEOTECHNICAL/ GEOPHYSICAL SURVEY

OPERATIONS & MAINTENANCE

FABRICATION

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

OUR GLOBAL FOOTPRINT (CONT'D.)



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.

HEALTH, SAFETY AND ENVIRONMENT

High standards in Health, Safety and Environment ("HSE") remain an important aspect of our operations at Sapura Energy Berhad ("Sapura Energy") and its subsidiaries ("the Group").

We remain deeply committed to our Group's vision of being safe, agile and professional, which includes responsibly managing risks within all 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, eliminate, mitigate and manage such potential risks. Our HSE culture is essentially the way we do business, and this is firmly embedded at every level of the organisation, through operational discipline and leadership.

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

Our extensive experience in the oil and gas sector, as well as our collaboration with industry and government stakeholders, enables a responsible sharing of lessons learned and the adoption of HSE best practices. We monitor HSE developments and new initiatives across the industry through these collaborations, in addition to our own experiences, all of which drives a continuous improvement in all areas of our organisation.

HEALTH, SAFETY AND ENVIRONMENT (CONT'D.)

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 Energy Mexicana, S.A.P.I. de C.V.	Zero Accidents in 2018	PEMEX Exploración y Producción S.A. de C.V. (PEMEX)
Sapura Offshore Sdn Bhd	Gold Class I – Occupational Safety and Health Award	Malaysian Society for Occupational Safety & Health (MSOSH)
Sapura Fabrication Sdn Bhd	Stop Work Recognition Award	SapuraOMV Upstream (Sarawak) Inc.
Sapura Fabrication Sdn Bhd	2018 Special Recognition – 10 Million Manhours Without Lost Time Injury (2014 – 2018)	ExxonMobil Exploration and Production Malaysia Inc.
Sapura Technology Solutions Sdn Bhd	5.5 Million Safe Manhours	Pengerang Integrated Complex Petrochemical
Sapura Technology Solutions Sdn Bhd	Best HSE Supervisor at PETCHEM Project P27	Pengerang Integrated Complex Petrochemical
Sapura Technology Solutions Sdn Bhd	1.5 Million Manhours Without Lost Time Injury	Malaysia LNG Sdn Bhd
Sapura Drilling Asia Sdn Bhd	*Sapura Esperanza* – Gold Merit Award	Malaysian Society for Occupational Health and Safety (MSOSH)
Sapura Drilling Asia Limited	*Sapura T-17* – 5 Years Without Lost Time Injury	PTT Exploration and Production Public Company Limited (PTTEP)
Sapura Drilling Asia Limited	*Sapura T-18* – 4 Years Without Lost Time Injury	Chevron Thailand Exploration and Production, Ltd
Sapura Subsea Services Sdn Bhd	Focused Recognition (Ownership and Execution) Award	Petronas Carigali Sdn Bhd
Sapura Subsea Services Sdn Bhd	Platinum Award for Excellence – (S.A.F.E)	Carigali Hess Operating Company Sdn Bhd
SapuraOMV Upstream (PM) Inc. Sapura Exploration and Production (Sabah) Inc. SapuraOMV Upstream (Sarawak) Inc.	Offshore Self-Regulation (OSR) Recognition Award	Petronas

ISO Certifications maintained and achieved:

ISO 9001:2015

- Sapura Australia Pty Ltd
- Sapura Energy Mexicana, S.A.P.I. de C.V.
- Total Marine Technology Pty Ltd
- Sapura Fabrication Sdn Bhd
- Sapura Offshore Sdn Bhd
- Sapura Technology Solutions Sdn Bhd
- Sapura Pinewell Sdn Bhd
- Sapura GeoSciences Sdn Bhd
- Sapura Drilling Asia Sdn Bhd
- Sapura Subsea Services Sdn Bhd

ISO 14001:2015

- Sapura Energy Mexicana, S.A.P.I. de C.V.
- Total Marine Technology Pty Ltd
- Sapura Offshore Sdn Bhd
- Sapura Australia Pty Ltd
- Sapura Fabrication Sdn Bhd
- Sapura Drilling Asia Sdn Bhd
- Sapura Subsea Services Sdn Bhd

ISO 45001:2018

- Total Marine Technology Pty Ltd

OHSAS 18001:2007

- Sapura Offshore Sdn Bhd
- Sapura Subsea Services Sdn Bhd
- Sapura Fabrication Sdn Bhd
- Sapura Pinewell Sdn Bhd
- Sapura Australia Pty Ltd
- Sapura Energy Mexicana, S.A.P.I. de C.V.
- Sapura Drilling Asia Sdn Bhd

02

OUR PERFORMANCE

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

The financial year ended 31 January 2019 ("FY2019") was a year of re-energising Sapura Energy. As oil prices moved toward an encouraging level compared to four years ago, upstream investments by oil and gas majors gradually returned, with increasing capital expenditure and several field development and offshore projects being sanctioned in 2018. Our strategy is to capture the growth market as the industry recovers.

01
02
03
04
05
06
07
08

DATO' HAMZAH BAKAR
Chairman

CHAIRMAN'S STATEMENT (CONT'D.)

In tandem with our growth trajectory and on the back of a slew of contract wins secured across our business segments during FY2019, the Group undertook two major corporate exercises to ensure that we have sufficient capital to continue with our growth momentum and operate on a stronger balance sheet. These measures were necessary for us to chart a clear strategic roadmap towards longer-term business sustainability.

In the first corporate exercise that was completed in January 2019, we successfully raised approximately RM4.0 billion via a rights issue. We were heartened that shareholders voted overwhelmingly to approve the Group's rights issue at the Extraordinary General Meeting (EGM) in November 2018.

Just before the end of FY2019, we successfully concluded our second corporate exercise by sealing a strategic partnership with Austria's OMV. We received cash proceeds of about RM3.6 billion from this transaction. OMV now owns 50 per cent equity stake of our Exploration and Production business under a new associate entity called SapuraOMV Upstream. We expect this partnership to also enable both parties to benefit from potential synergies that exist between our businesses across the global markets.

The proceeds from both the rights issue and strategic partnership with OMV were used to partly repay the Group's borrowings. At the end of FY2019, our balance sheet had strengthened, with net gearing ratio reduced from 1.6 times to 0.6 times. As a result of the substantial reduction in debts, the Group will enjoy savings in finance cost of approximately RM314.0 million per annum.

On behalf of the Board, I would like to take this opportunity to thank all our shareholders for their continued vote of confidence and trust in our strategy for sustainable growth. I would like to also express appreciation for our staff, particularly our management for their tireless efforts in seeking business opportunities across the globe and to achieve cost efficiency through various initiatives, including voluntary pay cuts for the last three years. They have prepared the Group to compete effectively as new projects take off following optimism in the recovery of our industry.

As all Shareholders are aware, after the rights issue, Permodalan Nasional Berhad and its associated funds ("PNB Group"), which collectively hold approximately 40 per cent equity interest in the Group, has become our largest shareholder. The Board and Management would like to thank the PNB Group for their continued support which we believe reflects their confidence in the Group's business strategy and growth potential. Their presence in Sapura Energy's Board of Directors would enable us to benefit from their expertise in corporate strategy and governance.

Our Board and management are committed to maintaining good corporate governance in accordance with the Malaysian Code on Corporate Governance 2017. We continue to uphold high standards of transparency, accountability and integrity in managing the Group's business and are proactively taking measures to further enhance our corporate governance framework. We hold the view that having a strong corporate governance framework is crucial for enhancing shareholder value and

sustainable financial performance besides safeguarding our stakeholders' interests. The framework ensures that all undertakings are in the best interest of the Group.

Our commitment to diversity is reflected in the composition of our senior management team and our Board of Directors. In the context of gender diversity, the Group recently welcomed two women directors – Dato' Roslina Zainal and Datin Paduka Kartini Haji Abdul Manaf – who collectively bring a wealth of experience to the Board. They will enhance the existing gender diversity within Sapura Energy.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank Datuk Ramlan Abdul Malek, who retired as Non-Independent Non-Executive Director on 31 December 2018, for his valuable services during his tenure. We wish him the very best in his future endeavours.

There are many stakeholders who have stood by us through the years: to our shareholders, thank you for your unwavering support and faith in our business and operations; to our clients, thank you for your continued trust in our ability to execute and deliver your projects; and to our business associates, partners and financiers, thank you for your understanding and confidence in our business. We look forward to greater collaboration in the years to come.

To our workforce around the world, thank you for your dedication and commitment. And finally, to my colleagues on the Board, thank you for your good judgement, counsel and support, which enabled the Group to further progress in a challenging environment.

The Board is optimistic about the future of the business. We remain cognisant that the journey to full recovery will take time, but with our tenacity, we will continue to strive towards building a more competitive, resilient and sustainable Sapura Energy.

DATO' HAMZAH BAKAR
Chairman

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

President and Group Chief Executive Officer

Dear Shareholders,

During the financial year in review ("FY2019"), Sapura Energy demonstrated its tenacity for growth in its unceasing efforts to build a stronger order book and strengthen its presence in existing markets as well as expand into new ones amidst an improving industry. At the same time, the Group reinforced its financial position to support its growth trajectory that has marked significant milestones since the start of the financial year.

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

FY2019 was a challenging year for the industry. Demand-supply swings and geo-political uncertainties were some of the market forces and disruptions that affected the industry globally. These market strains consequently impacted margins, which have since eased, but are still prevalent. However, crude oil prices stabilised during the year, encouraging investment decisions by oil and gas majors. The Group capitalised on these emerging opportunities and is well-positioned for further growth as the market continues its gradual recovery.

STRONGER BALANCE SHEET

In FY2019, we successfully completed two major corporate exercises, namely a rights issue and a 50:50 strategic partnership between our Exploration and Production (E&P) business and Austria's OMV.

Upon the completion of both exercises, we raised approximately RM7.6 billion, which enabled us to reduce our net gearing ratio from 1.6 times to 0.6 times. This has resulted in a leaner and financially stronger Sapura Energy.

The strategic partnership with OMV provided a positive catalyst for our E&P expansion. We gained a strong E&P partner and are confident that this will further unlock the value of the business. In addition, the partnership enables the sharing of expertise, knowledge and technology, thus mitigating operational risks, as well as the sharing of capital requirements in exploration and development activities.

FINANCIAL PERFORMANCE

The Group posted a profit-after-tax and non-controlling interests of RM207.5 million in FY2019 compared to a loss-after-tax and non-controlling interests of RM2.5 billion the year before. This included a gain on disposal of RM2.7 billion from the sale of 50 per cent equity stake in our E&P business to OMV, and provisions for impairment of RM1.5 billion, primarily for Drilling, and Engineering and Construction (E&C) assets. Group revenue totalled RM5.5 billion during the year under review compared to RM5.9 billion in the previous year.

OUR GROWTH MOMENTUM

Over the course of FY2019, Sapura Energy continued to strengthen its fundamentals and chart its growth into new markets.

The Group marked several firsts in its FY2019 growth strategy. In our E&P segment, we made maiden entries into Mexico, Australia and New Zealand, and in our Services segment, we carved a new footprint in Africa and are one of the eight pre-qualified service companies under Saudi Aramco's long-term agreement (LTA). The LTA paves the way for further opportunities in the engineering, procurement, construction and installation space, thus deepening our presence in the Middle East.

Compared to the previous year, we registered a 230 per cent increase in total contract wins for FY2019 at RM9.3 billion. Our order book of RM17.2 billion as at end of FY2019, compared to RM14.9 billion in FY2018 and RM16.7 billion in FY2017, was at its highest in two years and continues to grow today. We have built up an order book with 70 per cent of the work in global markets. We expect the expanding order book to further boost operational activities and asset utilisation. These achievements were results of the strong foundation and track record we have built over the years.

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (CONT'D.)

COMPANY OF THE YEAR AWARD

During the year, against a strong field of leading global industry players, we were honoured to be named Company of the Year in the Energy Services, Offshore and Marine category at the Asia Pacific Energy Awards by the Energy Council.

The award represents a global benchmark of excellence for the oil and gas industry. The win reinforces Sapura Energy's standing as a major industry player after having started out as a diving contractor about 20 years ago. We dedicate this win to our employees, partners and clients who have journeyed with us through the years.

APAC COMPANY OF THE YEAR

for Energy Services, Offshore and Marine by Energy Council

FY2019 ORDER BOOK

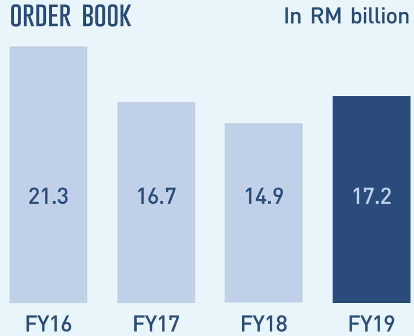
RM**17.2** BILLION

the highest in two years up by

15 per cent from previous year

ORDER BOOK

In RM billion



FY2019 CONTRACT WINS

RM**9.3** BILLION

230 per cent increase from previous year

MOVING FORWARD

Going into FY2020, we remain cognisant and vigilant of the competitive landscape as the industry recovers from low levels of utilisation and margin pressures.

As the recovery cycle improves, we are seeing an increase in the number of sanctioned offshore projects as evidenced through our current enlarged bidding activities in key target markets.

With the anticipated increase in activities, a stronger balance sheet and encouraging prospects, we are confident that we are poised for further growth in FY2020. We remain committed to increasing shareholder value, and we will do this through our relentless focus on growing and executing the order book.

DIVIDEND

In appreciation of the continuous support from our shareholders, the Group has declared a special dividend of 0.5 sen per ordinary share.

ACKNOWLEDGEMENTS

In closing, I wish to express my appreciation to our shareholders, partners and clients – thank you for the trust, confidence and support through the years.

To our Board of Directors, thank you for steering us through yet another challenging year with your astute insights and guidance.

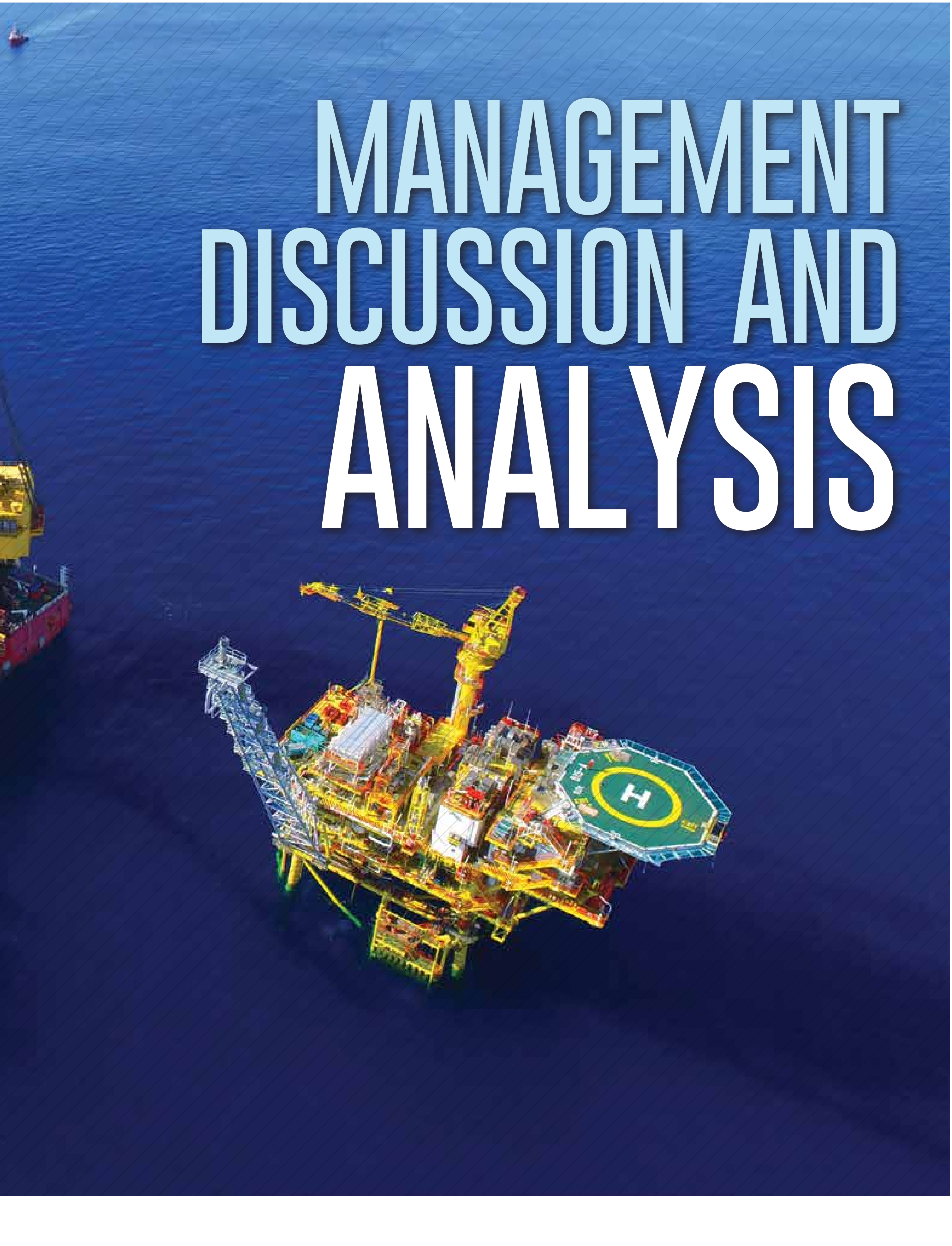
My gratitude goes to our workforce across the globe for their continued dedication, commitment and hard work. I would also like to thank my leadership team for their unwavering support in driving our strategies. The contributions and personal sacrifices from our people have helped Sapura Energy excel through the challenging times.

We cannot rest on our laurels. We remain steadfast in our promise to continue creating shareholder value and are confident that our strategies are setting us up well for the future. With your support and our determination to build a sustainable business, I am confident that we will achieve greater successes together.

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

03

MANAGEMENT DISCUSSION AND ANALYSIS



STRATEGIC REVIEW

OPERATING ENVIRONMENT AND OUTLOOK

After a period of extended volatility, crude oil prices stabilised and traded within a narrow range for most of 2018. This provided some certainty and allowed for investment decisions to be made by oil and gas companies.

Crude oil prices are expected to be range-bound over the next year barring major market disruptions. The certainty in oil prices will continue to drive the trend in capex spending, which is expected to remain robust. Key investment decisions are expected in deep-water, offshore shelf and other conventional onshore development areas.

The stabilisation in crude oil prices and improving market conditions should augur well for the oil and gas services industry. We are confident of the medium to long-term prospects as the industry continues to stabilise.

TRANSITIONING TO GROWTH MODE

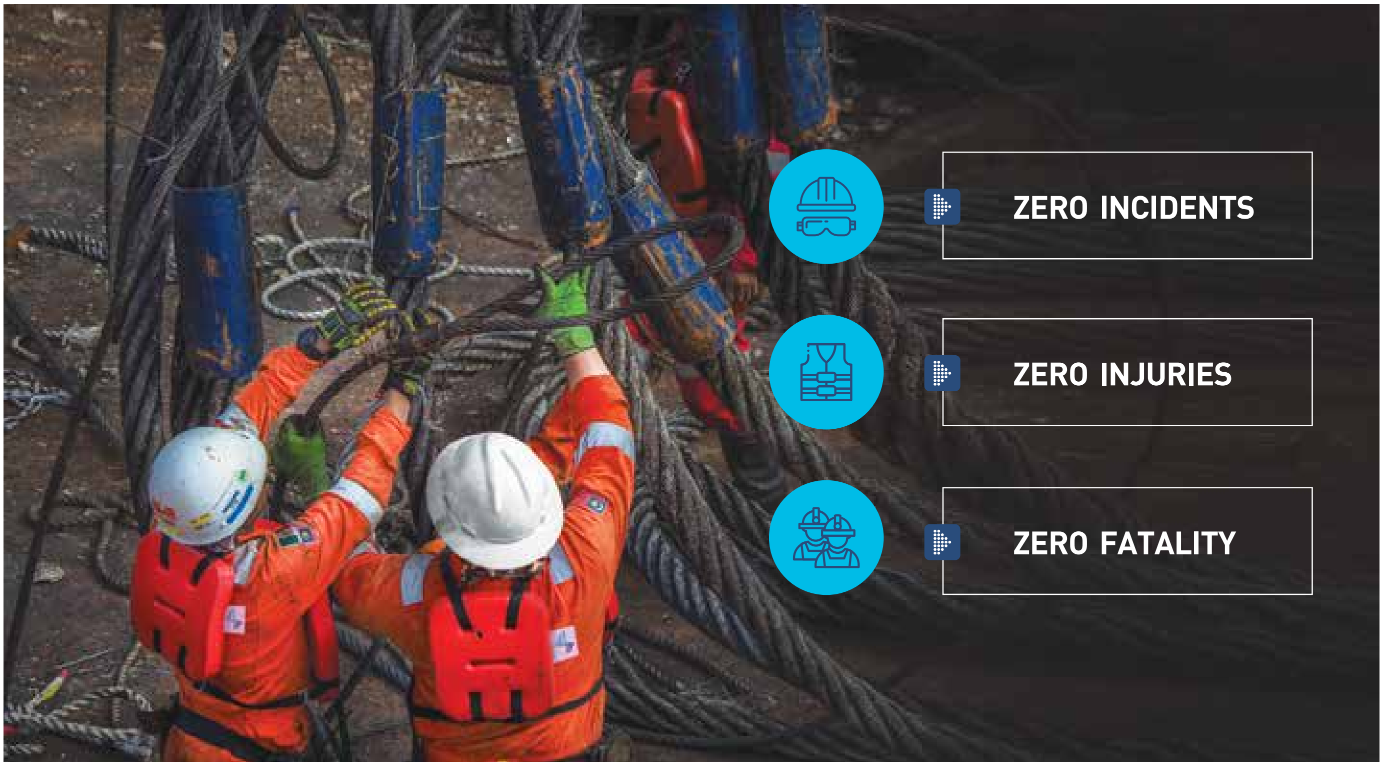
Throughout the recent tough times in the industry, we have been focusing on strengthening our fundamentals, building up our technical capabilities and penetrating new markets – all of which were strategic initiatives we undertook to lay a strong foundation for our business and be ready to capitalise on the industry upturn.

Our pursuits in FY2019 saw an expansion of our global footprint and a continuous build-up of our order book. Approximately 70 per cent of our order book comes from outside Malaysia as a result of our continued marketing efforts amidst a challenging environment.

The Group is now in a growth mode, leveraging on our increased global footprint and upturn in the industry. We have reorganised ourselves to be more effective in managing and growing our expanding global business. Our upward trajectory entails recoding our operating model, continuing our costs optimisation efforts and improving our management systems for a truly global operating environment. In addition, we have established three key operating hubs - Asia Pacific; the Middle East and Africa; and the Americas - to enable us to deepen our presence in these regions.

SAFETY IS OUR TOP PRIORITY

OUR GOAL



Safety is of paramount importance in all our operations. We reaffirm our commitment to ensuring no harm to our people, the environment and our assets. In our efforts to embed safety as a culture, we have undertaken several Group-wide initiatives, which include site coaching sessions, regular review of lessons learnt, and awareness talks. Our assets, projects and operations have been recognised for safety excellence by the Malaysian Society for Occupational Safety and Health (MSOSH), our partners and clients. We continue to strengthen our safety culture beyond compliance at every level of the organisation. Please refer to our Sustainability Report pages 102 to 108 for more information.

STRATEGIC REVIEW (CONT'D.)

KEY RISKS AND MITIGATION

Risk management is embedded in our daily operations. Governance policies and procedures are developed with clear accountabilities for all employees 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	• Continue to optimise cost and accelerate production • Actively monitor industry dynamics and market risk exposure • Proactively develop strategic responses to market changes
Order book replenishment	• Enhance and improve bid performance to ensure continuous supply of projects • Improve marketing strategy to continue expansion and bring in new clients • Ongoing early engagement with clients to explore opportunities • Propose fit-for-purpose technical solutions to address operator's challenges
Financial risk	• Monitor cash flow and loan covenants • Maintain regular engagement with lenders • Incorporate anticipated interest rate changes in preparing budget targets and review periodically • Use of hedging to mitigate foreign currency risk on borrowings and receipts and payments
Operational risk	• Continuously monitor safety and overall performance and active involvement in incident root cause analysis • Address areas of improvement in project execution to safeguard project delivery • Enhance operational readiness for new markets and larger projects • Continuous recruitment of people in preparation for new projects
Talent risk	• Improve talent management strategies and plans to enhance capability development • Manage organisational capacity to ensure the hiring of the right skills for the right roles • Retention of staff in tandem with increasing activities
Safety risk	• Continue to embed safety as a culture and encourage the right behaviours among all stakeholders • Reinforce strict compliance in line with established policies and processes • Continuous safety training for all levels of the organisation • Involvement of senior leadership in inculcating our safety culture

As a Group, we are actively managing these risks. Read our Statement on Risk Management and Internal Control on pages 078 to 079.

OUR STRATEGIC PRIORITIES

During FY2019, we remained steadfast in our strategy to capitalise on emerging opportunities amidst the continued challenging industry environment. The strategy we undertook was based on an outlook of gradual industry optimism and the anticipated increase in upstream investments and activities. In line with this, we have strengthened our fundamentals to take advantage of the upturn. We see a continuation of the trends that signal an improving industry in FY2020. We remain focused on our strategic priorities to support our continued growth momentum.

01
02
03
04
05
06
07
08

GROWING OUR GLOBAL FOOTPRINT FURTHER

BROADENING OUR CLIENT BASE

BOOST ASSET UTILISATION

DELIVERING EFFICIENTLY

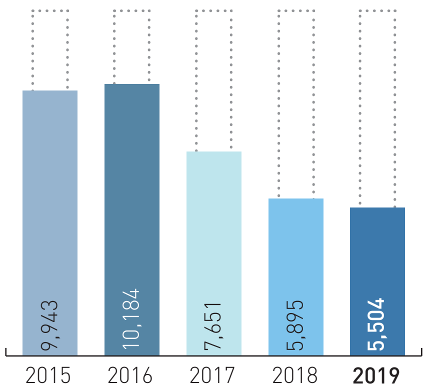
STAYING COMPETITIVE AND RELEVANT

PERFORMANCE REVIEW

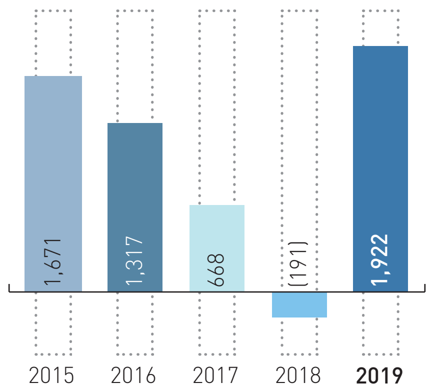
5-YEAR GROUP FINANCIAL HIGHLIGHTS

Financial year ended 31 January	2015 RM'mil	2016 RM'mil	2017 RM'mil	2018 RM'mil	2019 RM'mil
Operating results					
Revenue	9,943	10,184	7,651	5,895	**5,504**
Profit/(loss) before tax and impairments	1,671	1,317	668	(191)	**1,922**
Profit/(loss) before tax	1,616	(713)	385	(2,324)	**401**
Profit/(loss) after tax	1,433	(791)	206	(2,505)	**203**
Key statement of financial position data					
Cash and cash equivalents	1,257	1,948	3,520	1,716	**8,098**
Total assets	34,563	36,492	37,449	29,993	**33,576**
Borrowings	16,953	18,329	18,647	16,415	**16,986**
Total liabilities	22,570	24,279	24,369	20,542	**19,705**
Shareholders fund	11,986	12,207	13,076	9,450	**13,875**
Basic earning per share (sen)	23.93	(13.25)	3.50	(42.10)	**3.43**
Net assets per share (RM)	2.01	2.04	2.19	1.59	**0.87**
Net debt to equity (times)	1.31	1.34	1.16	1.56	**0.64**

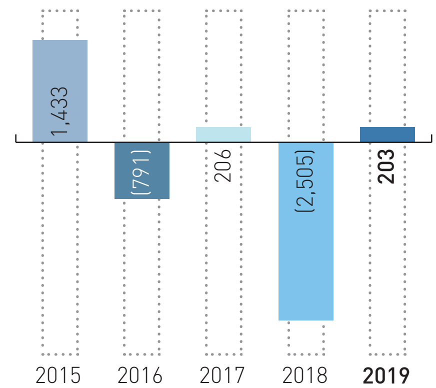
5-YEAR GROUP FINANCIAL SUMMARY



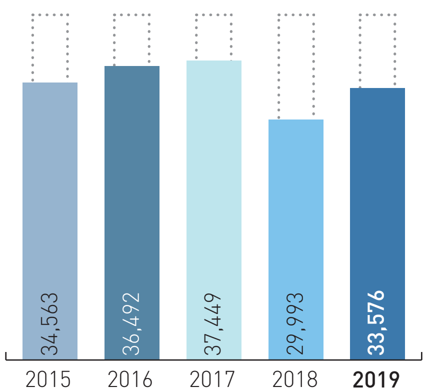
Revenue
(RM'mil)



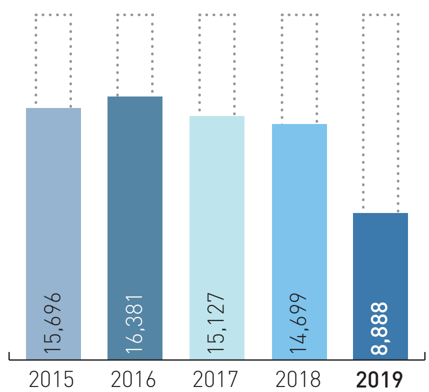
Profit/(loss) before tax and impairments
(RM'mil)



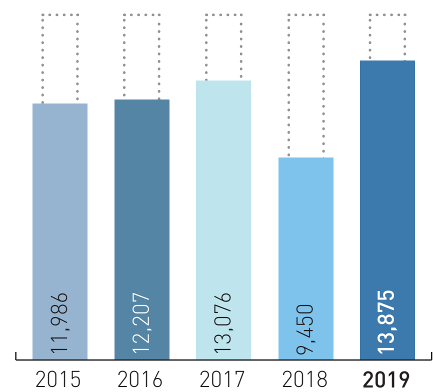
Profit/(loss) after tax
(RM'mil)



Total assets
(RM'mil)



Net debt
(RM'mil)



Shareholders fund
(RM'mil)

PERFORMANCE REVIEW (CONT'D.)

FINANCIAL CALENDAR

2018

28 MAR 2018
Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2018

22 MAY 2018
Announcement of Audited Financial Statements for the financial year ended 31 January 2018

30 MAY 2018
Notice of Annual General Meeting and issuance of Annual Report for the financial year ended 31 January 2018

29 JUN 2018
Announcement of the unaudited consolidated results for the first quarter ended 30 April 2018

18 JUL 2018
Seventh Annual General Meeting

28 SEPT 2018
Announcement of the unaudited consolidated results for the second quarter ended 31 July 2018

29 NOV 2018
Extraordinary General Meeting – Approval of Rights Issue

06 DEC 2018
Announcement of the unaudited consolidated results for the third quarter ended 31 October 2018

2019

28 JAN 2019
Extraordinary General Meeting – Approval of Strategic Partnership between Sapura Energy Berhad and OMV AG

29 JAN 2019
Completion of Rights Issue

31 JAN 2019
Completion of Strategic Partnership between Sapura Energy Berhad and OMV AG

25 MAR 2019
Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2019

10 MAY 2019
Announcement of Audited Financial Statements for the financial year ended 31 January 2019

31 MAY 2019
Notice of Annual General Meeting and issuance of Annual Report for the financial year ended 31 January 2019

18 JUL 2019
Eighth Annual General Meeting

BUSINESS REVIEW

ENGINEERING & CONSTRUCTION

Our Engineering and Construction division comprises engineering, procurement, construction, installation, and hook-up and commissioning (EPCIC) of offshore facilities and subsea services.

Our end-to-end EPCIC solutions and services are backed by:

- an experienced engineering and project management team;
- a 273-acre in-house fabrication yard equipped with modern fabrication facilities;
- versatile offshore construction assets for installation of platforms, pipelines and subsea structures in water depths of up to 3,000 metres;
- and in-house capabilities and assets for brownfield modification, subsea repair and maintenance, light well intervention, marine support and decommissioning.

FINANCIAL PERFORMANCE

Revenue from E&C for the year under review was RM3.7 billion. This was 7.4 per cent lower compared to the preceding year, in line with the lower activities during the year. Segment profit excluding provision for impairment on property, plant and equipment, provision for impairment on goodwill on consolidation and including share of profits from associates and joint ventures was RM93.3 million.

CONTRACTS AWARDED

Country	Client	Contract
Mexico	Petróleos Mexicanos (PEMEX)	Engineering, procurement, construction and installation of pipeline for Line 16 in Gulf of Mexico
	Hokchi Energy S.A. de C.V. (Hokchi Energy)	EPCIC works for the Hokchi Field Development comprising one central wellhead platform, one satellite platform, subsea pipelines and power umbilical that will be connected to Hokchi Paraiso, an onshore processing facility
	ENI Mexico S. de. R.L de. C.V (ENI Mexico)	Transportation and installation works for the Mizton Phase 1 Development comprising one wellhead platform, subsea pipeline, onshore pipeline and fibre optic cable in Offshore Block Area 1 in Gulf of Mexico

BUSINESS REVIEW (CONT'D.)

Country	Client	Contract
India	Mumbai Port Trust	Supply, installation and testing of offshore and onshore pipelines, including pipeline manifolds for Fifth Oil Berth project in West Coast of India
	Oil and Natural Gas Corporation Limited (ONGC)	EPCIC of pipelines, umbilical, risers and J-tubes for the Subsea Wells and Pipeline Replacement Project Phase V in West Coast of India
		EPCIC works comprising one Central Processing Platform, living quarters, bridges and appurtenances for the development of KG-DWN-98/2 NELP Block in East Coast of India
	Sikka Port & Terminal Limited	Residual engineering, supply of equipment and materials, and construction of Berth A2 and modification of Berth D (additional Mooring Dolphin) at Marine Terminal Jamnagar in West Coast of India
Nigeria	Saidel Limited	Pipelay campaign for the Southern Swamp Sales Gas Evacuation Pipeline project
Australia	Quadrant Energy	Recovery and decommissioning of subsea structures for East Spar field in offshore Western Australia
	PTT Exploration and Production (PTTEP) Australasia	Light-well intervention services for three wells in Montara development area in Timor Sea
Malaysia	Sarawak Shell Berhad (Shell)	Engineering, minor procurement and construction of one wellhead platform and brownfield integrated module for SK408E Gorek Development and F6 BIM Project
	Mubadala Petroleum	EPCIC works comprising one integrated Central Processing Platform and intrafield pipeline for Pegaga Gas Development project
	PETRONAS	EPCC for Kinarut Erb West Compressor Upgrading project
		EPCC for Bokor Betty brownfield and rejuvenation project
		EPCC works for relocation and tie-in of PFLNG-1 in Kumang cluster, offshore Sarawak
	SapuraOMV Upstream (formerly known as Sapura Exploration & Production)	Engineering, minor procurement and construction of two wellhead platforms for SK408 Larak and Bakong Development Project
	ExxonMobil Exploration and Production Malaysia Inc.	Pan-Malaysia Maintenance, Construction and Modification contract
	Malaysia Marine & Heavy Engineering	Transportation and installation works for Bokor CPP Jacket
	Petroleum Arrangement Contractors (PAC) comprising: • Sarawak Shell Berhad/Sabah Shell Petroleum Company Limited • Murphy Sarawak Oil Co., Ltd/Murphy Sabah Oil Co., Ltd • Repsol Oil and Gas Malaysia Limited • Kebabangan Petroleum Operating Company Sdn. Bhd.	Pan-Malaysia Underwater Services contract
	Hess Exploration and Production Malaysia B.V.	EPCIC contract comprising two wellhead platforms for Full Field Development Phase 2 facilities in North Malay Basin

KEY PROJECTS DELIVERED

Client	Contract
Shell and PETRONAS Carigali	Pan-Malaysia Transportation and Installation works in Malaysia
PETRONAS	Radar Surveillance & Security (RS3) project in Malaysia
PTTEP International Limited (subcontract to PT Gunanusa Utama Fabricators for WHP installation scope)	Zawtika Development Project Phase 1C in Myanmar
Brunei Shell Petroleum Company	Seria Crude Oil Terminal Oil Export System upgrade comprising EPCIC for replacement of offshore Single Point Mooring system in Brunei
ONGC	EPCIC B-127 cluster pipeline project and EPCIC Mumbai High South Redevelopment Phase 3 Project in India
TANAP Doğalgaz İletim A.S.	EPCI of offshore pipelines and fibre optic cables for Trans-Anatolian Natural Gas Pipeline (TANAP) in Turkey

Maiden entries into **Africa and Middle East**

Awarded **two major Central Processing Platform (CPP) EPCIC** projects: Pegaga by Mubadala Petroleum and 98/2 by ONGC India

Selected for **Saudi Aramco Long-Term Agreement (LTA)** programme

Secured **first platform EPCIC work** in **Mexico** for Hokchi Energy

Sapura Pinewell
Special recognition for **10 million manhours without lost time injury** by ExxonMobil Exploration and Production Malaysia Inc.

Achieved **new record** for **highest pipeline lay rate**, awarded by Sarawak Shell Berhad

Sapura Navegação Marítima S.A., Brazil
Best Pipelayer for two consecutive years (2017 and 2018) by Petrobras

Sapura Energy Thailand
2018 CEO Safety, Security, Health and Environment Excellence Award

Glossary

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

BUSINESS REVIEW (CONT'D.)

Strengthening our EPCIC business

Sapura Energy was awarded several engineering, procurement, construction, installation and commissioning (EPCIC) contracts during the year. They include:

- EPCIC contract for an integrated central gas processing platform (CPP) for the Pegaga gas field in the Central Luconia province, offshore Sarawak, for Mubadala Petroleum. The facility is designed for gas throughput of 550 million standard cubic feet of gas per day plus condensate.
- Fabrication and installation of a central wellhead platform and a satellite platform to be connected to Hokchi Paraiso, an onshore processing facility, in the Hokchi Field Development, Gulf of Mexico, for Hokchi Energy.
- EPCIC contract (in consortium with Afcons Limited) for a CPP and living quarters for the KG-DWN 98/2 NELP block from ONGC.

Long-Term Agreement

Sapura Energy marked a significant milestone in its growth strategy when it was selected as one of the latest pre-qualified service contractors for Saudi Aramco's Long-Term Agreement (LTA) programme. Joining a league of eight international oil and gas service providers, this will enable us to participate in bids for engineering, procurement, fabrication, transportation and installation (EPCI) contracts by Saudi Aramco. Sapura Energy qualified as an LTA contractor after undergoing an extensive assessment and meeting rigorous operational and safety requirements. The LTA programme will be for a period of six years with options for extension.

Penetrating new market

Sapura Energy successfully completed its first project in the African region, with *Sapura 900*, its heavy-lift and pipelay construction barge. The engineering, construction and installation works were undertaken for the Southern Swamp Sales Gas Evacuation Pipeline (SSSGEP) project operated by Shell Petroleum Development Company of Nigeria. The pipelay campaign was completed ahead of schedule, including the additional scope of work comprising pre-commissioning and post-trenching of the pipeline. The successful completion of the project is a continued demonstration of our capabilities and expertise in offshore operations.

DRILLING

01
02
03
04
05
06
07
08

FINANCIAL PERFORMANCE

The Drilling segment recorded a revenue of RM933.5 million, which was lower by 18.5 per cent compared to the corresponding year. This was mainly due to the unfavourable effect of the US Dollar weakening against the Ringgit Malaysia and the lower number of rigs fully in operation during the year in review. The segment profit, excluding provision for impairment on property plant and equipment, was RM148.2 million.

CONTRACTS AWARDED

Country	Client	Contract
Angola	Cabinda Gulf Oil Company Limited, a joint-venture between Chevron, Agip Angola, Sonangol, Total and Petrogal Exploration	*Sapura Jaya* for drilling works in Angolan waters (two years)
Brunei	Brunei Shell	*Sapura Pelaut* for drilling activities in offshore Brunei (one plus one years with extension option)
Malaysia	PETRONAS	*Sapura Berani* for drilling of three wells in Malaysian waters *Sapura Berani* for two wells at the Sumandak facility, offshore Sabah
	Shell	*Sapura Esperanza* for one well offshore Sarawak *Sapura Esperanza* for three wells offshore Sarawak
	Shell and EQ Petroleum Production Malaysia Limited (EnQuest)	*Sapura Esperanza* for two wells offshore Terengganu

BUSINESS REVIEW (CONT'D.)

KEY PROJECTS DELIVERED

Country	Client	Contract
Thailand	PTTEP Thailand	*Sapura T-17* completed a five-year contract for PTTEP Thailand. In total, it recorded more than three million manhours without LTI, performed 15 rig moves, drilled 170 wells and completed 635,268 meters of drill footage. *Sapura T-17* was built for the contract with Derrick Equipment Set (DES) modifications made specifically to suit client's needs
Brunei	Brunei Shell	*Sapura Alliance* underwent a major upgrade in 2017-18 which included the design, fabrication, installation and commissioning of a new Derrick Equipment Set. This culminated in the successful delivery of the upgraded rig to Shell in April 2018, complete with the lightest DES in the entire tender rig market

RIGS REACTIVATED

Country	Client	Contract
Brunei	Brunei Shell	Five plus five years contract for the provision of semi-tender rig, *Sapura Alliance*
Malaysia	PETRONAS Carigali	*Sapura Berani* reactivated in a short period of time to meet client's tight schedule. Based on good track record, provision of the rig was extended and granted more work on the Erb West location

Technical utilisation:
99 per cent uptime for rigs in operation

Sapura T-17:
Completed five-year campaign for PTTEP Thailand **without LTI**

Drilled 106 wells equivalent to **1.27 million feet deep**, with a further six wells plug and abandonment

Sapura Esperanza: Successfully completed Malikai campaign; received **Outstanding Performance Award** from Shell

Sapura T-18 bagged **five awards**: four years without a recordable incident, lowest rig non-productive time in 2018, fastest ever penetration rate for production section, fastest ever 7-inch casing run in 2018, and fastest 2 7/8-inch casing run

New Contract in Angola

Sapura Drilling won a contract from Cabinda Gulf Oil Limited (CABGOC), a joint-venture between Chevron, Agip Angola, Sonangol, Total and Petrogal Exploration, for the provision of *Sapura Jaya*, our semi-submersible tender-assist drilling rig, for drilling works in Angolan waters. The project entails using a first of its kind technical solution to improve efficiency for the entire drilling campaign.

Long-Term Contract with BSP

In Brunei, *Sapura Alliance* commenced its long-term contract with Brunei Shell Petroleum (BSP) in April 2018. The semi-submersible tender-assist drilling rig has been contracted for drilling works for a firm period of five years with option to extend for an additional five years. Through close collaboration with BSP, the rig has been upgraded with a purpose-built Derrick Equipment Set designed for platforms offshore Brunei. This is the lightest DES in the entire tender rig market.

Outstanding Performance Award

Sapura Esperanza's exceptional work for Malikai project has been recognised with an Outstanding Performance Award by Shell. The efficiency of the drilling team and the asset have helped Shell to complete 12 wells within an original 11-well schedule. This was made possible through engineering modification on *Esperanza* that enabled faster well completion time through increased offline capability. *Esperanza* has also maintained a clean slate on LTI record with very low downtime.

BUSINESS REVIEW (CONT'D.)

EXPLORATION & PRODUCTION

Sapura Exploration and Production (Sapura E&P) has operations with different stages in the entire upstream O&G life cycle (i.e. exploration, development and production stages) located in Malaysia, Australia, New Zealand and Mexico. It has demonstrated its capabilities through its excellent exploration track record, speed to monetise discoveries, innovative and cost-efficient solutions supported by an excellent safety record. At the end of FY2019, Sapura E&P formed a strategic partnership with OMV, under a new associate entity, SapuraOMV Upstream.

FINANCIAL PERFORMANCE

The E&P segment recorded a revenue of RM936.0 million, which was 10.1 per cent higher compared to the previous corresponding year, as a result of higher liftings and the effect of higher average realised oil and gas prices during the year. The segment profit, including a gain on disposal of 50 per cent equity stake through the strategic partnership with OMV, was RM2,992.2 million.

NEW ASSET ACQUISITIONS

Country	Partner	PSC/Exploration permits
Mexico	DEA Deutsche Erdoel Mexico and Premier Oil Sapura Energy (30%), DEA (40%) and Premier Oil (30%)	Awarded most contested Block 30 in Sureste basin, Gulf of Mexico
New Zealand	OMV New Zealand Limited and Mitsui E&P Australia Pty Limited Sapura E&P (30%) and OMV (70%) for two of the exploration permits. Sapura E&P (30%), OMV (40%) and Mitsui E&P Australia (30%) for three of the exploration permits.	Farm-in into five offshore exploration permits in Taranaki basin, New Zealand
Australia	Finder Exploration Pty Limited SapuraOMV Upstream (70%), Finder (30%)	Farm-in agreements to three offshore exploration permits within the highly prolific North West Shelf oil and gas province off Western Australia.

BUSINESS REVIEW (CONT'D.)

Net reserves and contingent resources:
265 mmboe

Higher net lifting volume at higher average crude lifting prices

Sapura E&P consortium **won most contested Block 30** in Sureste Basin, Mexico

SK408 (Gorek, Larak and Bakong) on track for
first gas in FY2020-2021

Ninth gas discovery in SK408 Pepulut field, offshore Sarawak, Malaysia

Made inroads into **New Zealand** and **Australia**

Achieved almost **1.2 million** manhours without LTI

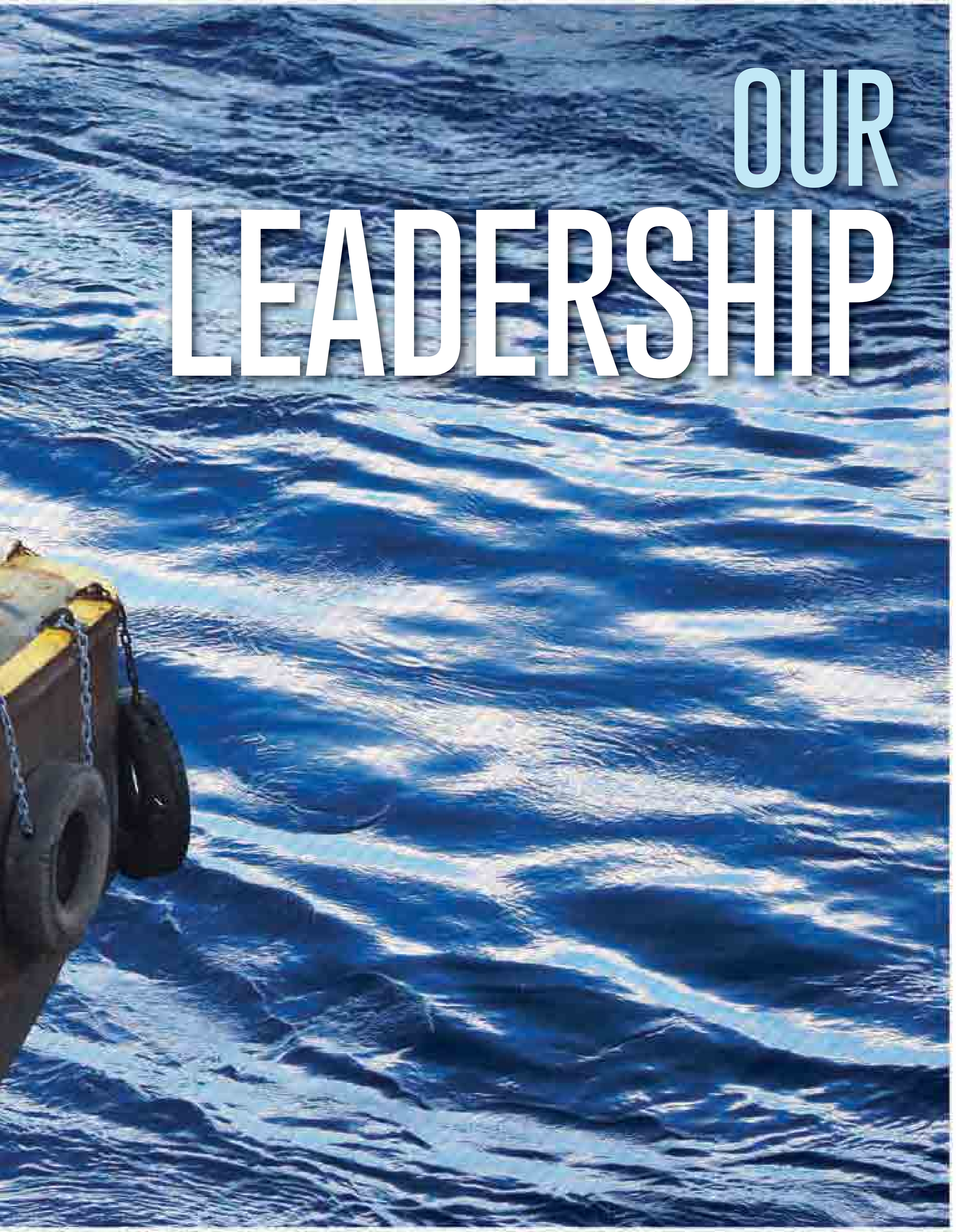
Strategic Partnership

Sapura Energy and OMV concluded the agreement to form a strategic partnership on 31 January 2019. OMV now owns a 50 per cent equity stake in our E&P business under a new associate company, SapuraOMV Upstream. The transaction was based on an enterprise value of up to RM6.6 billion and resulted in Sapura Energy receiving up to RM3.6 billion in cash and recognising a net gain on disposal of RM2.7 billion for the 50 per cent equity stake. The partnership provides a strong foundation for our strategy towards creating sustainable long-term growth and expanding portfolios whilst leveraging on each other's strengths and financial backing.

Awarded Most Contested Block in Mexico

Sapura Exploration and Production together with its joint-venture partners, DEA Deutsche Erdoel Mexico and Premier Oil, were awarded Block 30 in Sureste Basin, a proven and prolific hydrocarbon province in the Gulf of Mexico. It was the most-contested block in the bid. The consortium outbid six other competitors for the coveted block. Sapura Energy has been operating in Mexico since late 2012.

04



01
02
03
04
05
06
07
08

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

Datin Paduka Kartini Hj Abdul Manaf
Non-Independent Non-Executive Director

Dato' Shahriman Shamsuddin
Non-Independent Non-Executive Director

Gee Siew Yoong
Independent Non-Executive Director

Mohamed Rashdi Mohamed Ghazalli
Independent Non-Executive Director

Datuk Muhamad Noor Hamid
Independent Non-Executive Director

Datuk Ramlan Abdul Rashid
Independent Non-Executive Director

Dato' Roslina Zainal
Independent Non-Executive Director

BOARD AUDIT COMMITTEE

Gee Siew Yoong
Chairman

Tan Sri Datuk Amar (Dr) Hamid Bugo

Mohamed Rashdi Mohamed Ghazalli

Datuk Muhamad Noor Hamid

BOARD NOMINATION COMMITTEE

Tan Sri Datuk Amar (Dr) Hamid Bugo
Chairman

Dato' Hamzah Bakar

Gee Siew Yoong

BOARD REMUNERATION COMMITTEE

Dato' Hamzah Bakar
Chairman

Mohamed Rashdi Mohamed Ghazalli

Datuk Muhamad Noor Hamid

Datuk Ramlan Abdul Rashid

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 Datuk Amar (Dr) Hamid Bugo

Datuk Ramlan Abdul Rashid

COMPANY SECRETARIES

Lew Sue Li
(MIA 42700)

Wong Lay See
(MAICSA 7018684)

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

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

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(formerly known as
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

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name : SAPNRG
Stock Code : 5218

PRINCIPAL BANKERS

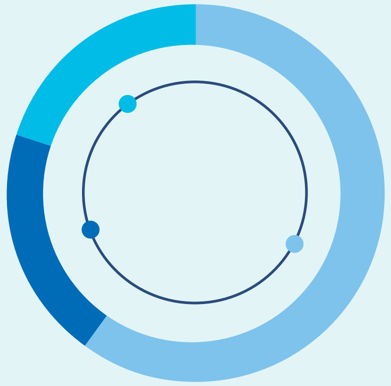
ABN AMRO Bank
AmBank Berhad
CIMB Bank Berhad
Citibank
Export-Import Bank of Malaysia Berhad
ING Bank
Malayan Banking Berhad
Mizuho Bank
First Abu Dhabi Bank
RHB Bank Berhad
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
MUFG Bank
United Overseas Bank

COMPANY WEBSITE

www.sapuraenergy.com

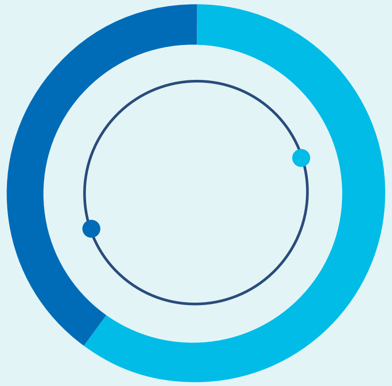
BOARD COMPOSITION

TENURE OF SERVICE



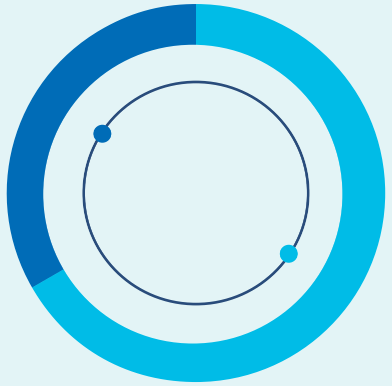
- <1 year — 2
- 1 to 5 years — 2
- >5 years — 6

COMPOSITION



- Independent Directors — 6
- Non-Independent Directors — 4

GENDER



- Male — 7
- Female — 3

BOARD OF DIRECTORS

from left to right:

• DATUK RAMLAN ABDUL RASHID • MOHAMED RASHDI MOHAMED GHAZALLI • GEE SIEW YOONG
• DATIN PADUKA KARTINI HJ ABDUL MANAF • TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

BOARD OF DIRECTORS (CONT'D.)

from left to right:

• DATO' HAMZAH BAKAR • TAN SRI DATUK AMAR (DR) HAMID BUGO • DATO' SHAHRIMAN SHAMSUDDIN
• DATUK MUHAMAD NOOR HAMID • DATO' ROSLINA ZAINAL

PROFILE OF BOARD OF DIRECTORS

DATO' HAMZAH BAKAR

Chairman
Non-Independent Non-Executive Director

Age/Gender/Nationality:

75/Male/Malaysian

Date of Appointment:

9 December 2011

Board Meeting Attendance in FY2019:

15/15

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 Petroliam Nasional Berhad ("PETRONAS") including as a Senior Vice President for Refining and Marketing as well as a Senior Vice President for Corporate Planning and Development. He also served as the first Chief Executive Officer of KLCC Holdings 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

Age/Gender/Nationality:

58/Male/Malaysian

Date of Appointment:

9 December 2011

Board Meeting Attendance in FY2019:

15/15

Board Committee Membership:

- Nil

Directorship in Other Public Companies and Listed Issuers:

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

Working Experience and Occupation:

Tan Sri 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, which manages a diversified portfolio of businesses that include secured communications technologies, aviation, automotive manufacturing and property development.

Under Tan Sri Shahril's stewardship, Sapura Energy has received numerous accolades, including the Fabulous 50 listing by Forbes Asia in 2013 and 2014, Asia's Overall Best Managed Company in Natural Resources by FinanceAsia in 2014, New Upstream Player of the Year award by The Oil & Gas Year Malaysia in 2015, Marginal Oil Fields Development Company of the Year award by Frost & Sullivan in 2015, Best Pipe Layer Operator award by Petrobras in 2018 and APAC Company of the Year (Energy Services, Offshore and Marine) by Energy Council in 2019.

Tan Sri Shahril is a member of the World Economic Forum's ASEAN Regional Strategy Group, the Asian Executive Board of the Massachusetts Institute of Technology (MIT) Sloan and the Board of Governors of the Asia School of Business, a collaboration between MIT Sloan and Bank Negara Malaysia.

Tan Sri Shahril was the recipient of the Legion d'Honneur by the Republic of France in 2007, Malaysia's Entrepreneur of the Year award by Ernst & Young in 2009 and Man of the Year award by The Oil & Gas Year Malaysia in 2014. He was conferred an Honorary Doctorate in Technology Management by the Universiti Teknologi Malaysia (UTM) in May 2013. He is also a member of the Boards of Trustees of the UTM Endowment Fund and the Perdana Leadership Foundation.

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

PROFILE OF BOARD OF DIRECTORS (CONT'D.)

TAN SRI DATUK AMAR (DR) HAMID BUGO

Senior Independent Non-Executive Director

Age/Gender/Nationality:

73/Male/Malaysian

Date of Appointment:

27 February 2012
Independent Non-Executive Director

6 February 2013
Senior Independent Non-Executive Director

Board Meeting Attendance in FY2019:

13/15

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

DATIN PADUKA KARTINI HJ ABDUL MANAF

Non-Independent Non-Executive Director

Age/Gender/Nationality:

57/Female/Malaysian

Date of Appointment:

24 April 2019

Board Meeting Attendance in FY2019:

Not Applicable

Board Committee Membership:

- Nil

Directorship in Other Public Companies and Listed Issuers:

- Director, UMW Holdings Berhad
- Director, Chemical Company of Malaysia Berhad

Working Experience and Occupation:

Datin Paduka Kartini Hj Abdul Manaf started her career with Permodalan Nasional Berhad ("PNB") in March 1983 and is presently its Deputy President, Strategic Investments. In her career of over 30 years at PNB, she has served in various capacities and has been involved in various aspects of investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development.

Currently, Datin Paduka Kartini is also a Director of Universiti Malaysia Kelantan and Unilever (Malaysia) Holdings Sdn Bhd.

Academic/Professional Qualifications:

- Master of Business Administration, Ohio University, USA
- Bachelor of Business Administration, Ohio University, USA
- Diploma in Banking Studies, Universiti Teknologi MARA, Malaysia
- Certified Financial Planner, Financial Planning Association of Malaysia
- Capital Markets Services Representative License, Securities Commission Malaysia

PROFILE OF BOARD OF DIRECTORS (CONT'D.)

DATO' SHAHRIMAN SHAMSUDDIN

Non-Independent Non-Executive Director

Age/Gender/Nationality:

50/Male/Malaysian

Date of Appointment:

9 December 2011

Board Meeting Attendance in FY2019:

12/15

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

He began his career with Sapura Group in 1991 and has held a number of key senior positions within the Group. He manages a diversified portfolio which includes aviation and property investment.

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

Academic/Professional Qualifications:

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

GEE SIEW YOONG

Independent Non-Executive Director

Age/Gender/Nationality:

69/Female/Malaysian

Date of Appointment:

5 July 2013

Board Meeting Attendance in FY2019:

14/15

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:

Ms Gee has served on several boards of public listed companies since 2001.

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

Ms Gee is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. She has more than 40 years of experience in the financial and auditing line within multiple industries. Her professional strengths are in restructuring, reorganisation, change management and corporate governance.

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

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

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

PROFILE OF BOARD OF DIRECTORS (CONT'D.)

MOHAMED RASHDI MOHAMED GHAZALLI

Independent Non-Executive Director

Age/Gender/Nationality:

62/Male/Malaysian

Date of Appointment:

9 September 2011

Board Meeting Attendance in FY2019:

13/15

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, Tune Protect Group Berhad
- Director, Danajamin Nasional 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 IT 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

DATUK MUHAMAD NOOR HAMID

Independent Non-Executive Director

Age/Gender/Nationality:

67/Male/Malaysian

Date of Appointment:

14 April 2015

Board Meeting Attendance in FY2019:

14/15

Board Committee Memberships:

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

PROFILE OF BOARD OF DIRECTORS (CONT'D.)

DATUK RAMLAN ABDUL RASHID

Independent Non-Executive Director

Age/Gender/Nationality:

60/Male/Malaysian

Date of Appointment:

23 September 2016

Board Meeting Attendance in FY2019:

14/15

Board Committee Memberships:

- Member, Board Risk Management Committee
- Member, Board Remuneration Committee
- Member, Long-Term Incentive Plan 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 (ICLif)

DATO' ROSLINA ZAINAL

Independent Non-Executive Director

Age/Gender/Nationality:

57/Female/Malaysian

Date of Appointment:

1 February 2019

Board Meeting Attendance in FY2019:

Not Applicable

Board Committee Membership:

- Nil

Directorship in Other Public Companies and Listed Issuers:

- Director, Tenaga Nasional Berhad

Working Experience and Occupation:

Dato' Roslina has broad experience in the energy sector in the areas of Utility Economics, Regulation, Energy Procurement, Planning and Strategy. She had served Lembaga Letrik Negara/Tenaga Nasional Berhad ("TNB") for 33 years, worked in various divisions in TNB such as Distribution, Planning, Business Strategy, Regulations, Transmission and Corporate Planning. She currently sits on the Boards of TNB and its subsidiaries, TNB Fuel Services Sdn Bhd, Prai Power Sdn Bhd and Universiti Teknikal Malaysia Melaka. In addition, Dato' Roslina currently is a senior fellow at Khazanah Nasional.

Dato' Roslina was appointed as Vice President of Regulatory Economics and Planning Division from 1 April 2009 until the expiration of her contract on 31 March 2018. Between 1990 to 1992, she was seconded to the Economics Planning Unit of the Prime Minister's Office as an assistant Director to advise on energy matters.

Academic/Professional Qualifications:

- Masters in Business Administration (MBA) from the University of New England, New South Wales, Australia
- Bachelor of Science in Electrical Engineering from the Lakehead University, Thunder Bay, Canada

ADDITIONAL INFORMATION IN RELATION TO THE DIRECTORS

1. **Family Relationship with Directors and/or Major Shareholders**
   Save for the following, none of the Directors of Sapura Energy has any family relationship with other Directors and/or major shareholders of the Company:

   Tan Sri Dato' Seri Shahril Shamsuddin and Dato' Shahriman Shamsuddin are brothers.

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

3. **Convictions for Offences**
   None of the Directors of Sapura Energy has any conviction for offences within the past five years or has been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 January 2019.

EXECUTIVE COMMITTEE

from left to right:

Datuk Kris Azman Abdullah
Senior Vice President,
Exploration and Production

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

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

EXECUTIVE COMMITTEE (CONT'D.)

Vivek Arora
Senior Vice President,
Business Acquisition –
Engineering & Construction

Ahmad Zakiruddin Mohamed
Senior Vice President,
Operations – Engineering &
Construction and
Group Supply Chain

Raphael Siri
Senior Vice President,
Drilling Business and
Group Performance

PROFILE OF EXECUTIVE COMMITTEE

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

President and Group Chief Executive Officer

Age	Nationality	Date of Appointment	Gender
58 years	**Malaysian**	**9 December 2011**	**Male**

Directorship in Public Companies and Listed Issuers:

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

Working Experience:

Tan Sri 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, which manages a diversified portfolio of businesses that include secured communications technologies, aviation, automotive manufacturing and property development.

Under Tan Sri Shahril's stewardship, Sapura Energy has received numerous accolades, including the Fabulous 50 listing by Forbes Asia in 2013 and 2014, Asia's Overall Best Managed Company in Natural Resources by FinanceAsia in 2014, New Upstream Player of the Year award by The Oil & Gas Year Malaysia in 2015, Marginal Oil Fields Development Company of the Year award by Frost & Sullivan in 2015, Best Pipe Layer Operator award by Petrobras in 2018 and APAC Company of the Year (Energy Services, Offshore and Marine) by Energy Council in 2019.

Tan Sri Shahril is a member of the World Economic Forum's ASEAN Regional Strategy Group, the Asian Executive Board of the Massachusetts Institute of Technology (MIT) Sloan and the Board of Governors of the Asia School of Business, a collaboration between MIT Sloan and Bank Negara Malaysia.

Tan Sri Shahril was the recipient of the Legion d'Honneur by the Republic of France in 2007, Malaysia's Entrepreneur of the Year award by Ernst & Young in 2009 and Man of the Year award by The Oil & Gas Year Malaysia in 2014. He was conferred an Honorary Doctorate in Technology Management by the Universiti Teknologi Malaysia (UTM) in May 2013. He is also a member of the Boards of Trustees of the UTM Endowment Fund and the Perdana Leadership Foundation.

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

PROFILE OF EXECUTIVE COMMITTEE (CONT'D.)

DATUK KRIS AZMAN ABDULLAH

Senior Vice President, Exploration and Production

Age	Nationality	Date of Appointment	Gender
55 years	**Malaysian**	**15 May 2012**	**Male**

Directorship in Public Companies and Listed Issuers:

- Director, SapuraCrest Petroleum Berhad

Working Experience:

Datuk Kris Azman Abdullah is the Senior Vice President of Exploration and Production Division, Sapura Energy. He is also currently the Chief Executive Officer of SapuraOMV Upstream Sdn Bhd (formerly known as SEB Upstream Sdn Bhd) where he leads a multi-disciplinary team that manages all exploration and production activities for Sapura Energy.

The Exploration and Production Division is a sizable regional player within this sector with a significant gas holding position in Malaysia as a result of its successful exploration program. 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.

He joined the group in 2010 when 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.

Datuk Kris joined the Group with more than 20 years' experience in various capacities within the financial services industry from investment banking, stock broking and corporate restructuring.

Prior to joining the Group, he was the Executive Director of Issues and Investment Division at Securities Commission Malaysia where he was responsible for the regulatory oversight function as well as overall market development.

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

PROFILE OF EXECUTIVE COMMITTEE (CONT'D.)

REZA ABDUL RAHIM

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

Age	Nationality	Date of Appointment	Gender
43 years	**Malaysian**	**15 May 2012**	**Male**

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

Encik Reza Abdul Rahim was 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

Age	Nationality	Date of Appointment	Gender
53 years	**Malaysian**	**15 May 2012**	**Female**

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

PROFILE OF EXECUTIVE COMMITTEE (CONT'D.)

AHMAD ZAKIRUDDIN MOHAMED

Senior Vice President, Operations – Engineering & Construction and Group Supply Chain

Age	Nationality	Date of Appointment	Gender
48 years	**Malaysian**	**1 January 2014**	**Male**

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

Encik Ahmad Zakiruddin Mohamed is the Senior Vice President, Operations – Engineering & 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 25 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

PROFILE OF EXECUTIVE COMMITTEE (CONT'D.)

VIVEK ARORA

Senior Vice President, Business Acquisition – Engineering & Construction

Age	Nationality	Date of Appointment	Gender
50 years	**Indian**	**1 August 2012**	**Male**

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

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

Mr Arora has more than 25 years of experience in oil and gas service industry 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

PROFILE OF EXECUTIVE COMMITTEE (CONT'D.)

RAPHAEL SIRI

Senior Vice President, Drilling Business and Group Performance

Age	Nationality	Date of Appointment	Gender
48 years	**French**	**1 May 2013**	**Male**

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.

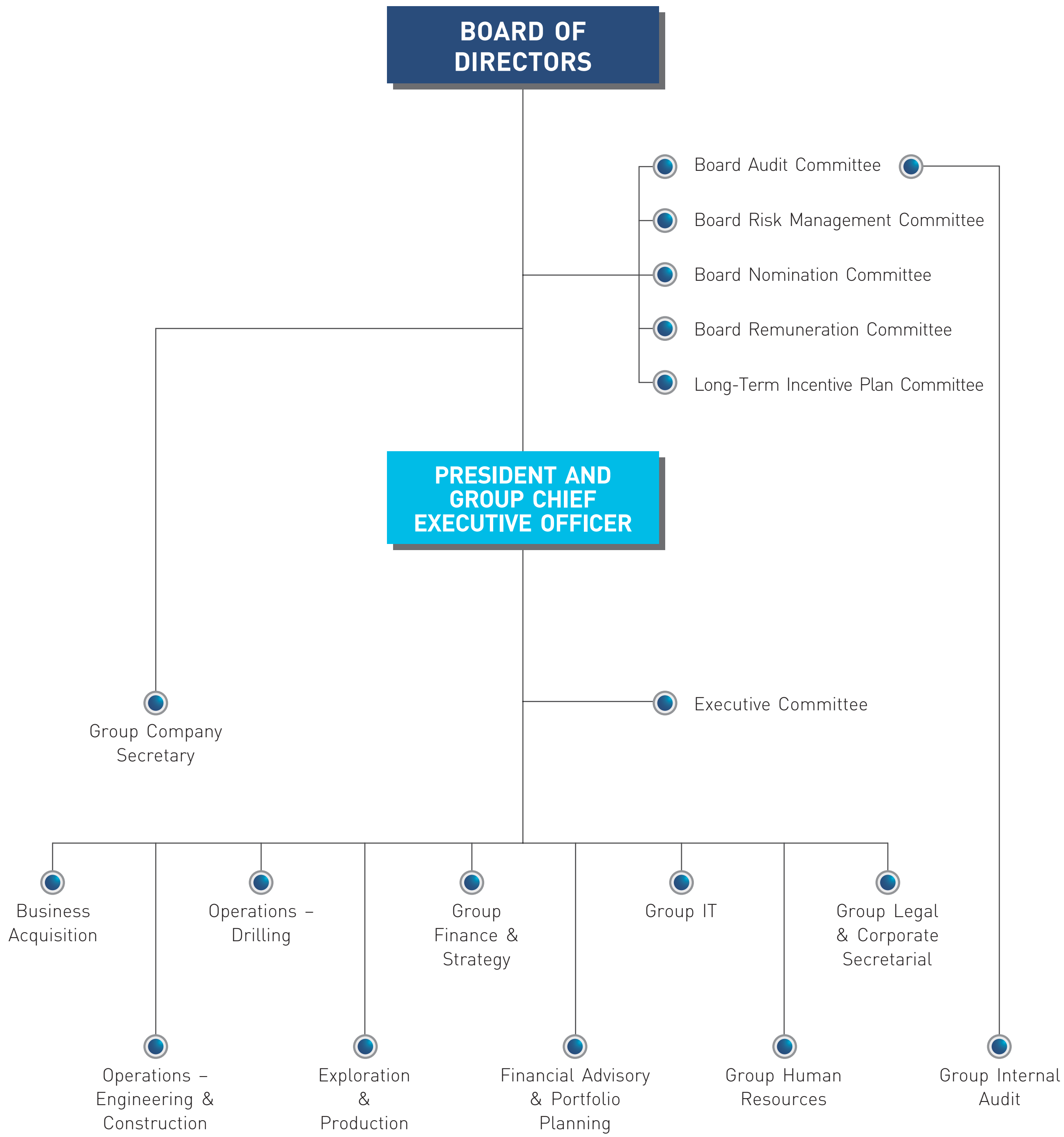
Academic/Professional Qualifications:

- 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 053, 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 within the past five years or has been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 January 2019.

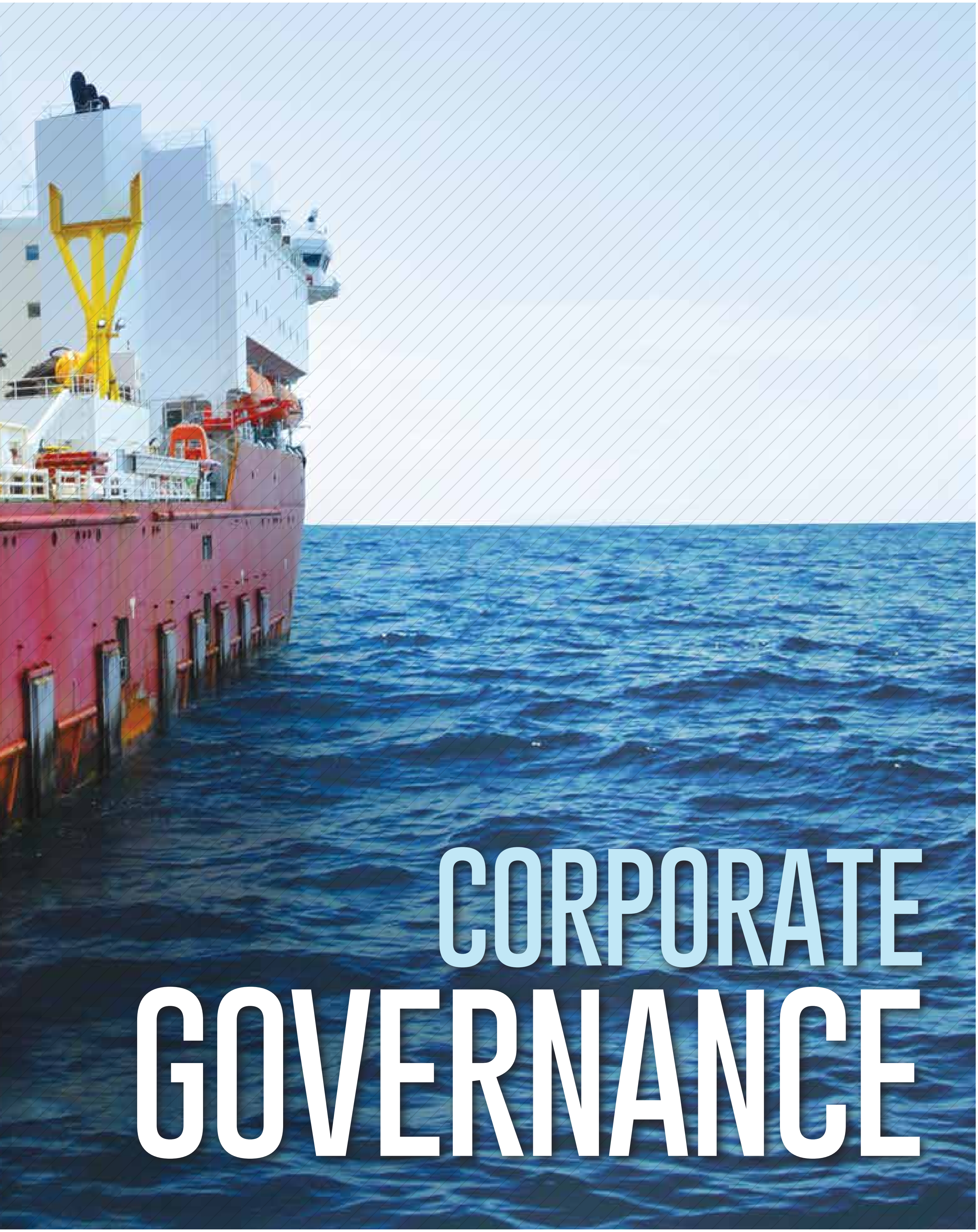
GROUP ORGANISATIONAL STRUCTURE



Note:

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

05



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Sapura Energy Berhad ("Sapura Energy" or "the Company") 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 ("Code" or "MCCG") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("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 2019 ("FY2019"). 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

The Board has the collective responsibility for the overall conduct and performance of the Group's business by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. A comprehensive business plan was tabled to the Board on 8 March 2019 for deliberation and approval. 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 provides guidance to the Board in discharging its roles, duties and responsibilities in line with the principles of good governance. The Board Charter has been made available on the Company's website at www.sapuraenergy.com. The Board 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 principal responsibilities 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 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 Health, Safety and Environment ("HSE") performance, amongst others.

Board Balance and Composition

The Board currently comprises six (6) Independent Directors and four (4) Non-Independent Directors. Independent Directors form a majority of the Board, thus fulfilling the application of Practice 4.1 of the Code and the requirement under the MMLR that at least one third (1/3) of the Board members are independent directors. This ensures that minority shareholders' interests are adequately represented.

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. As at the date of this CG Overview Statement, three (3) out the ten (10) Board members are women.

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 Board 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 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 profile of each Director is provided on pages 044 to 053 of this Annual Report.

The same applies to appointment of Senior Management and the Group's workforce. The Group recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Group. The Group is committed to leveraging the diverse backgrounds in terms of gender, ethnicity, nationality, age, experiences and perspectives of our workforce to provide good customer service to an equally diverse customer base. The Group's commitment to recognising the importance of diversity extends to all areas of our business including recruitment, skills enhancement, appointment to roles, retention of employees and training and development.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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 Board identifies the training needs of the Board as a whole while the individual Directors are given a free hand to identify their own training needs, taking into consideration their memberships on the boards of other companies as well.

The training programmes attended by each individual Directors during FY2019 are as follows:

Director	Date	Organiser	Title of Programme
Dato' Hamzah Bakar	5 February 2018	Sapura Energy	1. Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 2. Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics 3. Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry
	14 February 2018	Ernst & Young	2018 Malaysian Financial Reporting Standards (MFRS) 15 Training
	25 September 2018	Jointly organised by Malaysian Oil & Gas Services Council ("MOGSC"), United Business Media ("UBM") Malaysia and Malaysian Exhibition Services ("MES")	The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)
	27-28 November 2018	Malaysian Institute of Economic Research	National Economic Outlook Conference

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

Director	Date	Organiser	Title of Programme
Tan Sri Dato' Seri Shahril Shamsuddin	5 February 2018	Sapura Energy	1. Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 2. Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics 3. Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry
	14 February 2018	Ernst & Young	2018 Malaysian Financial Reporting Standards (MFRS) 15 Training
	25 September 2018	Jointly organised by MOGSC, UBM Malaysia and MES	The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)
Tan Sri Datuk Amar (Dr) Hamid Bugo	5 February 2018	Sapura Energy	1. Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 2. Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics 3. Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry
	14 February 2018	Ernst & Young	2018 Malaysian Financial Reporting Standards (MFRS) 15 Training
	22 February 2018	Institute of Management Sarawak	Good Governance in a Multi-Ethnic Federation
	16 March 2018	Jointly organised by Bursa Malaysia Berhad and Securities Commission Malaysia	MSSG Reporting & Corporate Governance Guide
	11 May 2018	Institute of Management Sarawak	The Magnificent Odyssey: Closing the Gap between Rural & Urban Education
	21 July 2018	Institute of Management Sarawak	A Comprehensive Guide to the Human Side of Leadership
	28 August 2018	Bursa Malaysia Berhad	CG Assessment Using the Revised ASEAN Scoreboard Methodology
	25 September 2018	Jointly organised by MOGSC, UBM Malaysia and MES	The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)
Dato' Shahriman Shamsuddin	5 February 2018	Sapura Energy	1. Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 2. Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics 3. Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry
	25 September 2018	Jointly organised by MOGSC, UBM Malaysia and MES	The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)
	30 October 2018	Aram Global Sdn Bhd in collaboration with Transparency International Malaysia	Anti-Corruption Summit 2018 – Good Governance and Integrity for Sustainable Business Growth

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

Director	Date	Organiser	Title of Programme
Mohamed Rashdi Mohamed Ghazalli	5 February 2018	Sapura Energy	1. Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 2. Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics 3. Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry
	14 February 2018	Ernst & Young	2018 Malaysian Financial Reporting Standards (MFRS) 15 Training
	17 July 2018	Financial Institutions Directors' Education Programme ("FIDE")	Blockchain in Financial Services Industry
	25 September 2018	Jointly organised by MOGSC, UBM Malaysia and MES	The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)
	8 – 9 October 2018	Khazanah Nasional Berhad	Khazanah Megatrends Forum 2018 – Recalibrating Markets, Firms, Society and People
	22 October 2018	Jointly organised by The Iclif Leadership and Governance Centre and FIDE	Emerging Risks, the Future Board, and Return on Compliance
	2 November 2018	Danajamin AITLAU Management Services	Anti-Money Laundering and Terrorist Financing
Gee Siew Yoong	5 February 2018	Sapura Energy	1. Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 2. Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics 3. Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry
	14 February 2018	Ernst & Young	2018 Malaysian Financial Reporting Standards (MFRS) 15 Training
	5 March 2018	Jointly organised by Telekom Malaysia Berhad and PricewaterhouseCoopers	Malaysian Financial Reporting Standards (MFRS) 15 and 9
	22 March 2018	Tenaga Nasional Berhad ("TNB")	Incentive Based Regulation (IBR) – Regulatory Period 2
	23 April 2018	TNB	Site Visit to Large Scale Solar Project Site
	16 July 2018	TNB	Head of ASEAN Power Utilities/Authorities (HAPUA) Risk Management Continuity Management Workshop
	1 August 2018	Jointly organised by TNB and Khazanah Nasional Berhad	Investment and Investment Strategy – Financial Value Creation
	7 September 2018	Jointly organised by TNB and PETRONAS	Working Visit to Kimanis Combined Cycle Gas Power Plant
	8 October 2018	Khazanah Nasional Berhad	Khazanah Megatrends Forum 2018 – Recalibrating Markets, Firms, Society and People
	19 November 2018	TNB	Visit to Project Development Site for Combined Cycle Power Plant

Director	Date	Organiser	Title of Programme
Datuk Muhamad Noor Hamid	5 February 2018	Sapura Energy	1. Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 2. Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics 3. Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry
	25 September 2018	Jointly organised by MOGSC, UBM Malaysia and MES	The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)
Datuk Ramlan Abdul Rashid	5 February 2018	Sapura Energy	1. Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 2. Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics 3. Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry
	14 February 2018	Ernst & Young	2018 Malaysian Financial Reporting Standards (MFRS) 15 Training
	30 July 2018 – 1 August 2018	Institute of Enterprise Risk Practitioners	The 5th IERP Global Conference – Enterprise Risk Management: The New Paradigm
	25 September 2018	Jointly organised by MOGSC, UBM Malaysia and MES	The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)

01 02 03 04 05 06 07 08

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 agenda 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 Company Secretaries for tabling at the meetings 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 Committees 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.

Whenever necessary, Senior Management and/or external advisors are invited to attend Board and Board Committees 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. In discharging their duties, the Board also has access to professional advice, from time to time and if necessary, at the Company's expense.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

The Board met fifteen (15) times during FY2019. Details of attendance of the Directors are as follows:

Directors	Designation	Attendance	Percentage
Dato' Hamzah Bakar	Chairman, Non-Independent Non-Executive Director	15/15	100%
Tan Sri Dato' Seri Shahril Shamsuddin	PGCEO, Non-Independent Executive Director	15/15	100%
Tan Sri Datuk Amar (Dr) Hamid Bugo	Senior Independent Non-Executive Director	13/15	87%
Dato' Shahriman Shamsuddin	Non-Independent Non-Executive Director	12/15	80%
Gee Siew Yoong	Independent Non-Executive Director	14/15	93%
Mohamed Rashdi Mohamed Ghazalli	Independent Non-Executive Director	13/15	87%
Datuk Muhamad Noor Hamid	Independent Non-Executive Director	14/15	93%
Datuk Ramlan Abdul Rashid	Independent Non-Executive Director	14/15	93%
Dato' Roslina Zainal *(Appointed on 1 February 2019)*	Independent Non-Executive Director	Not Applicable	Not Applicable
Datin Paduka Kartini Hj Abdul Manaf *(Appointed on 24 April 2019)*	Non-Independent Non-Executive Director	Not Applicable	Not Applicable
Datuk Ramlan Abdul Malek *(Re-designated from Executive Director to Non-Executive Director on 1 March 2018; Resigned on 31 December 2018)*	Non-Independent Non-Executive Director	13/15	87%

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

BOARD REMUNERATION POLICIES AND PROCEDURES

The Board, through the Board Remuneration Committee ("BRC"), annually reviews the performance of the Executive Director as a prelude to determining his annual remuneration, bonus and other benefits. In discharging this duty, the BRC evaluates the performance of the Executive Director 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 meetings, 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 Director

The basic salary of the Executive Director is fixed for the duration of his contract. Any revision to the basic salary 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. Bonus payable to the Executive Director is reviewed by the BRC for the approval by the Board. The Executive Director is not entitled to fees.

Details of the Directors' remuneration (both Executive and Non-Executive) for FY2019 are as follows:

Group	Company					Subsidiary	
	Salaries and other emoluments RM'000	Fees RM'000	Bonus RM'000	Defined contribution plan RM'000	Benefits-in-kind RM'000	Fees RM'000	Total RM'000
Executive Directors							
Tan Sri Dato' Seri Shahril Shamsuddin	7,236	–	3,618	1,628	348	–	12,830
Datuk Ramlan Abdul Malek *(Re-designated from Executive Director to Non-Executive Director on 1 March 2018)*	135	–	–	55	8	–	198
	7,371	–	3,618	1,683	356	-	13,028
Non-Executive Directors							
Dato' Hamzah Bakar	40	950	–	–	14	45	1,049
Tan Sri Datuk Amar (Dr) Hamid Bugo	–	567	–	–	–	8	575
Dato' Shahriman Shamsuddin	–	342	–	–	–	–	342
Gee Siew Yoong	–	527	–	–	–	–	527
Mohamed Rashdi Mohamed Ghazalli	–	567	–	–	–	8	575
Datuk Muhamad Noor Hamid	–	484	–	–	–	–	484
Datuk Ramlan Abdul Rashid	–	426	–	–	–	–	426
Dato' Roslina Zainal *(Appointed on 1 February 2019)*	–	–	–	–	–	–	–
Datin Paduka Kartini Hj Abdul Manaf *(Appointed on 24 April 2019)*	–	–	–	–	–	–	–
Datuk Ramlan Abdul Malek *(Resigned on 31 December 2018)*	–	285	–	–	–	–	285
	40	4,148	–	–	14	61	4,263

Long-term incentive programme (LTIP) scheme

No LTIP shares were granted in FY2019. However, in relation to the LTIP shares granted to Tan Sri Dato' Seri Shahril Shamsuddin in FY2016 and FY2017, the amount to be vested for FY2019 totalled RM19.9 million.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

Options granted to Executive Director under the Executive Share Option Scheme

Pursuant to the Extraordinary General Meeting ("EGM") held on 29 November 2018, the shareholders of the Company approved the establishment of the Executive Share Option Scheme ("ESOS") and the offer and grant to Tan Sri Dato' Seri Shahril Shamsuddin, being the Executive Director and PGCEO of the Company, options to subscribe for up to 5% of the issued ordinary shares of the Company from time to time during the ESOS period.

On 14 December 2018, Tan Sri Dato' Seri Shahril Shamsuddin was offered and granted 299,607,754 options, being 5% of the issued ordinary shares of the Company, at the exercise price of RM0.31.

By-Laws Adjustments to Granted ESOS

Pursuant to the completion of the Rights Issue exercise on 29 January 2019, this resulted in an increase in the number of issued ordinary shares of Sapura Energy from 5,992,155,087 to 15,979,080,232, and thus the total number of options granted on 14 December 2018 and its exercise price have been adjusted in accordance with the By-Laws governing the ESOS. The adjustment resulted in an additional 132,853,591 options being granted to Tan Sri Dato' Seri Shahril Shamsuddin, and the exercise price of the options was revised to RM0.22.

Subsequent Event – Further ESOS Grant Resulting from Enlarged Number of Issued Ordinary Shares Post-Rights Issue

Pursuant to the shareholders' approval to grant up to 10% of the total number of Sapura Energy ordinary shares in issue and to grant Tan Sri Dato' Seri Shahril Shamsuddin to subscribe for up to 5% of the total number of Sapura Energy ordinary shares in issue, as a consequence of the enlarged number of issued ordinary shares post the Rights Issue, a further offer of 366,492,667 options has been made to Tan Sri Dato' Seri Shahril Shamsuddin on 12 April 2019 at an exercise price of RM0.39.

Weighted Average Price of All Options Granted

Following the further grant of options on 12 April 2019, the weighted average exercise price of the options granted to-date is RM0.30.

ESOS Conditions

As part of the ESOS conditions, Tan Sri Dato' Seri Shahril Shamsuddin is prohibited from selling, transferring or assigning any new ordinary shares in Sapura Energy obtained through the exercise of the ESOS within three (3) years from the date of offer.

Key Performance Indicators of the PGCEO

The PGCEO's performance was measured against the following Key Performance Indicators applicable for FY2019

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	• Realising value for upstream business through strategic partnership • Strengthening balance sheet • Expansion of global footprint • Securing new customer base • Expansion of Exploration and Production global portfolio and strengthen development funnel (New Zealand and Mexico exploration blocks, SK408 FID)

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 full details of the composition, terms of reference and summary of activities of the BAC during FY2019 are set out in the Report of the BAC on pages 080 to 082 of this Annual Report.

Group Internal Audit

The Group Internal Audit ("GIA") 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.

The activities performed by the GIA are set out in the Report of the BAC on pages 080 to 082 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

Board Risk Management Committee

The Board assumes the ultimate responsibility over the effectiveness of the Group's risk management practices by establishing a Board Risk Management Committee ("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 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)

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 078 and 079 of this Annual Report.

Board Nomination Committee

The Board Nomination Committee ("BNC") comprises of three (3) Non-Executive members, a majority of whom are Independent Directors. 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.

In accordance with the Constitution of the Company, 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 (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall be subject to retirement by rotation at least once every three (3) years, and shall be eligible for re-election. 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 Constitution 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 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.

As at the date of this CG Overview Statement, none of the six (6) 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 FY2019 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 and assessed the level of independence of the Independent Directors of the Board; and

(d) Reviewed and recommend to the Board the appointment of an Independent Director.

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)
- Mohamed Rashdi Mohamed Ghazalli
- Datuk Muhamad Noor Hamid (Appointed on 27 July 2018)
- Datuk Ramlan Abdul Rashid (Appointed on 27 July 2018)
- Tan Sri Dato' Seri Shahril Shamsuddin (Resigned on 27 July 2018)

Long-Term Incentive Plan ("LTIP") Committee

The LTIP Committee assists the Board in administering the long-term incentive scheme and the ESOS. 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 Datuk Amar (Dr) Hamid Bugo
- Datuk Ramlan Abdul Rashid (Appointed on 23 November 2018)
- Tan Sri Dato' Seri Shahril Shamsuddin (Resigned on 23 November 2018)

COMPANY SECRETARIES

The Company Secretaries are responsible for advising the Board on issues relating to compliance with relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as the best practices of governance. The Company Secretaries are 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 Company Secretaries who are responsible for ensuring that Board meeting procedures are adhered to and are in compliance with the applicable rules and regulations.

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 operations. 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 Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

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 Securities. 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 the 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. Dissemination of information during the briefings is confined to permissible disclosure within the MMLR that will further enhance the understanding of the Group's operations and activities.

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 Securities, 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 available on the Company's website.

Media Coverage

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

General Meetings

General Meetings are the principal forum for dialogues with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Notice of Annual General Meeting is provided to shareholders at least twenty eight (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 Seventh Annual General Meeting on 18 July 2018. The notice for the Seventh Annual General Meeting was given on 30 May 2018. 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 MMLR, all resolutions set out in the notice of the Eighth Annual General Meeting will be put to vote on a poll. An Independent Scrutineer will be appointed to validate the votes cast at the Eighth 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 Companies Act 2016 and the applicable approved Malaysia Financial Reporting Standards which give 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 085 of this Annual Report.

Relationship with External Auditors

The external auditors, Messrs Ernst & Young, report to the BAC their findings 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. Two (2) 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 2019 approved the recommendation for the shareholders' approval at the Eighth Annual General Meeting of the Company to be held on 18 July 2019.

This CG Overview Statement is made in accordance with a resolution passed by the Board on 8 May 2019.

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 systems address and manage the Group's key areas of risk within an acceptable risk level to increase the likelihood of the Group's business objectives being achieved. The internal control system provides reasonable but not absolute assurance against material misstatement, either due to fraud or error.

Roles and Responsibilities of the Board and Management for 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 at all level across the Group's activities. Key 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 effectively and monitored adequately. The Board receives such assurance from the Senior Vice President of Drilling Business and Group Performance, who leads the risk function of the Group, as well as from the President and Group Chief Executive Officer ("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 via established tools which highlight the implementation of Group compliance procedures, the mitigation of business-related risks and continuous oversight of the Group's financial. This allowed for reasonable assurance that all identified risks were monitored and managed within a tolerable level.

Based on the assurance provided and routine reviews, the Board is of the opinion that the risk management and internal control system for the year under review, up to the date of the issuance of the Group's financial statements, are adequate and effective to safeguard shareholders' investments, stakeholders' interests and the Group's assets.

Key Processes of Risk Management and Internal Control

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

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

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 operating segment at least on a monthly basis;

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D.)

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 scope, 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.

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 080 and 082 of this Annual Report.

Review of Statement by External Auditors

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

The Statement is made in accordance with a resolution passed by the Board on 8 May 2019.

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 2019 ("FY2019").

COMPOSITION

During the financial year, the BAC comprised four (4) members, all of whom are Independent Non-Executive Directors, as follows:

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

The composition of the BAC fulfils the requirements of Paragraphs 15.09(1)(a) and 15.09(1)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance ("MCCG").

The BAC Chairman, Ms Gee Siew Yoong, is a member of the Malaysian Institute of Accountants and an Independent Non-Executive Director. Accordingly, Paragraphs 15.09(1)(c)(i) and 15.10 of the MMLR have been complied with.

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.

On 15 April 2019, the Board, through the Board Nomination Committee, assessed the performance of the BAC and its members through an annual Assessment of Board Committee's Performance Evaluation. The Board is satisfied that the BAC and its members discharged their functions, duties and responsibilities in accordance with the BAC's TOR, and that Sapura Energy is complying with the requirements of Paragraph 15.20 of the MMLR.

MEETINGS

A total of ten (10) meetings and one adjourned meeting were held during FY2019. The details of attendance of each member are as follows:

Members	Attendance	Percentage
Gee Siew Yoong (Chairman)	11/11	100%
Tan Sri Datuk Amar (Dr) Hamid Bugo	10/11	91%
Mohamed Rashdi Mohamed Ghazalli	11/11	100%
Datuk Muhamad Noor Hamid	10/11	91%

REPORT OF BOARD AUDIT COMMITTEE (CONT'D.)

The Group Chief Financial Officer/Senior Vice President of Group Finance and Strategy was invited to all BAC meetings to facilitate direct communication and to deliberate the financial results of the Group. The Group Chief Internal Auditor ("Group CIA") was invited for deliberation of internal control and governance matters arising from Internal Audit Reports while the attendance of other Management staff is by invitation depending on the matters deliberated by the BAC. 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.

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

The Secretary of the BAC meetings recorded the deliberations by the members at the meetings with regard to issues discussed and the outcome of these discussions. The minutes of each BAC meeting was tabled for confirmation at the subsequent BAC meeting and thereafter be presented to the Board for notation.

ATTENDANCE OF PROFESSIONAL DEVELOPMENT COURSES

All BAC members are aware of the need to continuously develop and increase their knowledge in the areas of accounting and auditing standards, practices and rules, given the changes and developments in these areas from time to time. In line with this and Practice 8.5 under Principle B of MCCG, the BAC members have made continuous efforts in keeping themselves abreast of relevant developments by attending courses and other programs related to financial and reporting standards, practices and rules during the financial year.

The trainings attended by members of the BAC during the financial year are disclosed in the Corporate Governance Overview Statement included in this Annual Report.

SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

Over the course of FY2019, the BAC undertook the following activities:

Financial Reporting

- Reviewed and discussed the unaudited quarterly consolidated financial results and the annual audited consolidated financial statements, as well as the performance of the Group before recommending the same for approval by the Board. In reviewing the financial reporting of the Group, the BAC discussed and made enquiries on, amongst others:
  - (i) Changes in or implementation of significant accounting policies;
  - (ii) Significant matters highlighted including financial reporting issues, significant judgement made by Management, significant and unusual events or transactions, and how these matters be addressed; and
  - (iii) Compliance with accounting standards and other regulatory and legal requirements.

Internal Audit

- Reviewed and approved the Group Internal Audit Plan ("Audit Plan") presented by the Group CIA to ensure adequate scope and coverage;
- Deliberated major and critical findings including Management's response, mitigation action plans and deadlines for closures presented in the internal audit reports prepared by the Group CIA;
- Reviewed the status of past internal audit recommendations on outstanding issues to ensure that all key risks and controls have been addressed;
- Assessed the resource requirements of internal audit, and evaluate the adequacy and effectiveness of the internal audit function;
- Reviewed the revisions made to the Internal Audit Charter; and
- Reviewed and noted the External Quality Assurance Review Report issued by the Institute of Internal Auditors Malaysia, and the action plan taken by Group Internal Audit to address the recommendations raised therein.

External Audit

- Discussed with the external auditors before the audit commences, the Audit Plan, nature and scope of the audit;
- Held two (2) private discussions with the external auditors on 27 March 2018 and 26 June 2018 without the presence of Management and the Company Secretary to discuss the areas of audit concern;
- Discussed the external auditor's reviews of the quarterly financial results and financial statements of the Group;
- Discussed and deliberated on the significant audit and accounting matters identified during the statutory audit of the Group;

REPORT OF BOARD AUDIT COMMITTEE (CONT'D.)

- 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 FY2019; 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

- 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:

  (i) in the best interests of the Group;

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

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

Annual Report

- 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.

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.

During FY2019, the internal audit function of the Group was carried out in-house, headed by Puan Sazlyna Sapiee, a Certified Internal Auditor, Professional Member of Institute of Internal Auditors Malaysia, Fellow Member of Association of Chartered Certified Accountants, Chartered Accountant with Malaysian Institute of Accountants, Certified Fraud Examiner and member of Association of Certified Fraud Examiners, supported by a team of full time internal auditors with relevant experience and qualifications i.e. certified internal auditors, certified information systems auditor, post graduates, engineers and chartered accountants. 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 MCCG.

During FY2019, the following activities were carried out:

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

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

(iii) Based on the Audit Plan which had been approved by the 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 FY2019 was approximately RM3.8 million (FY2018: RM4.0 million).

ADDITIONAL COMPLIANCE INFORMATION

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

1. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable to the external auditors, Ernst & Young and its affiliated companies for the services rendered to Sapura Energy Berhad ("Sapura Energy" or "the Company") and the Group for the financial year ended 31 January 2019 ("FY2019") are as follows:

	Company (RM'000)	Group (RM'000)
Audit fees	185	3,864
Non-Audit fees		
– Corporate exercises related fees	1,555	1,935
– Review of interim financial statements, review of Production Sharing Contracts and Statement on Risk Management and Internal Control	786	1,248
– Implementation of new accounting standards and other technical advice	155	155
– Compliance review and other agreed upon procedures	–	83
Total	**2,681**	**7,285**

2. LIST OF PROPERTIES

The Company does not own any material properties during FY2019 as defined in the MMLR.

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries involving the Board and major shareholders' interests during FY2019 save as disclosed in Note 41(a) to the financial statements as set out on page 229 of this Annual Report.

4. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(a) Rights Issue

At the Extraordinary General Meeting held on 29 November 2018, the shareholders of Sapura Energy approved the issuance of 9,986,925,145 new ordinary shares ("Rights Shares") at an issue price of RM0.30 per Rights Share together with 998,692,020 free detachable warrants and the issuance of 2,396,862,035 new Islamic Redeemable Convertible Preference Shares ("RCPS-i") at an issue price of RM0.41 per RCPS-i (collectively "Rights Issue"). The Rights Issue was completed on 29 January 2019. The status of utilisation of the Rights Issue proceeds is as follows:

Description	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Exchange differences^ (RM'000)	Balance as at 30 April 2019 (RM'000)
Part repayment of bank borrowings	3,897,491	(3,837,193)	(60,298)	–
Expenses for Rights Issue	81,300	(81,300)	–	–
Total	**3,978,791**	**(3,918,493)**	**(60,298)**	**–**

ADDITIONAL COMPLIANCE INFORMATION (CONT'D.)

(b) Strategic Partnership between Sapura Energy and OMV AG

At the Extraordinary General Meeting held on 28 January 2019, the shareholders of Sapura Energy approved the strategic partnership between Sapura Energy and OMV AG ("Transaction"). The Transaction was completed on 31 January 2019. The status of utilisation of the proceeds is as follows:

Description	Proposed utilisation (RM'000)	Re-allocation (RM'000)	Actual utilisation (RM'000)	Exchange differences^ (RM'000)	Balance as at 30 April 2019 (RM'000)
Part repayment of bank borrowings	2,937,903	–	(2,936,520)	(1,383)	–
Working capital	652,867	9,648	(662,515)	–	–
Expenses for Transaction	40,804	(9,648)	(14,998)	(19)	16,139
Total	**3,631,574**	**–**	**(3,614,033)**	**(1,402)**	**16,139**

As part of the Group's management of its working capital, the Group had utilised USD80.8 million or RM329.7 million of the proceeds to repay its revolving credit facilities, which can be drawndown for working capital in the future.

The estimated expenses relating to the Transaction is expected to be paid by the end of May 2019.

Note:

^ Exchange differences arise from the different applicable exchange rate used for the proposed utilisation and the actual utilisation dates.

5. EXECUTIVE SHARE OPTION SCHEME ("ESOS")

(a) Brief details on the total number of options granted, adjusted, exercised and outstanding since the establishment of the ESOS on 13 December 2018 and up to the financial year ended 31 January 2019 are set out below:

Description	Number of options	
	Grand Total	Executive Director
Granted	479,372,407	299,607,754
Adjusted*	212,565,746	132,853,591
Exercised	–	–
Outstanding	691,938,153	432,461,345

Note:

* The adjustment to the number of options pursuant to the completion of the Rights Issue exercise on 29 January 2019 and in accordance with the by-laws governing the ESOS ("By-Laws") approved by the shareholders at the Extraordinary General Meeting held on 29 November 2018.

(b) Pursuant to the By-Laws, the maximum allowable allocation to the Executive Director and Senior Management is up to 10% of the total number of issued ordinary shares of Sapura Energy. Since the commencement of the ESOS on 13 December 2018 and during FY2019, the actual allocation of share options to Executive Director and Senior Management is 43.3% of the maximum allowable allocation.

(c) The Non-Executive Directors are not eligible to participate in the ESOS.

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, the financial statements for the financial year ended 31 January 2019 ("FY2019") have been prepared in accordance with the applicable approved Malaysia Financial Reporting Standards issued by the Malaysian Accounting Standards Board and provisions of the Act.

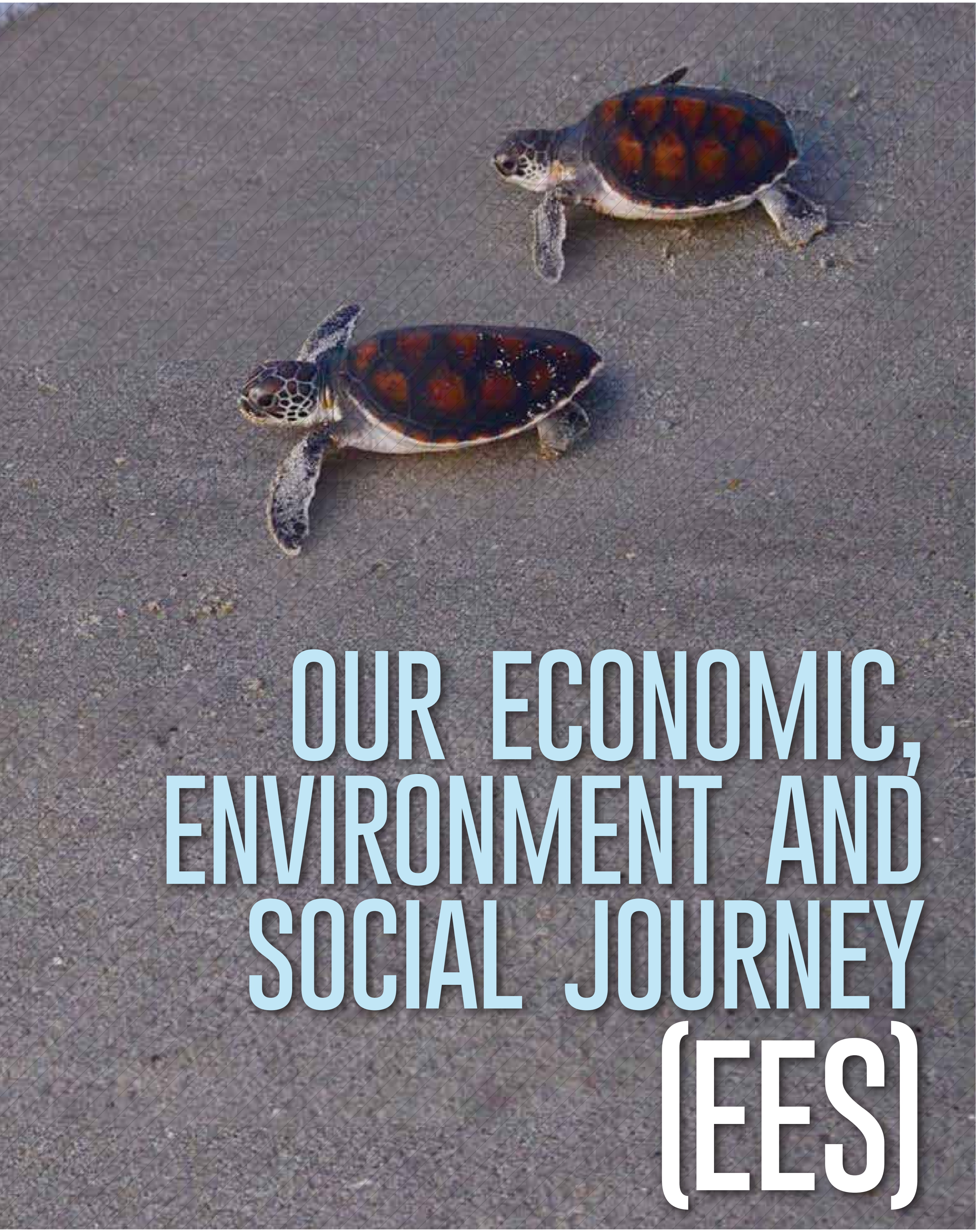
In preparing the financial statements for FY2019 set out on pages 126 to 261 of this Annual Report, the Board considers that the Group and the Company have adopted and consistently applies appropriate accounting policies, supported by reasonable and prudent judgment and estimates. The Board also acknowledges 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 8 May 2019.

06



OUR ECONOMIC, ENVIRONMENT AND SOCIAL JOURNEY (EES)

SUSTAINABILITY REPORT

"At Sapura Energy, sustainability is about shaping future change agents and supporting them in developing entrepreneurial excellence, community leadership and environmental stewardship. Education is an integral part of our sustainable development agenda. Through our learning lab, we aim to empower our future generation of leaders with the necessary skills and knowledge to build a sustainable future. Our collaborative efforts with non-profit organisations such as Yayasan Siti Sapura Husin continue to support us in our outreach programmes to improve the welfare of communities around us. As we progress in our sustainability journey, we remain committed to building a responsible business that delivers long-term value to all our stakeholders."

We exercise prudence in deploying and managing our energy infrastructure and assets in a responsible manner at Sapura Energy. Our efforts are focused on achieving a balance between driving a profitable business, supporting economic growth, ensuring our social responsibility towards the communities where we operate and creating value for all our stakeholders. We do this by putting in place policies, processes and practices to drive sustainable conduct and impact.

MESSAGE FROM PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

One of the fundamental aspects of our approach to sustainability is stakeholder inclusiveness, which allows us to identify issues that matter most and prioritise them based on business needs and stakeholders' expectations. We encourage active communication and dialogue with our stakeholders through multiple channels and platforms, mainly to gather insights for strategy formulation and course correction when necessary.

In 2018, we organised more than 20 townhalls and 11 informal management-employee engagement sessions across the Group. In addition, we initiated an intranet forum called "Tell Shahril" to allow employees to connect with me directly and share their thoughts on what they think we could improve or do differently in the Group.

These initiatives have helped us to inspire our people to embrace our corporate values, create new opportunities for growth and learning, and build a robust workforce. We believe that a sustainable workforce is crucial for us to grow into a world-class company.

Another critical aspect is our continuous efforts in achieving operational excellence. This includes our performance standards, safety rules and mechanisms, supply chain processes, and overall governance. Our approach is to evaluate various risks of non-performance or non-delivery in these areas and put in place effective mitigation measures for positive results. In 2018, we conducted a total of 69,432 hours of health and safety audits, trainings and awareness programmes to improve our culture of health and safety, beyond compliance.

On the talent front, we believe in the potential of our people to positively transform our business. As the industry becomes more competitive and dynamic, there is an increasing need to prepare our people for challenges of the future. Upskilling and reskilling our workforce is therefore an important focus area for our people to remain competent and relevant. In FY2019, we spent more than RM13 million for capacity building through various training programmes in both functional and technical areas of expertise.

Our recruitment strategy continues to attract a diverse pool of talent. We have a multinational workforce, comprising talent from 35 nationalities, which brings dynamism to our workplace with diverse ideas, perspectives and solutions.

As an industry thought leader, our commitment to creating talent and growth extends beyond our own employees. One of our initiatives include the establishment of the Sapura Energy Centre for Technology and Strategy, which will run for a period of six years, starting in FY2020. Working in partnership with the Asia School of Business (ASB), the Centre will act as a nexus for collaboration amongst students, faculty and corporate partners on areas of technology and strategy development. The Centre will provide exclusive industry courses, fully funded MBA programmes, as well as access to knowledge sharing sessions between prominent speakers and scholars. Our aspiration is to provide a springboard for nurturing and growing future entrepreneurs, who will be instrumental in shaping a sustainable world, powered by frontier technologies and sustainable innovations.

Another key area of our responsibility is community welfare and well-being. As a corporate citizen, we seek opportunities to engage with members of the community where we operate, understand their needs and contribute to improving their quality of life. We are inspired by the spirit of volunteerism shown by our employees, who have dedicated their time to meaningfully participate in our social causes. In FY2019, we contributed a total of 200 volunteer hours in 20 community initiatives.

Going forward, we endeavour to improve the lives of our stakeholders through strategic interventions and positive contributions by way of economic, environmental and social impacts. In doing so, we continue to promote our core values of trust, honesty and respect for people, which will go a long way into building sustainable relationships and a sustainable business.

I would like to take this opportunity to thank all our stakeholders who have been our partners in growth, and who have committed their time and effort to make our sustainability journey more meaningful.

Thank you.

SUSTAINABILITY REPORTING

IN DEMONSTRATING BUSINESS EXCELLENCE THROUGH OUR SUSTAINABILITY FRAMEWORK, WE REMAIN COMMITTED TO CREATING POSITIVE ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT. IN SHORT, SUSTAINABILITY IS PART AND PARCEL OF OUR BUSINESS CONDUCT, STRATEGIES AND APPROACHES.

Sustainability Report 2019 ("FY2019") discusses topics that are material to our key business segments – Engineering and Construction ("E&C"), Drilling and Exploration and Production ("E&P"). It also documents our broad strategies, initiatives and areas of impact focusing on Sustainable Operations; Nurturing Talent & Developing Communities and Health, Safety and Environment.

SCOPE AND BOUNDARY

This report covers information on Sapura Energy Group and should be interpreted in the context of our business. It is important to draw insights and inferences from this Annual Report, including narratives on both financial and non-financial metrics of the Group's performance.

Our sustainability report is published on a yearly basis as part of our Annual Report. For FY2019, the information and data provided is for the period between 1 February 2018 and 31 January 2019 (unless stated otherwise).

This report follows Bursa Malaysia's Sustainability Reporting Guidelines and Listing Requirements as well as reporting best practices.

STAKEHOLDER ENGAGEMENT

At Sapura Energy, we continuously engage with our stakeholders to better understand and meet their expectations. Through multiple platforms and organisational touchpoints, we collate stakeholders' feedback for analysis and strategy formulation.

Our strong stakeholder relationships help catalyse business growth and manage our economic, environmental and social impacts.

Below is the list of different engagement opportunities that we leverage on to better understand our priority stakeholders.

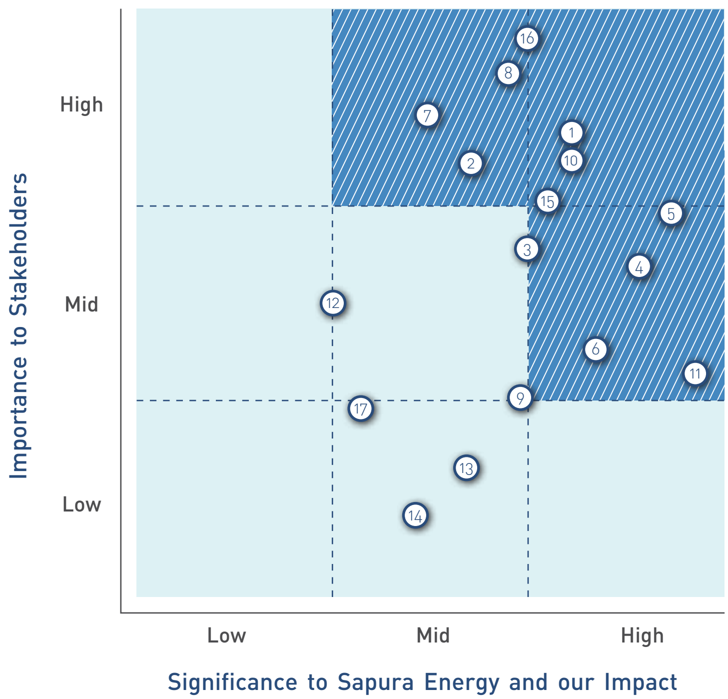
Stakeholders	Frequency of Engagement	Platforms	Areas of Interest and Concern
CUSTOMERS	Quarterly, Bi-Annually	• Performance reviews • Industry conference and networking events • Customer roadshows • Sapura Energy website	Quality Ethical Business Practices
EMPLOYEES	Daily, Bi-Annually	• Management-employee townhalls • Department-level townhalls/ engagements • Intranet • Staff activities	Growth; Health, Safety, & Well-being; Diversity & Inclusion; Talent Development; Emergency Preparedness
SUPPLIERS	Monthly, Bi-Annually	• Medium to long-term agreements • Site visits and supervision	Ethical Supply Chain Management – Equal Opportunities for Work and Compensation
GOVERNMENT/ REGULATORS	Annually	• Participation in surveys • Facilitating regulatory audit • Support industry/government initiatives	Compliance; Transparency and Good Governance; Economic Performance
SHAREHOLDERS, INVESTORS AND ANALYSTS	Annually, Bi-Annually, Quarterly	• Annual General Meeting • Annual Report • Corporate development announcements via Bursa Malaysia • Media releases • Quarterly financial results announcements • Conferences and investor roadshows • Analyst briefings • Direct analyst engagements • Sapura Energy website	Sustainable financial and operational performance; Good Governance; Business Practices
JV PARTNERS	Quarterly	• Meetings with JV Partners • Joint site visits • Joint workshops and training • JV Board engagements	Equal Opportunities; Sustainable Operations and Performance; Environmental Management

Critical issues that surface from the engagements are discussed and deliberated by our Senior Management with the Board of Directors to devise long-term solutions. In FY2019, our engagement with stakeholders focused on material topics such as health and safety, environment, governance, innovation and growth.

SUSTAINABILITY REPORT (CONT'D.)

MATERIALITY

We engaged an external consultant in 2017 to conduct a comprehensive materiality study, with active participation from both external and internal stakeholders, including the Board of Directors.



Methodology and Top Material Matters

Materiality was determined based on the key topics that emerged from our engagement with stakeholders, and a validation exercise with internal stakeholders. This helped narrow down our focus to topics that are material to both our stakeholders and the organisation/our business. A total of 17 topics have been appropriately addressed in our Annual Report 2019, while the top nine have been discussed in detail in this section.

Top 9 Material Topics	Other Topics of Interest
1 Ethical Business Practices	10 Quality
2 Supply Chain Management*	11 Growth
3 Economic Performance	12 Equal Opportunities for Work and Compensation
4 Workforce Health & Safety	13 Compliance
5 Emergency Preparedness	14 Transparency
6 Environmental Management	15 Good Governance
7 Diversity & Inclusion*	16 Fair Returns
8 Talent Development	17 Sustainable Practices
9 Community Development*	
** New material topics*	

For the year, we have reviewed the material topics for any significant changes based on stakeholder feedback from multiple sources. From the previous year:

1

We have **THREE NEW MATERIAL TOPICS**

2

We have **MERGED ENERGY EFFICIENCY** under 'Environmental Management'

3

'Employee Management' has been renamed as **'TALENT DEVELOPMENT'** for better focus

Materiality Process at Sapura Energy

Identification

We identified a total of 17 material topics, which were narrowed down to nine topics, based on their direct relevance to Sapura Energy and its stakeholders.

Prioritisation

The Board Risk Committee further prioritised action plans by assessing the risks associated with the identified top material topics.

Validation

The Executive Committee, together with the President and Group CEO validated the material aspects by assessing their importance against business focus.

Strategy

The materiality topics were grouped under three strategic themes: Sustainable Operations; Nurturing Talent & Developing Communities; and Health, Safety and Environment.

Management Approaches

When deliberating the material topics at Board and Senior Management levels, our objective is to understand key concerns raised or reported by our stakeholders in the context of our business, the various risks involved, and the potential economic, environmental and social impact. Our endeavour is to not only devise short, mid and long-term strategies to mitigate various issues, but to also provide adequate policy support for managing our material topics. The Group's sustainability management approaches have been reviewed by the Executive Committee as well as the Board Risk Management Committee (BRMC) for adoption and implementation. The BRMC also categorises each type of risk reviewed on its online dashboard.

SUSTAINABILITY REPORT (CONT'D.)

Material Topics	Why is this important?	Our Response?
ETHICAL BUSINESS PRACTICES	The conduct of our business has a direct impact on not just our reputation, but also the risks associated with unethical, corrupt and unfair practices. From ethical procurement, to supply chain management, as well as deployment and management of resources – our ethical business practices create new opportunities for partnerships and growth.	Following the launch of our Code of Ethical Conduct, Sapura Energy reinforced the Code Group-wide on multiple platforms, including roadshows and online training. The Group also has a whistleblower hotline for employees to report any unethical cases/issues.
SUPPLY CHAIN MANAGEMENT	Our supply chain positively contributes to delivering the best value for the Group. We therefore take into consideration risks associated with our safety track record, financial aspects, and delivery executions. With the support of our supply chain, we provide the best turnkey solutions to our clients and deliver on our promises.	We have a platform for published Group procedures to ensure our suppliers are performing according to the guidelines, covering areas such as safety, budget, and timeliness.
ECONOMIC PERFORMANCE	As Malaysia aspires to remain in the forefront of energy development and sustainable energy trends, our role in contributing to energy supply and the related infrastructure, including technology and people, will go a long way in building a promising sector that continues to contribute to the socio-economic development of the country.	While we endeavour to remain economically viable and meaningful as a business, we are motivated to create and deliver value for our stakeholders. This includes creating positive returns for shareholders and investors; economic growth for the Government and regulators; and career development for our employees. The Group is also active in R&D as we offer turnkey solutions and engineer them according to the needs of our clients.
WORKFORCE HEALTH & SAFETY	Inadequate health and safety measures directly and negatively impact the productivity and performance of a workforce, in addition to creating a crisis of confidence amongst employees towards their workplace and the organisation.	We recognise and comply with international standards including IOGP (International Association of Oil & Gas Producers), IADC (International Association of Drilling Contractors), and ISO (The International Organisation for Standardisation). We provide initiatives that benefit our people at work and at home. The 16-life saving rules are embedded in all our work practices.
EMERGENCY PREPAREDNESS	Our ability to anticipate potential crisis and different levels of emergencies, which can negatively impact our operations, people as well as the business, depends on our degree of preparedness in terms of policies, processes, infrastructure, and the necessary skill sets. Lack of preparedness can create chaos and disrupt operations, affect workforce productivity and business continuity.	Through the Emergency and Crisis Management framework, our efforts include drills and training exercises to manage emergencies and/or threats such as natural disasters, fire and major accidents. We have also devised Emergency Response Plans for our assets and facilities and periodically simulate emergency scenarios to activate and test the effectiveness of the response mechanisms. We set and measure targets against established standards, which are reviewed annually.

Material Topics	Why is this important?	Our Response?
ENVIRONMENTAL MANAGEMENT	While we manage our business, it is also important to closely monitor our environmental footprint and its negative impact, if any. Energy and waste management approaches and solutions can go a long way in reducing harm to the environment, saving costs, improving performance and helping us demonstrate our corporate responsibility.	To minimise negative environmental impact, our efforts are focused on planning and designing various environmentally friendly solutions, such as the use of low-sulphur fuel for vessels, disposal of scheduled wastes through licensed contractors and target zero for oil spills in all projects. Our efforts also include the usage of reusable materials and recycling waste materials.
DIVERSITY & INCLUSION	An inclusive and diverse workforce can create a dynamic workplace that promotes ideation, innovation, and high-performance culture.	As an equal opportunity employer, we do not discriminate on any basis in the recruitment and development of our employees. We instill a mindset of inclusiveness in every aspect of our communications and continue to encourage gender diversity at all levels of our organisation.
TALENT DEVELOPMENT	Equal opportunities in learning and growth inspire employees' performance. Besides, as the industry evolves with the advent of new technologies, the need for building a continuous stream of talent with new skills and competencies for both the organisation and the industry is critical.	Our workplace policies are defined to motivate employees, retain talent and enhance productivity and performance. We remain committed to developing local talent and supporting the nationalisation agenda. We strive to find the best talents in the countries where we operate.
COMMUNITY DEVELOPMENT	In fulfilling our responsibility towards the communities where we operate, we encourage our employees to participate and contribute to community welfare by championing meaningful causes and enhancing our reputation as a responsible corporate citizen.	We support community development activities that not only benefit the community but also boost employee morale and help them realise their full potential. We also channel financial contributions in addition to the volunteering work, especially for conservation and disaster relief initiatives.

DISCLOSURES:

For comparability, we have included disclosures for more than one year where possible. Our aspiration is to improve the quality of reporting by including a minimum of two-year data for all material disclosures. In FY2019, we have not undergone any external assurance for the sustainability report.

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.

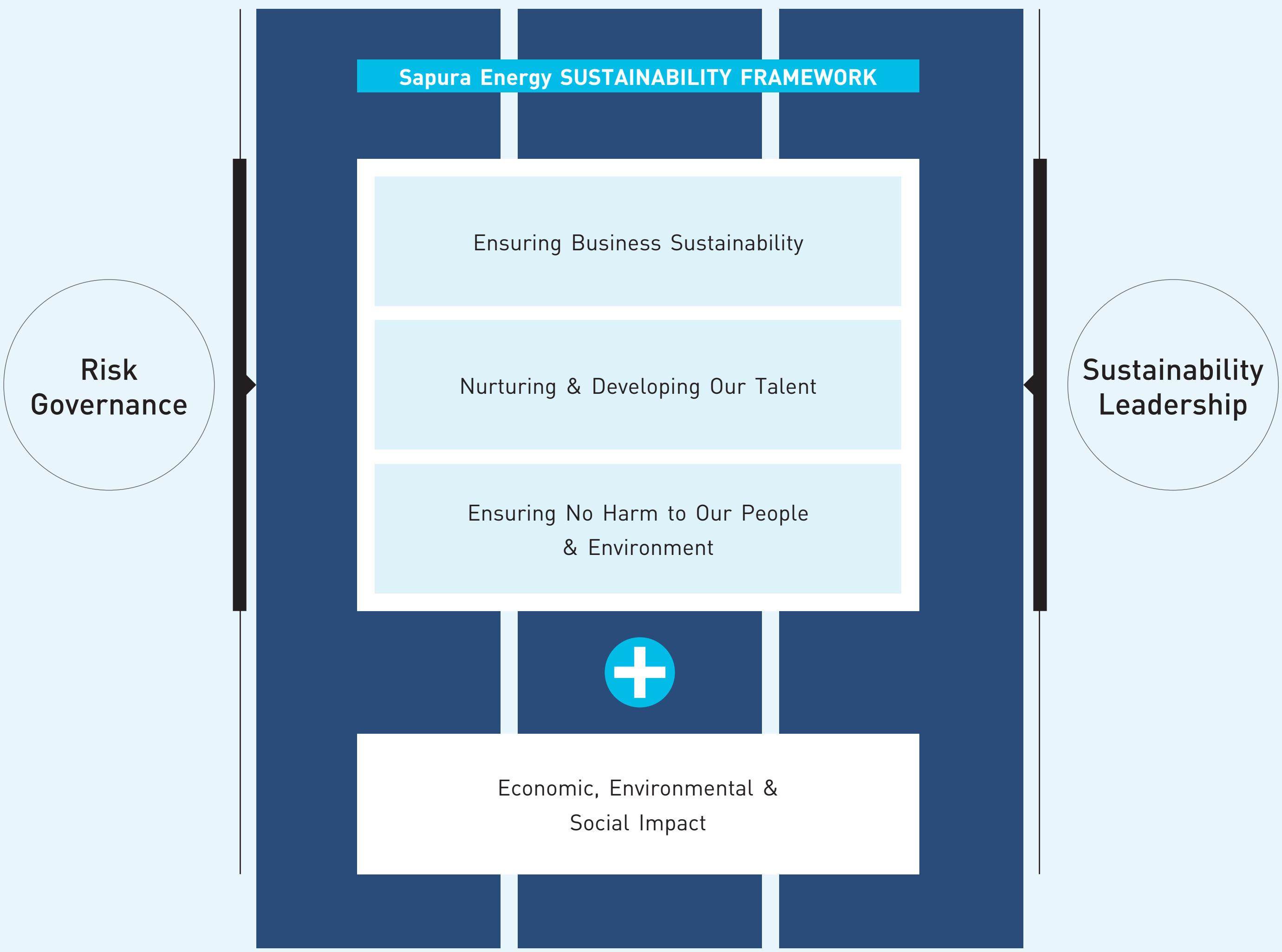
Phone: +603-8659 8800
Email: corpcomms@sapuraenergy.com

SUSTAINABILITY GOVERNANCE

SUSTAINABILITY AT SAPURA ENERGY

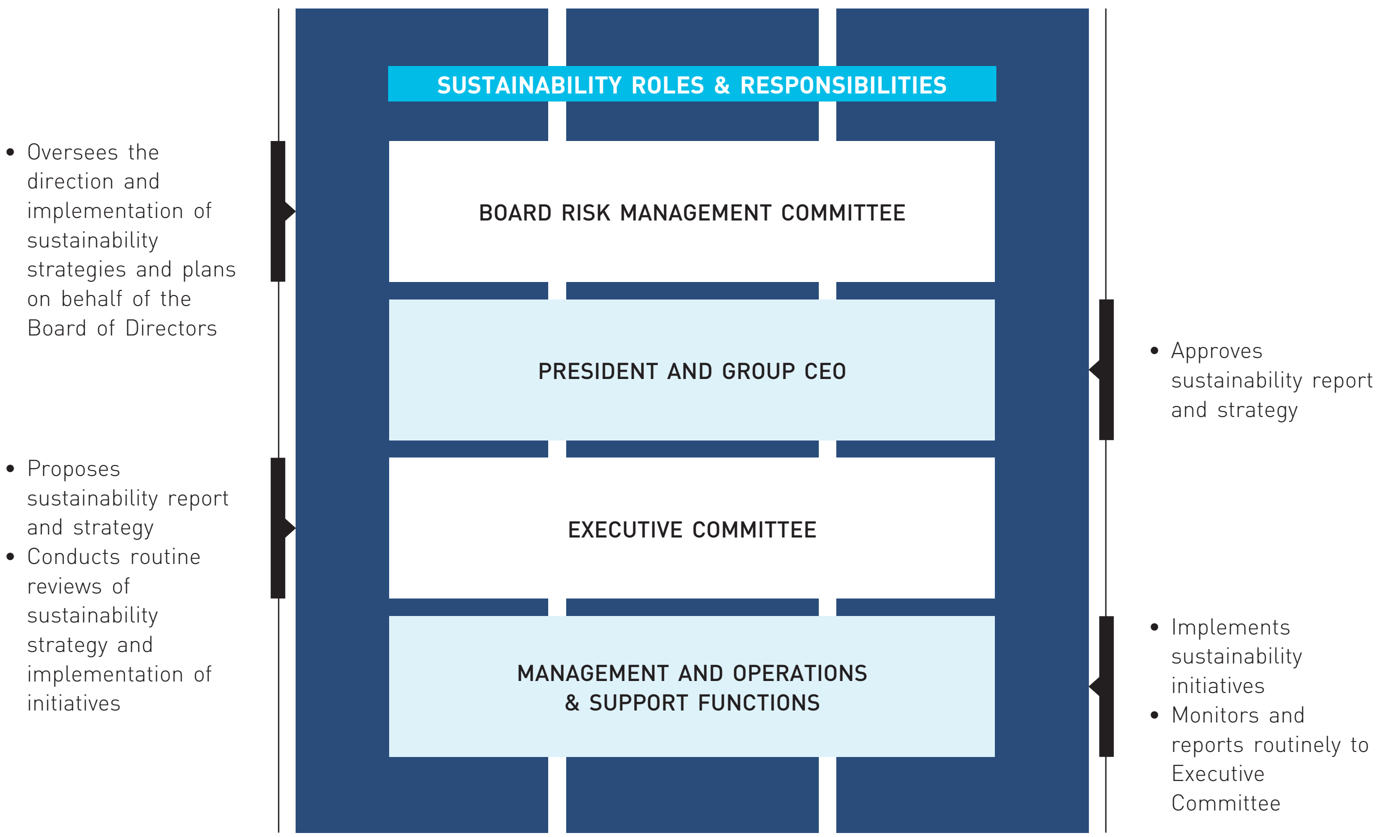
AT SAPURA ENERGY, WE TAKE AN UNCOMPROMISING APPROACH TO ADOPTING AND IMPLEMENTING PRINCIPLES OF GOOD GOVERNANCE. WE STRONGLY BELIEVE THAT GOOD GOVERNANCE CONTINUOUSLY CONTRIBUTES TO IMPROVING EFFICIENCIES, OPTIMISING PERFORMANCE, REDUCING COSTS AND ACHIEVING POSITIVE GROWTH OVERALL.

Our Sustainability Framework rests on two strategic thrusts of risk governance and sustainability leadership, enabling us to create positive economic, environmental and social impact, while conducting our business profitably.



SUSTAINABILITY REPORT (CONT'D.)

We aspire to demonstrate sustainability leadership in managing our business, with a greater responsibility towards our stakeholders and value creation. Towards this, we have put in place a robust sustainability governance structure, which ensures there is a continuous guidance on direction, management and reporting on various sustainability risks and performance.



01
02
03
04
05
06
07
08

INDUSTRY THOUGHT LEADERSHIP

We are actively involved in numerous associations and agencies, where Sapura Energy seeks opportunities to exchange knowledge and ideas within the industry. Our participation in various membership groups, including studies, conferences, purpose-driven missions and projects, ensures that our business remains abreast of key industry trends and developments, while also helping us to strengthen our networks. Sapura Energy's participation and contributions to the industry include:

The Society of Petroleum Engineers (SPE)	A leading individual-member organisation serving managers, engineers, scientists and other professionals worldwide in the upstream segment of the oil and gas industry since 1957. The association's primary areas of focus are dissemination and exchange of technical knowledge; opportunities for professionals to enhance technical and professional competence; and major technical disciplines for upstream oil and gas operations. The SPE supports professionals working in the oil and gas exploration and production industry, as well as students pursuing related degrees. The association encourages its members to utilise its vast collection of resources and extensive experience of over 60 years. Sapura Energy's leadership team are active members of the SPE. Our representatives regularly exchange knowledge and expertise in the SPE events across Asia, where they contribute as committee members or keynote speakers at conferences, symposiums and forums.
The International Association of Drilling Contractors (IADC)	Exclusively represents the worldwide oil and gas drilling industry since 1940. Its contract-drilling members own most of the world's land and offshore drilling units that drill the vast majority of wells. IADC's membership also includes oil and gas producers, manufacturers and suppliers of oilfield equipment and services. The primary areas of focus for IADC include advocating for sensible regulation, providing a voice to the industry, environmental protection and improving the safety of its members. Through conferences, training seminars, print and electronic publications, and a comprehensive network of technical publications, IADC continually fosters education and communication within the upstream petroleum industry. Our Driling division is represented in the IADC executive committee panel and our leaders are active members of the association, who hold various key positions in the IADC Southeast Asia Chapter. They frequently participate as part of the technical committee or panel speakers for IADC conferences and activities across Asia.
Petroleum Industry Malaysia Mutual Aid Group (PIMMAG)	A non-profit organisation established in 1993 to improve the protection of the environment by enhancing the response to oil spill contingencies in Malaysian waters. Sapura Energy regularly partakes in training sessions held by the organisation, which increases our response capacity to potential oil spill incidents. PIMMAG provides Tier-2 oil spill response resources and capabilities for SapuraOMV (Tier-2 is an oil spill that is beyond the capability of SapuraOMV.
Oil Spill Response Limited (OSRL)	An international firm that specialises in the global fight against oil spills. Founded in 1985, OSRL is now the largest industry-developed cooperative for emergency response. Our membership in OSRL acts as a platform for knowledge-sharing and training for oil spill response capability. OSRL provides Tier-3 oil spill response resources and capabilities for Sapura OMV (Tier-3 is an oil spill that reaches international boundaries).

Malaysian Oil & Gas Services Council (MOGSC)	An association driven and promoted by the services sector of the Malaysian O&G industry. Established on 1 December 2003, MOGSC acts as a premier business forum, with over 500 member companies representing all sectors within the industry. As an active member of this association, Sapura Energy participates through Senior Operations and QHSE leadership via the Leadership, Asset Integrity, Competency & Training, and HSE Workgroups.
Malaysian Offshore Contractors Association (MOCA)	An association of offshore contractors for the oil and gas industry in Malaysia, aimed to promote cohesive working relationships among staff from various contractors in the offshore industry. Sapura Energy is currently a full member of MOCA and is represented by some of our senior management.
Malaysia-Brazil Business Council	On 27 March 2018, our President and Group CEO, Tan Sri Shahril Shamsuddin launched the Malaysia-Brazil Business Council, an association which aims to promote and foster trade, services and investment between Malaysia and Brazil. The business council serves as a platform for discussions as well as the exchange of views, ideas, experiences and information for business members. It also aims to promote business interests between the two countries through activities, events and programmes. The pioneer members of the business council include representatives from the Embassy of Brazil, Sapura Energy, PETRONAS, Scomi Group, Vale Malaysia Minerals, WEG South East Asia, TTH Dynamic, Marcopolo SA Careglove Global and Universiti Kuala Lumpur.
NASA Research	Sapura Subsea Services, our wholly-owned subsidiary, collaborated with the National Aeronautics and Space Administration (NASA), the Group for Organisational Effectiveness Inc. (GOE), the University of Connecticut (UCONN) and Colorado State University (CSU), to investigate the challenges faced by crew members who live and work closely together for a prolonged time in Isolated and Confined Environments (ICE). The study explored the team dynamics that exist amongst astronauts and saturation divers including their resilience, adaptability and responses to challenging operating conditions in outer space and underwater.

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.

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.

We compete fairly in the markets where we operate, mainly by adhering to local competition laws and regulations, and by not colluding with competitors, clients, and suppliers to gain unfair advantages. In countries where we are a dominant player, we do not, by policy, abuse our market dominance. Our efforts are always to operate on a level playing field, with equal opportunities and fair dealings for both smaller players and our customers. At all times, we rely on our ability to deliver quality services to win the trust of our customers and demonstrate our leadership.

Another important aspect of ethical business practice is to create a culture of not just compliance, but ethical and of fair dealings at the workplace – internally and externally. Towards this, we continuously organise awareness sessions for all employees through e-learnings and classroom trainings. The learning modules include practical tips on fair business dealings, integrity, and zero tolerance approach to unethical behaviour or activities.

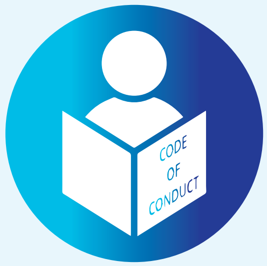
Our Guidelines on Code of Ethical Conduct ("the Code") provides requirements and guidance for employees to act in line with our values. A Whistleblowing Helpline is available Group-wide and accessible to employees, clients, partners, suppliers and vendors at www.sapuraenergy.ethicspoint.com. Besides that, online e-learning modules on the Code of Conduct and Global Anti-Corruption have been made compulsory for all employees to complete on a bi-annual basis.

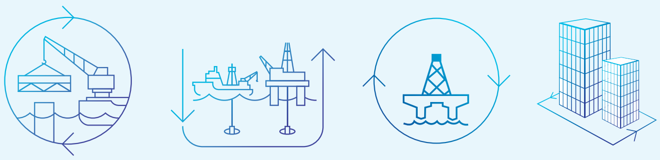
In 2018, five cases were reported through the Whistleblowing Helpline, which were escalated and appropriately resolved.

OUR COMMITMENT TO ETHICAL DEALINGS

WE WIN BUSINESSES BY OFFERING THE BEST SERVICES & BEHAVING FAIRLY, HONESTLY & PROFESSIONALLY

OUR CODE OF CONDUCT
DO THE RIGHT THING





Know it. Comply with it. Live by it.

Our Code of Conduct applies to all employees

SUPPLY CHAIN MANAGEMENT

Being an international O&G player, we have a formidable network of global and local suppliers across our value chain. We encourage local suppliers to join the Sapura Energy network based on merit, their innovative services, cost advantage and ability to create value for the Group. Similarly, we are also continuously looking for new opportunities for upskilling and growing our existing suppliers by offering them the benefit of our business network and our footprint in more than 20 countries. In 2018, 69 per cent of our total suppliers were local, with a total of RM1.7 billion disbursed in contract value for both technical and non-technical services.

As the work of our suppliers is a reflection of our own integrity, they are expected to follow the same high standards of ethics implemented across the Group. Hence, our suppliers and their conduct are governed by our Code of Conduct, which clearly sets stringent guidelines. All new contractors are required to agree to this policy, as well as sign an Anti-Bribery and Corruption pledge.

Long-term supply chain agreements are also in place to promote the security of our supply as well as economies of scale, which is accomplished via spend analysis and efficiency enhancement. For instance, in July 2018, we signed a Memorandum of Understanding ("MOU") with Petroliam Nasional Berhad ("PETRONAS") for the implementation of the Vendor Development Programme ("VDPx"). This replicates PETRONAS' earlier initiative, the Vendor Development Programme (VDP). Work is in progress to finalise VDPx vendors. Specific development needs and training programs will be jointly tailored and agreed with the selected vendors.

Under the VDPx programme, we are committed to nurturing local entrepreneurs and high-potential suppliers by helping them develop capabilities, overcome high barriers of entry, and seize opportunities to meaningfully contribute to the industry as well as the economy.

OUR COMMITMENT TO ETHICAL DEALINGS

OUR SUPPLIERS ARE REQUIRED TO COMPLY WITH OUR CODE OF CONDUCT, ANTI-BRIBERY AND CORRUPT PRACTICES AND MUST NOT HAVE DEALINGS WITH SANCTIONED COUNTRIES OR COMPANIES

ECONOMIC VALUE CREATION

As a global integrated oil and gas services and solutions provider with operations and activities in more than 20 countries, we take pride in our role to meet the world's growing energy needs. Our state-of-the-art technology and innovative solutions are used to explore and extract oil and gas reserves through sustainable utilisation of natural resources.

We also 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 by 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 multicultural experience and return to further contribute to the success of the company and nation while valuing different perspectives and appreciating diversity.

HEALTH, SAFETY & ENVIRONMENT

AT SAPURA ENERGY, WE RECOGNISE THE IMPORTANCE OF HEALTH, SAFETY AND ENVIRONMENTAL (HSE) PRACTICES TO ACHIEVE AND SUSTAIN OPERATIONAL EXCELLENCE AND BUSINESS SUSTAINABILITY. OUR APPROACH TO HSE IS TO GO BEYOND COMPLIANCE AND MINIMUM LEGAL REQUIREMENTS AND CREATE A CULTURE OF SAFETY AND RESPONSIBILITY AMONGST OUR PEOPLE. WE ALSO TAKE A PREEMPTIVE APPROACH TO MANAGE HSE RISKS AND EMBED PROCESSES TO MAKE OUR BUSINESS OPERATIONS SAFE AND SECURE. OVERALL, WE ARE GUIDED BY OUR GROUP HSE POLICY, WHICH EMBODIES OUR COMMITMENT TO PREVENT INJURIES, OCCUPATIONAL ILLNESSES, PROPERTY DAMAGE AND TO PROTECT THE ENVIRONMENT.

All our efforts are anchored on a robust HSE Management System that strengthens our capability and capacity to uphold safe practices and mitigate workplace risks.

1. WORKFORCE HEALTH & SAFETY

Workplace health and safety is regulated by the Group HSE Policies, Standards and Procedures, which are implemented by all Operating Companies (OpCo) within Sapura Energy. At a strategic level, the Group HSE function is responsible for:

- **EFFECTIVELY COMMUNICATING** and **IMPLEMENTING** the requirements as per the set standards
- **REVIEWING** and **ASSESSING HSE INCIDENTS** and related data
- **FOLLOWING-UP** of incident **REPORTS** for significant cases
- **VERIFYING** and **SHARING** legitimate lessons learned.

STOP WORK POLICY

WE EMPOWER EMPLOYEES AND CONTRACTORS TO STOP WORK IF THEY HAVE UNRESOLVED SAFETY CONCERNS

The evaluation of HSE practices and their overall effectiveness are assessed through site visits and various reports that are generated throughout the year. These include incident reports; monthly HSE performance reports; the quarterly Board Risk Committee reports; as well as the annual HSE performance analysis and statement amongst others.

Our overall performance is measured against the local laws such as the Occupational Safety and Health Act 1994 in Malaysia, and international association benchmarks. Periodic meetings and audits are also conducted at the workplace and on our contractors, to ensure compliance, target-setting, and continuous performance improvement. Some of the areas examined during audits include:

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

In 2018, we audited 18 of our contractors, with 100 per cent compliance score. Such oversight and accountability requirements help prevent incidents and contribute to building a partnership for safety.

Health and Safety Management

We continue to see strong leadership commitment and proactive measures implemented across various spheres of our operations, ensuring a safe working environment for our employees. 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 table below:

Safety Key Performance Indicators	2017	2018
Lost Time Injury Frequency Rate	0.45	0.41
Total Recordable Injury Frequency Rate	1.65	1.21

We have seen positive outcomes due to the improved strategies, and our perseverance to address gaps and shortcomings through long-term or permanent solutions. Similarly, we have invested significant time in raising awareness and educating our workforce, as well as by sharing experiences and feedback towards building a culture of safety across the organisation. As a result, in FY2019, there were zero (0) cases of fatality reported in the course of our operations.

At Sapura Energy, we roll out annual campaigns to promote awareness of safe practices across all our operations. We encourage and expect our employees to embrace our 16 Life Saving Rules, and create a safety mindset:

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

01
02
03
04
05
06
07
08

SUSTAINABILITY REPORT (CONT'D.)

Our efforts included 507 HSE sessions focusing on hazard identification and controls, in addition to risk mitigation and elimination; 41 talks by medical specialists on topics such as stress management' and accident prevention campaigns.

- Hand & Finger Injury Prevention Campaign
- Dropped Object Prevention Campaign
- Monsoon Season & Monsoon ZIZA Campaign

Safety Training & Capacity Building

Training is an important component of raising HSE awareness and developing individual knowledge and safety leadership. These sessions also serve as effective platforms to motivate our employees and stakeholders to actively participate in various safety programmes and initiatives, through the provision of a deeper understanding of the objectives, their importance, and their crucial role in making these initiatives a success.

Trainings opportunities include: Emergency Response & Drills, Job Planning – Briefing – Execution & Debrief, Hazard Identification & Risk Management, Chemical Substances Management, Dropped Object Prevention Awareness, Offshore Sea Survival and Helicopter Underwater Escape Training, Incident Investigation including Root Cause Analysis, First Aid and Environmental Awareness.

In 2018, we delivered a total of 69,432 hours of training in the above-mentioned and other areas.

Industry recognition for our safety practices and performance

Sapura Pinewell: 10 million manhours without lost time injury (LTI)

Sapura Pinewell, our subsidiary, recorded a significant safety milestone of 10 million manhours without a lost time injury (LTI) for five years between 2013 and 2018, during engagement with our clients, ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI). This includes no LTI incidents during the provision of hook-up, commissioning, topside major maintenance services (HTS), and the Tapis Enhanced Oil Recovery Project.

During the five-year period, Sapura Pinewell successfully executed all major shutdowns and turnarounds for the Guntung Field and the completion of Saturn EOR Project Phase 1. Sapura Pinewell had also successfully deployed our Marine Asset Workboat, *Sapura Aman* and *Sapura 300* Work Barge for the 2018 campaign.

Sapura T-17: Five years without lost time injury (LTI)

Sapura T-17, our self-erecting tender-assist drilling (TAD) rig, completed a five-year campaign in Thailand for our partner PTTEP without incurring any LTI over the full period. Throughout the contract period between July 2013 and July 2018, *Sapura T-17* has recorded close to 3.2 million manhours without any lost time incidents, performed 15 rig moves, drilled 170 wells and completed 635,268 metres of drill footage in the Gulf of Thailand.

Sapura T-18: Four years without lost time injury (LTI)

Sapura T-18, our self-erecting TAD rig, achieved four years without LTI on 19 June 2018. Sapura T-18 has been operating in the Gulf of Thailand for Chevron Thailand Exploration and Production Ltd. since 19 June 2014. Since its establishment, the *Sapura T-18* crew has successfully overcome all obstacles and operated without any incidents.

Two MSOSH Awards for:

- **Sapura Esperanza – Gold Merit Award**
- **Sapura Offshore Operations Base – Gold Class 1 Award**

Through its wholly-owned subsidiaries, Sapura Energy was a proud recipient of two prestigious awards at the Malaysian Society for Occupational Safety and Health (MSOSH) Occupational Safety & Health (OSH) Awards 2017. The presentation ceremony was held on 9 August 2018.

Sapura Drilling's semi-TAD rig, *Sapura Esperanza*, won the Gold Merit Award in recognition of its outstanding achievement in HSE and operational performance. This award is one level higher than the previous Gold Class 1 Award that *Sapura Esperanza* team received in 2016, which is a testament to the team's drive for continuous improvement and to "Deliver on our Promises".

Sapura Offshore Operations Base, a marine operations base located in Pasir Gudang, Johor under Sapura Offshore, was awarded the Gold Class 1 Award, in recognition of their stellar performance in maintaining a high level of HSE performance.

Sapura Subsea Services: Safety Award for Excellence by Carigali Hess

Sapura Subsea Services was awarded the Safety Award for Excellence (S.A.F.E) Platinum 2017 by Carigali Hess Operating Company. The award ceremony was held on 15 August 2018.

The Platinum award is the highest safety accolade from Carigali Hess and is an acknowledgement of the excellent HSE performance of Sapura Subsea. This marks the seventh consecutive year in which Sapura Subsea received a safety award from Carigali Hess.

Sapura T-9: Best Performing Rig for Malaysia Operations by PETRONAS

Sapura T-9, our purpose-built barge-type self-erecting TAD rig, was presented with three awards from PETRONAS during the Annual Wells HSE and Risk Forum 2018. The event was held on 6 March 2018. In recognition of excellent HSE practices, people and rig performance, *Sapura T-9* was named Best Performing Rig for Malaysia Operations for two quarters, and overall best performing rig for Malaysia operations for the year.

SUSTAINABILITY REPORT (CONT'D.)

Sapura Energy Operation Base Pasir Gudang: 3.35 million manhours without LTI for six years

Sapura Energy Operation Base Pasir Gudang, our marine operations based in Pasir Gudang, Johor, under Sapura Offshore, recorded 3.35 million manhours without any LTI incidents for six years. This significant safety milestone was achieved for the period of 1 January 2012 to 31 December 2018. The operation base supports transportation and installation activities, including the preparation for the mobilisation/demobilisation of vessels and barges, warehouse management, mechanical and electrical maintenance, fabrication, vessel standby support as well as logistic management for all offshore projects.

During the six-year period, the operation base supported more than 30 projects in several countries, including Thailand, Vietnam, Russia, Mexico, Brazil, Turkey and Australia. These projects served multiple clients, including PETRONAS Carigali Sdn. Bhd., Shell Malaysia Limited, Repsol Oil and Gas Malaysia Limited and Murphy Oil Corporation. Some of the projects also required the offshore installation of D30 platform, the decommissioning work of MOPU SEPAT and the Zawtika Field Development Engineering, Procurement, Construction and Installation (EPCI) project.

Best pipelay operator in Brazil

Sapura Energy was named best pipelayer operator for flexible pipelay works in ultra-deepwater operations. We were also a joint recipient of the Best Health, Safety and Environment (HSE) Management award for excellent performance in HSE at the Petrobras Best Suppliers Recognition Awards 2017. The awards were received through our joint-venture company Sapura Navegacao Maritima (SNM) in Brazil.

SNM was selected among 17 suppliers based on its operational performance, safety record, as well as integrity and compliance assurance practices.

2. EMERGENCY PREPAREDNESS

At Sapura Energy, we have a robust emergency preparedness and management strategy in place to safeguard our operations, people, assets, relationships and reputation against any environmental or social risks. Guided by our Emergency and Crisis Management frameworks, we continuously build relevant competencies to equip our people with the necessary tools and solutions. Our efforts include drills and training exercises to manage emergencies and/or threats such as natural disasters, fire and major accidents. These scenarios are captured in the various Emergency Response Plans for our assets and facilities, and emergency drills are regularly conducted to test the effectiveness of the response mechanisms.

We set and measure targets against established standards, which are reviewed annually to ensure:

Suitability of company's management system and structure

Relevance with company expectations and requirements of clients/business units is maintained

Lessons learnt through drills, observations, and incidents are incorporated to eliminate recurrence

They are adaptable to changes in our global operating environment

Business Continuity Plans – Operations & Information Technology

Our awareness and commitment to proactively manage impact from disruptive events are of paramount importance to ensure business continuity. The earliest possible restoration and maintenance of business-critical functions after a disruption event 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. In 2018, the Group Business Continuity Management (BCM) standard (GRS-00-0035) and Business Continuity Plan (BCP) procedure (PRO-00-1544) were published and made available to all. A head office based desktop drill was then conducted to simulate denial of working space and the group is found to be adequately prepared with plans to mitigate the disruption.

3. ENVIRONMENTAL MANAGEMENT

Our management systems and policies guide us to minimise the environmental impact of our projects and operations. Each workstream focuses on key environmental areas relevant to their operations, for environmental performance objective setting and delivering continuous improvement in our protection of the environment. The governing principles embodied in our management system documents guide our efforts to achieve responsible and no-harm environmental impact. This ensures business resilience and the expectations of our stakeholders and the communities are met.

In FY2019, our efforts were focused on identifying and implementing various environmental initiatives, including the use of low-sulphur fuel for pipelay vessels and project support vessels.

Management System

Our Group HSE Policy reinforces our commitment to employees' health and safety, minimising the impact on the environment. Our operating business units are ISO 14001:2015 compliant, which validates a company's environmental management system, its continual improvement commitment, and management of environmental-related aspects of the operations, against internationally recognised management system benchmarks.

Spills 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 to identify lessons learned and prevent any recurrences.

We are members of both the national and regional oil spill responding 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 needs to be handled and disposed safely and appropriately. Licensed contractors collect, recycle and dispose 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 by implementing a waste minimisation programme. Hazardous wastes are segregated at source and highly recoverable wastes of value such as e-waste, hydrocarbon wastes and reusable containers are sent to recovery facilities licensed by DOE for recycling.

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. We are committed to continuously improve our environmental management performance and impact in the areas we operate. One of our efforts is to increase the frequency of comprehensive environmental-related training for employees to gain awareness and ownership. Key training and study activities include Scheduled Waste Management, Environmental Awareness, Spill Drills, Noise Exposure Monitoring and Environmental-Aspect and Impact.

The actions 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.

NURTURING TALENT & DEVELOPING COMMUNITIES

PEOPLE ARE OUR GREATEST ASSETS AND OUR PRIMARY RESPONSIBILITY IS TO PROVIDE A NURTURING ENVIRONMENT, OPPORTUNITIES FOR LEARNING, AS WELL AS MOTIVATION, TO CONTRIBUTE TO BOTH INDIVIDUAL AND ORGANISATIONAL GROWTH. SIMILARLY, OUR GREATER RESPONSIBILITY TOWARDS THE COMMUNITIES WHERE WE OPERATE IS TO PROMOTE THEIR WELFARE AND WELLBEING.

As our skilled workforce forms the backbone of the Group, we continuously review their career development opportunities apart from providing competitive remuneration, welfare and benefits as well as promoting workplace diversity and inclusion, and respect for human rights. We also provide opportunities for talent mobility by seconding home-grown talent to our projects abroad (e.g. Mexico, Saudi Arabia and Angola). Such avenues offer international exposure to our employees, enriching their careers with Sapura Energy.

01
02
03
04
05
06
07
08

Fundamental to our approach in meeting the needs and expectations of our employees and community members is the respect for human rights in all our dealings and interactions. Human Rights are embedded in our Human Resource Policies and Procedures and we do not condone any violation of labour rights, including acts of discrimination, unfair treatment, forced labour, gender inequality and unsafe workplace practices.

Our workplace policies are defined to motivate employees, retain talent and enhance productivity and performance.

STAFF ENRICHMENT POLICIES

- Training and development
- Staff volunteerism policy
- Exam leave
- Paternal leave
- Maternal leave
- Compassionate leave
- Marriage leave
- Prolonged sickness/hospitalisation/ illness leave
- Overtime payment and compensation

EMPLOYEE WELFARE POLICIES

- Newborn baby gift
- Marriage gift
- Natural disaster support
- Assistance to next-of-kin upon death of employee
- Assistance upon death of spouse, children, and parents

HEALTHCARE POLICIES

- Maternity and related expenses
- Dental treatment
- Inpatient and outpatient medical benefits to employees and immediate family

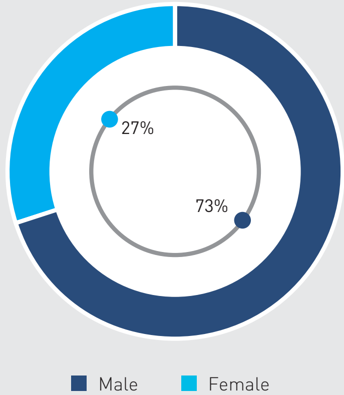
SUSTAINABILITY REPORT (CONT'D.)

DIVERSITY & 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 recruits or those with many years of service. Our workforce is made up of talent across various age groups and experiences. For instance, 26 per cent of our full-time employees are between the ages of 20 to 30 years. This encourages knowledge-sharing and collaboration to help raise their individual and team performance.

We are an equal employment opportunity employer and we do not discriminate on the basis of age, religion, sexual orientation, ethnicity, gender, or status. As of 31 January 2018, 27 per cent of our total workforce comprise of full-time female employees, with women representing 19 per cent of our technical and professional expertise. More than 17 per cent of our top management positions and 30 per cent (3/10) of the board positions are held by women.

Full Time Employees



19%

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

17%

of management positions are held by women

Job Category by Gender

JOB CATEGORY	MEN	WOMEN	TOTAL	MEN %	WOMEN %
Support	446	272	718	62	38
Professional	2,153	783	2,936	73	27
Management	555	114	669	83	17
Senior management	25	7	32	81	19
Total	**3,179**	**1,176**	**4,355**	**73**	**27**

TALENT MANAGEMENT

With our ever-growing commitment to business excellence, we continue to invest in employees to strengthen our group-wide capability. Our flagship skills development programmes not only enhance our capacity and productivity, but also serve as tools to attract and retain talent. Our investment in such upskilling and reskilling initiatives helps to future-proof our talent, keeping them relevant and competent in both the workplace and marketplace. In short, we believe in investing in employees so that their goals are aligned with the Group's business performance objectives.

Optimising Capabilities

By providing our employees with opportunities for growth and improving their skill sets, our ultimate objective is to optimise their core capabilities and help the Group to strengthen its competitive advantages. Pushing the boundaries of professional growth is just as important to the Group as it is to our diverse workforce. To retain our diverse talent pool, we support personal and professional aspirations for growth. This is to help foster an inclusive work environment that encourages greater innovation and development, which are also critical for a performance-based organisation such as Sapura Energy. In FY2019, we invested over RM13 million in employee training and skills development programmes.

To catalyse our employees' career progression, these bespoke training modules continue to develop skill sets that are critical for employees to transition to different stages of their careers. These career development programmes are on-going and provide structured schemes specific to enhancing employee skill sets. Beyond the business benefits, we also recognise the importance of skills development for youths, as part of their role in nation building.

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 frequently engage with prominent and highly experienced members of staff. To-date, 13 trainees from our operations in Malaysia, India and Mexico have graduated while 10 are still undergoing the programme.

Supply Chain Management (SCM) Initiatives

SCM employees regularly participate in formal training programmes conducted by the Chartered Institute of Procurement & Supply (CIPS), in courses and seminars that enhance their skill sets. Additionally, our collaboration with Asia School of Business (ASB) resulted in the streamlining of procurement processes, while our work with the Malaysia Institute of Supply Chain Innovation (MISI) improved our procurement sourcing and pricing.

SUSTAINABILITY REPORT (CONT'D.)

Institute of Chartered Accountants in England and Wales ("ICAEW")

In 2012, Sapura Energy was recognised as an Authorised Training Employer for the Institute of Chartered Accountants in England and Wales ("ICAEW"). This four-year programme has been designed to provide talented young graduates with the opportunity to study part-time for the Chartered Accountancy qualification while gaining on-the-job experience with the various Finance functions within Sapura Energy.

The ICAEW Chartered Accountant qualification is one of the most advanced learning and professional development programmes recognised around the world, in business practice and the public sector. This programme was initiated in Sapura Energy in 2012. To date, two trainees have completed this programme and have been absorbed into the Group. Currently, nine trainees are undergoing this programme. The total training costs invested for this reporting year is RM153,000, with over RM40,000 spent on the FY2020 training costs year-to-date.

Internship Programme

This programme aims to provide students with practical, industry-relevant experience through placement opportunities in various departments within the Company. Selected students are equipped with professional skills under the guidance and supervision of a Supervisor, with programme coordination facilitated by the Student Manager from our Group Human Resources.

In 2018, over 70 local and international students from educational institutes in Malaysia, Australia, Canada, France, India, New Zealand, the United Kingdom and the United States of America were successfully placed in various functions across the Sapura Energy Group. After completion, some of these interns have since been recruited into full-time positions within the Group. We recruit interns that are currently studying in both local and international institutions for an average period of six months, depending on the requirements.

Technical and Soft Skills Training

Our Competency Framework has been designed by Operations to specify the necessary skill set and knowledge (technical and soft skills) needed by our employees to successfully deliver on their specific roles. Sapura Energy's goal for the training is to fulfil the Competency Framework by deploying various available resources (internal and external via training providers) to achieve the developmental needs of our employees.

Previously, our learning and training model was dependent on third party service providers. Employees were able to sign up for various training opportunities stated in the Competency Framework at their convenience. A trainer was then hired to deliver the training, with preference given to HRDF-recognised service providers.

For FY2020 training plans, we have enhanced the training model to include the deployment of internal resources. Our HR department will coordinate an 'Internal Teach-In' programme to fully leverage in-house expertise to develop and deliver learning content that meets the specific needs of our business segment within the O&G industry. This programme covers all core competencies, including Finance, Engineering (including offshore and fabrication engineering), Safety, E&P and Drilling.

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 investing in employee development, soft skills training in leadership, effective communication (spoken and written) and various levels of courses in Microsoft Office are provided all-year round.

Home-Grown Talent

As we operate in various countries, including the Americas, Middle East, Africa, Europe and Asia-Pacific regions, we take cognisance of our important role as a responsible employer for home-grown talent. We therefore actively seek to hire local talent and provide training opportunities at each location. With our operations in various parts of the world, we also provide local employees with opportunities to gain global work experience through short-term placements or assignments. In FY2019, 53 per cent of our senior management and 85 per cent of our management were local hires.

Performance Management

Our workplace promotes an active feedback culture. Employees are encouraged to share feedback regularly while on the job and through debrief sessions, project closeout or immediately on-site. Additionally, all employees, including management level, technical and support staff, receive formal annual appraisals from their superiors.

The key performance indicators are based on 60 per cent of the balanced scorecard and 40 per cent of the individual's competencies. All our permanent employees enjoy fair competitive compensation benefits at par with the industry standards. The staff benefits are offered taking into consideration individual merit and performance on a year-on-year basis. In FY2019, 100 per cent of our employees completed their performance appraisals.

COMMUNITY DEVELOPMENT

In our aim to build better communities, which include Sapura Energy communities and communities where we have our corporate presence, the Group is committed to conducting its operations in full compliance with all applicable laws and regulations, 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.

In short, we create opportunities for significant growth and prosperity to mutually benefit the local communities where we do business, through projects, job creation and supply of local goods and services.

EDUCATION

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

COMMUNITY

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

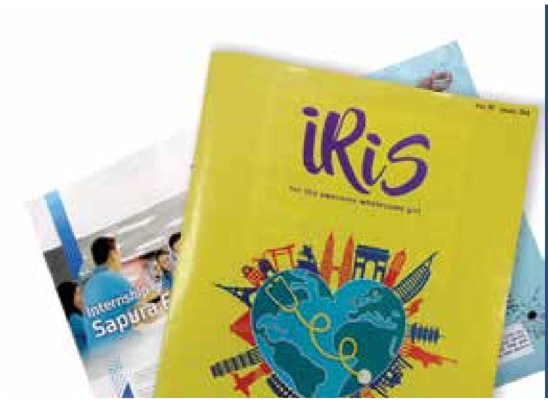
ENVIRONMENT

Provide financial contribution and volunteering work in conservation and disaster relief

EMPLOYEE ENGAGEMENT

Encourage employee engagement to promote a healthy working environment

SUSTAINABILITY REPORT (CONT'D.)



Education

We supported the distribution of Iris Magazine, a quarterly magazine catered to young women between the ages of 10-18 years in Peninsular Malaysia, including the rural communities. The magazine was published with the purpose of educating female youths on intellectual topics and language literacy. It is widely distributed in schools, colleges and youth-targeted events.

Environment

The Group organised a 'Save the Turtles' programme to promote the conservation of sea turtles and marine environment, with the help of the Department of Fisheries in Segari, Lumut, Perak. Over 40 volunteers took part in cleaning and weighing adult sea turtles; assisting in flipper tagging to aid studies on turtle migration patterns; and releasing over 40 baby turtles into the sea.

Community

Under the Make-A-Wish Malaysia programme, our employees granted nine wishes of children with critical illness and life-threatening medical conditions.

Together with Sapura Group and Yayasan Siti Sapura Husin, we hosted 65 children from two orphanages, Pertubuhan Kebajikan Asnaf Raudhatul Jannah and Yayasan Kasih Sayang, at a breaking of fast event. We also treated them to a special shopping spree in preparation for Hari Raya Aidilfitri.

We hosted more than 60 children from Rumah Aman Children's Home during our annual Hari Raya Aidilfitri Open House. Together with Sapura Secured Technologies and Yayasan Siti Sapura Husin, we celebrated Hari Raya Aidilfitri with the less fortunate living in Kuala Lumpur, where our volunteers distributed traditional Raya goodies.

We collaborated with Yayasan Siti Sapura Husin to visit two residential care homes for elderly people: Pusat Jagaan Siti Nor Aini, a home which offers provision of care to 39 male elderly citizens and Pusat Jagaan Al-Fikrah, which cares for 71 elderly citizens and people with disabilities. In addition to spending time with the residents, our volunteers also assisted to distribute groceries and personal care items to the two homes.

01
02
03
04
05
06
07
08

SUSTAINABILITY REPORT (CONT'D.)

Sapura Energy organised a charity drive where our employees donated good quality pre-loved items including clothes, shoes, toys, books, household items and baby essentials. These items were distributed to the less fortunate in Kuala Lumpur. Our volunteers also distributed healthy packed meals and assisted the medical team to provide basic treatment, medical advice and dietary supplements.

In addition to volunteering efforts, we actively participated in charity-based sporting events including:

The Go Green – Physical Wellness 2018, a cycling event organised by a non-governmental organisation, Lions and Lioness Club of Sitiawan, to increase public awareness on heart-related diseases and to promote a healthier lifestyle through cycling.

The Orchid Run and Ride 2018, a fundraising running and cycling event organised by Persatuan Isteri-Isteri dan Kakitangan Wanita PETRONAS ("PETRONITA"). Proceeds benefitted the Institute of Ear, Hearing and Speech Universiti Kebangsaan Malaysia, Universiti Teknologi Mara Centre for Special Care Dentistry, Breast Cancer Welfare Association Malaysia and Home Equipment Loan Programme by University Malaya Medical Centre-Care.

The Bursa Bull Charge 2018, a fundraising running event organised by Bursa Malaysia to promote financial literacy and entrepreneurship as well as provide financial assistance to the vulnerable, marginalised, discriminated, underprivileged and under-represented groups.

Employee Engagement

To create an inclusive work environment, we regularly connect and communicate with our employees through various engagement initiatives. They include management by walk-about, annual employee engagement surveys, town halls, an intranet forum, dedicated work stream face-to-face engagements and grievance channels. These initiatives promote a work culture that empowers individuals, encourages collaboration for excellence, drives accountability, and rewards high performance.

To inspire workplace camaraderie, we organised several internal social events or engagements and mobilised employee participation 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 to donate blood with the National Blood Bank, bring cheer to sick children in hospitals, and help out at orphanages. Employees were invited to the annual Hari Raya Aidilfitri open house and Chinese New Year gathering, to promote culture diversity.

Employees represented the Group in the Malaysian Oil and Gas Services Council's annual bowling and futsal competitions. They raced through 'MEX Ride 2018', the first cycling competition held on Maju Expressway, sanctioned by the Malaysia National Cycling Federation with Junior Cycling Malaysia as its Technical Partner.

01
02
03
04
05
06
07
08

CALENDAR OF EVENTS

23 FEBRUARY 2018, Soup Kitchen Project – Lorong Medan Tuanku 2, Kuala Lumpur

6 MARCH 2018, Chinese New Year Celebration – Sapura@Mines, Seri Kembangan, Selangor

20-23 MARCH 2018, Offshore Technology Conference (OTC) Asia 2018 – Kuala Lumpur Convention Centre, Kuala Lumpur

29 MARCH 2018, Blood Donation Drive 2018 – Sapura@Mines, Seri Kembangan, Selangor

11 MAY 2018, Sapura Energy Pre-loved Items Donation to Charity – Sapura@Mines, Seri Kembangan, Selangor

CALENDAR OF EVENTS (CONT'D.)

31 MAY 2018, Buka Puasa with Rumah Anak Yatim – Sapura@Mines, Seri Kembangan, Selangor

22 JUNE 2018, Community Hari Raya Open House – Lorong Medan Tuanku 2, Kuala Lumpur

12-13 JULY 2018, Hari Raya Aidilfitri Open House – Grand Hyatt Kuala Lumpur, Kuala Lumpur

17 JULY 2018, Visit to Residential Care Home for Elderly People – Pusat Jagaan Siti Nor Aini, Kajang, Selangor

CALENDAR OF EVENTS (CONT'D.)

18 JULY 2018, Annual General Meeting – Kuala Lumpur Convention Centre, Kuala Lumpur

19 JULY 2018, Visit to Residential Care Home for Elderly People – Pusat Jagaan Al-Fikrah, Kajang, Selangor

21-22 JULY 2018, GRADUAN ASPIRE Career and Postgraduate Fair 2018 – Kuala Lumpur Convention Centre, Kuala Lumpur

12 AUGUST 2018, MEX Ride 2018 – Maju Expressway, Selangor

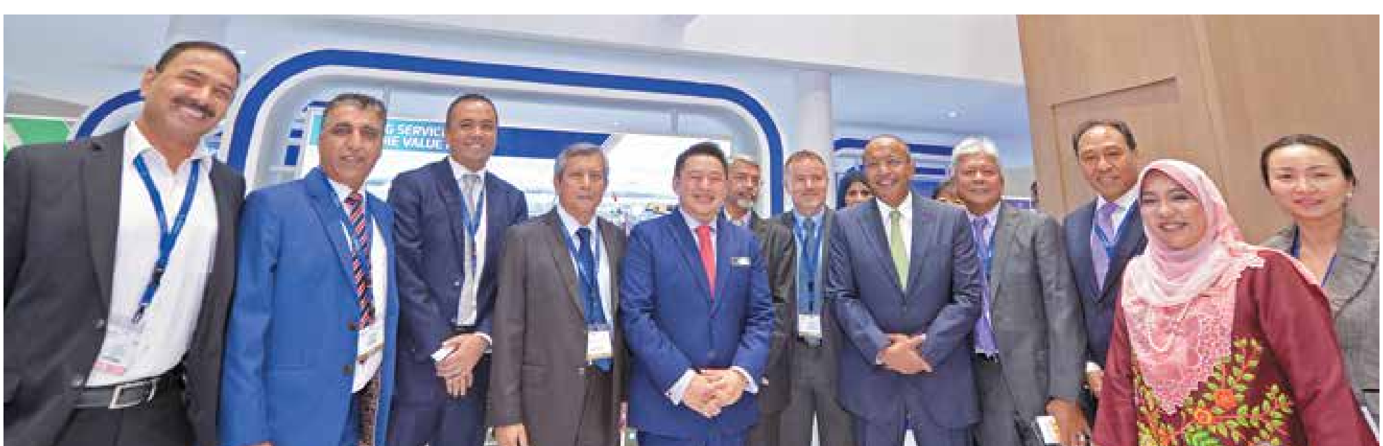
CALENDAR OF EVENTS (CONT'D.)

12 AUGUST 2018, Malaysian Oil & Gas Services Council Bowling Trio Tournament 2018 – Wangsa Bowl, Wangsa Walk, KL

27-29 AUGUST 2018, IADC/SPE Asia Pacific Drilling Technology Conference and Exhibition 2018 – Centara Grand & Bangkok Convention Centre, CentralWorld, Bangkok, Thailand

23 SEPTEMBER 2018, Orchid Run & Ride 2018 – Plaza Persiaran KLCC, Kuala Lumpur

27 SEPTEMBER 2018, Bursa Bull Charge 2018 – Bursa Malaysia, Kuala Lumpur



25-27 SEPTEMBER 2018, Malaysia Oil & Gas Services Exhibition & Conference (MOGSEC) 2018 – Kuala Lumpur Convention Centre, Kuala Lumpur

CALENDAR OF EVENTS (CONT'D.)

11-14 OCTOBER 2018, CIMB Classic 2018 – Tournament Players Club, Kuala Lumpur

13 OCTOBER 2018, Malaysian Oil & Gas Services Council Futsal Tournament 2018 – Sports Planet Ampang, Kompleks Sukan Ampang, Kuala Lumpur

4 NOVEMBER 2018, Save the Turtles Programme 2018 – Turtle Conservation and Information Centre, Segari, Lumut, Perak

9 NOVEMBER 2018, Sapura Energy and OMV enter into a Strategic Partnership – Mandarin Oriental, Kuala Lumpur

10 NOVEMBER 2018, Sapura Energy Bowling Tournament 2018 – Wangsa Bowl, IOI City Mall, Putrajaya

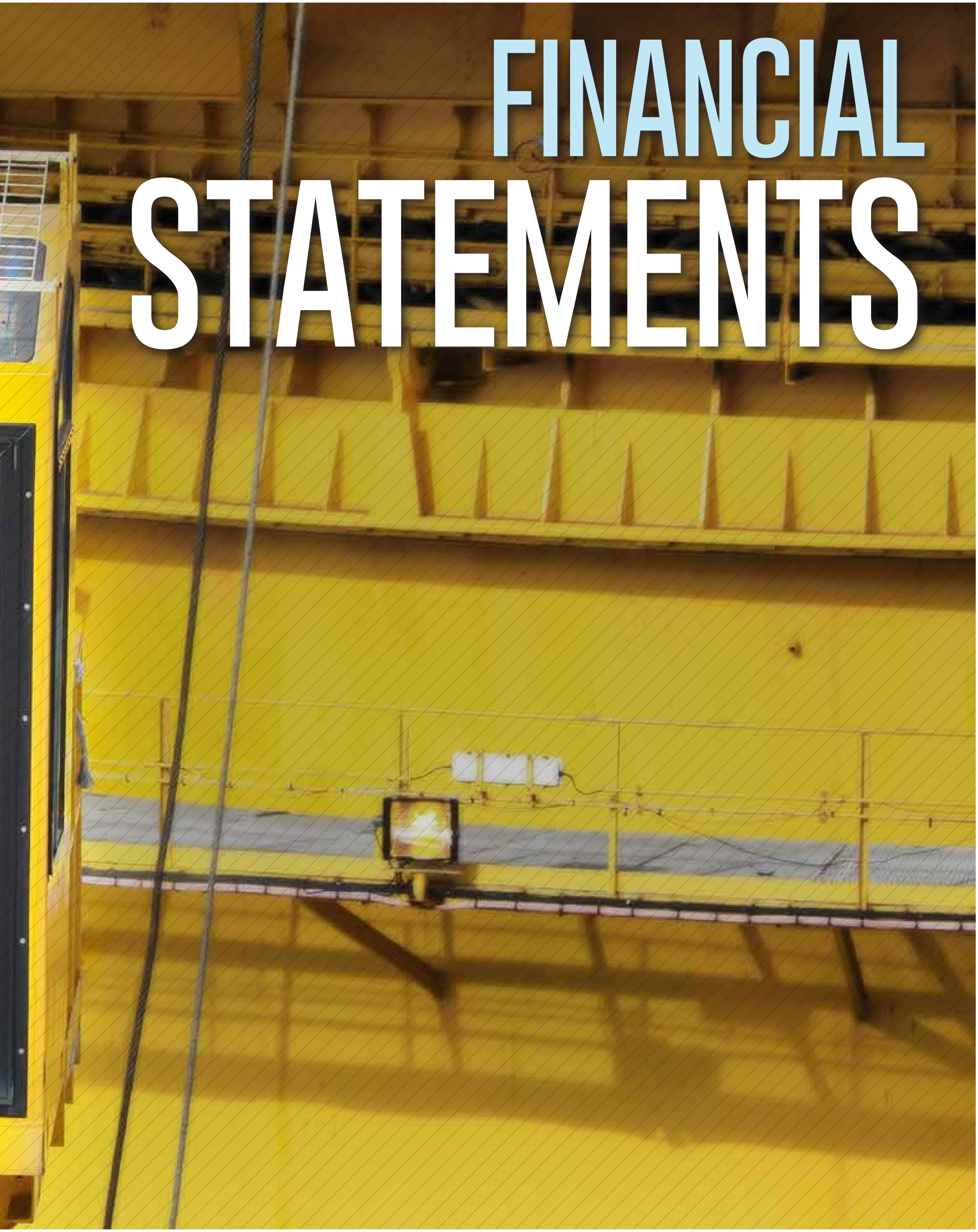
CALENDAR OF EVENTS (CONT'D.)

29 NOVEMBER 2018 & 28 JANUARY 2019, Extraordinary General Meetings – Sapura@Mines, Seri Kembangan, Selangor

1 DECEMBER 2018, Sapura Energy Futsal Carnival 2018 – Sports Planet Ampang, Kompleks Sukan Ampang, Kuala Lumpur

07

FINANCIAL STATEMENTS



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 2019.

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 46 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	**203,367**	**324,448**
Profit/(loss) attributable to:		
Owners of the Parent		
– Continuing operations	**(2,713,466)**	**324,448**
– Discontinued operations	**2,921,015**	**–**
	207,549	**324,448**
Non-controlling interests	**(4,182)**	**–**
	203,367	**324,448**

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

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

DIVIDENDS

The amount of dividend payable by the Company since 31 January 2018 was as follows:

	RM'000
In respect of the financial year ended 31 January 2019:	
Tax exempt (single-tier) special dividend of 0.5 sen per ordinary share on 15,979,080,232 ordinary shares, declared on 25 March 2019 and will be paid on 24 June 2019	**79,895**

The financial statements for the current financial year do not reflect this special dividend which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 January 2020.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Hamzah bin Bakar *
Tan Sri Dato' Seri Shahril bin Shamsuddin *
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo *
Dato' Shahriman bin Shamsuddin
Mohamed Rashdi bin Mohamed Ghazalli *
Gee Siew Yoong
Datuk Muhamad Noor bin Hamid
Datuk Ramlan bin Abdul Rashid
Dato' Roslina binti Zainal (Appointed on 1 February 2019)
Datin Paduka Kartini binti Hj Abdul Manaf (Appointed on 24 April 2019)
Datuk Ramlan bin Abdul Malek (Resigned on 31 December 2018)

** Directors of the Company and certain subsidiary(ies).*

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

Ahmad Zakiruddin bin Mohamed
Awang Mohammad bin Haji Brahim
Blair Andrew Lucas
Bundit Kittitanarux
Chiang Wai Ming
Chow Mei Mei
Datuk Kris Azman bin Abdullah
Geoffrey Neil Walker
Johannes Franciscus Maria Stinenbosch
John Michael Golden
Kedar Lagvankar
Komathi A/P Balakrishnan
Lim Kok Keong
Md Yusoff bin Mohamad Noor
Mohamad Nasri bin Mehat
Mohd Saiman bin Abdullah
Nelson Anderson Cheong Boon Guan
New Cheng Swee
Noordin bin Sulaiman
Norzaidi bin Mohd Zahidin ^
Paul Standon Colley
Paulette Lopes
Phanindhar Chivukula
Raphael Michel Francois Yves Siri
Ravisankar Venkata Mamidanna
Reza bin Abdul Rahim
Rita Lydia Hartono
Rose binti Mat
Sirlene Santos Brêtas de Noronha
Suhaimi bin Ismail
Thavakumar A/L Kandiahpillai
Ungku Suleiman bin Ungku Abdul Aziz
Vivek Arora

^ Alternate director of the subsidiaries

DIRECTORS (CONT'D.)

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

Biren Kumar Dash (Appointed on 27 December 2018)
Choo Shan (Appointed on 20 July 2018)#
Jobelino Vitoriano Locateli (Appointed on 27 November 2018)
John Robert Hulme (Appointed on 11 May 2018)#
Kevin Martin Robinson (Appointed on 11 May 2018)#
Louay Louis Laham (Appointed on 12 November 2018)
Luke Anthony Byrne (Appointed on 12 March 2019)
Mariah binti Mohamad Said (Appointed 23 May 2018)
Metis Wong Kuan Lee (Appointed on 31 December 2018)
Richard Rowland Leetham (Appointed on 13 September 2018)
Tan Sri Ibrahim bin Menudin (Appointed on 20 July 2018)#
Vincent Pierre Allegre (Appointed on 13 September 2018)

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

José Tavares de Lucena (Resigned on 27 November 2018)
Karl Winter (Resigned on 26 February 2019)
Lindsay Alan Long (Resigned on 15 August 2018)
Noor Roslinah binti Hj Metussin (Resigned on 31 December 2018)

Director of certain subsidiary company and subsequently became an associated company following the disposal of the Group's 50% equity stake on 31 January 2019.

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, other than those arising from the Long Term Incentive Plan ("LTIP") and the Executive Share Option Scheme ("ESOS"), as disclosed in Note 30 and Note 38 to the financial statements.

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 41 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 RM125,089.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
The Company	**As at 1.2.2018 '000**	**Acquired '000**	**Sold '000**	**As at 31.1.2019 '000**
Indirect interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	1,007,545	1,640,605	–	2,648,150
Dato' Shahriman bin Shamsuddin	1,007,545	1,640,605	–	2,648,150
Mohamed Rashdi bin Mohamed Ghazalli	49	82	–	131
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo	275	–	–	275
Direct interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	37,812	131,353	–	169,165
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo	256	1,322	–	1,578
Dato' Shahriman bin Shamsuddin	506	–	–	506
Mohamed Rashdi bin Mohamed Ghazalli	98	313	–	411

	Number of Islamic redeemable convertible preference shares ("RCPS-i")			
The Company	**As at 1.2.2018 '000**	**Acquired '000**	**Sold '000**	**As at 31.1.2019 '000**
Indirect interest				
Mohamed Rashdi bin Mohamed Ghazalli	–	20	–	20
Direct interest				
Mohamed Rashdi bin Mohamed Ghazalli	–	39	–	39
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo	–	78	–	78

DIRECTORS' REPORT (CONT'D.)

DIRECTORS' INTERESTS (CONT'D.)

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 (cont'd.):

	Number of warrants			
The Company	**As at 1.2.2018 '000**	**Acquired '000**	**Sold '000**	**As at 31.1.2019 '000**
Indirect interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	–	164,061	–	164,061
Dato' Shahriman bin Shamsuddin	–	164,061	–	164,061
Mohamed Rashdi bin Mohamed Ghazalli	–	8	–	8
Direct interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	–	13,135	–	13,135
Mohamed Rashdi bin Mohamed Ghazalli	–	31	–	31
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo	–	99	–	99

	Number of options over ordinary shares under ESOS				
The Company	**As at 1.2.2018 '000**	**Granted '000**	**Adjusted* '000**	**Exercised '000**	**As at 31.1.2019 '000**
Tan Sri Dato' Seri Shahril bin Shamsuddin	–	299,607	132,854	–	432,461

* *The adjustment to the number of options pursuant to the completion of the rights issue exercise on 29 January 2019 and in accordance with the by-laws governing the ESOS ("By-Laws") approved by the shareholders at the Extraordinary General Meeting held on 29 November 2018.*

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.

ISSUE OF SHARES AND WARRANTS

During the financial year, the Company:

(a) issued new ordinary shares of 9,986,925,145 rights shares at an issue price of RM0.30 per rights share together with 998,692,020 free detachable warrants.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

(b) issued 2,396,862,035 RCPS-i pursuant to the rights issue of RCPS-i at an issue price of RM0.41 per RCPS-i.

The key features and salient terms of the RCPS-i and warrants are disclosed in Note 29 and Note 31 respectively in the financial statements.

The proceeds from the rights issue of shares with warrants and rights issue of RCPS-i were used to partly repay the bank borrowings and defray expenses relating to the corporate exercise.

SHARES HELD UNDER TRUST

In the current financial year, the trustee appointed by the Company purchased 41,314,200 units of its issued ordinary shares from the open market at an average price of RM0.35 per share for the purpose of the share bonus scheme in relation to the LTIP.

As at 31 January 2019, a total of 41,956,200 units of the Company's issued ordinary shares were held under trust. Such shares were held at a carrying amount of RM66,812,000 and further details are disclosed in Note 30 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME

At an Extraordinary General Meeting ("EGM") held on 29 November 2018, shareholders approved the establishment of the ESOS and the By-Laws for the granting of options to the eligible executive directors and senior management to subscribe for new ordinary shares of the Company.

The LTIP committee which governs the ESOS, comprises directors appointed and duly authorised by the Board in accordance with the By-Laws.

On 14 December 2018, the Company offered and granted 479,372,407 options at an exercise price of RM0.31. These options will expire on 12 December 2025 and is immediately exercisable upon granting.

Pursuant to the completion of the rights issue exercise on 29 January 2019, this resulted in an increase in the number of issued ordinary shares of the Company from 5,992,155,087 to 15,979,080,232, and thus the total number of options granted on 14 December 2018 and its exercise price have been adjusted in accordance with the By-Laws. The adjustments resulted in an additional 212,565,746 options being granted to the eligible executive director and senior management, and the exercise price of the options was revised to RM0.22.

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 January 2019 are as follows:

Expiry date	**Adjusted exercise price RM**	**Number of options post rights issue '000**
12 December 2025	0.22	691,938

On 12 April 2019, a further offer of 586,388,264 options have been made to the eligible executive director and senior management at an exercise price of RM0.39.

Following the further grant of options on 12 April 2019, the weighted average exercise price of the options granted to date is RM0.30.

The salient features and other terms of the ESOS are disclosed in Note 38 to the financial statements.

Details of options granted to the director are disclosed in the section on directors' interests in this report.

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss, 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 the bad debts and the making of provision for impairment on receivables and satisfied themselves that there were no known bad debts and that adequate provision for 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.

DIRECTORS' REPORT (CONT'D.)

OTHER STATUTORY INFORMATION (CONT'D.)

(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 provision for 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, except for those disclosed in Note 40 to the financial statements.

(f) In the opinion of the directors:

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

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

SIGNIFICANT EVENTS

Significant events are disclosed in Note 12, Note 28, Note 29 and Note 38 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 48 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 and Note 12 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 8 May 2019.

Dato' Hamzah bin Bakar

Tan Sri Dato' Seri Shahril bin Shamsuddin

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Hamzah bin Bakar and Tan Sri Dato' Seri Shahril bin Shamsuddin, being two of the directors of Sapura Energy Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 139 to 261 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 2019 and of their 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 8 May 2019.

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 139 to 261 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 8 May 2019

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 2019 of the Group and of the Company, statements of profit or loss, 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 139 to 261.

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 2019, 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 and property, plant and equipment ("PPE")

The Group has goodwill on consolidation (Note 17 to the financial statements), and property, plant and equipment ("PPE") (Note 15 to the financial statements) that represent approximately 54% of the Group's total assets.

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 and whenever there is an indication that the PPE may be impaired by comparing the carrying amount with its recoverable amount. Recoverable amount is defined as the higher of fair value less costs of disposal ("FVLCD") and value-in-use ("VIU").

Key Audit Matters (cont'd.)

(a) Impairment assessment of goodwill on consolidation and property, plant and equipment ("PPE") (cont'd.)

The Group has allocated its goodwill to the Engineering & Construction ("E&C") and Drilling business segments. In relation to PPE, management has identified them to be tested for impairment in view of the continued challenges within the oil and gas industry.

The Group estimated the recoverable amounts of its CGUs or groups of CGUs to which the goodwill and PPE are allocated, based on the VIU method. For the vessels, management has also considered its recoverable amount based on the FVLCD method.

The recoverable amount based on the VIU of the CGUs or groups of CGUs involves estimating the future cash inflows and outflows that will be derived from these CGUs and discounting them at appropriate rates. The amount and timing of the cash flow in the projections 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 PPE and goodwill on consolidation are disclosed in Note 15 and Note 17 to the financial statements respectively.

We considered this as an area of audit focus due to the magnitude of the carrying values of these assets. Estimating the VIU involves significant judgement and substantial audit effort is required in the assessment of possible variations in the assumptions used by management in deriving the recoverable amounts of the respective CGUs or groups of CGUs.

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

(i) Obtained an understanding of the relevant processes and 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 on whether they are reasonable by comparing to past actual outcomes.

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

(iv) Evaluated the discount rates, long-term growth rates and the methodology used in deriving the present value of the cash flows, with the support of our valuation specialists.

(v) Performed sensitivity analysis on the key inputs to understand the impact that alternative assumptions would have had on the overall carrying value.

(vi) Assessed the adequacy of the disclosures made in the financial statements.

Recoverable amounts based on FVLCD were obtained from independent valuers appointed by management. In relation to this, amongst others, we:

(i) Considered the independence, reputation and expertise of the valuers.

(ii) Obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of vessels and assessed whether such methodology is consistent with those used in the industry.

(b) Revenue from construction contracts recognised on percentage of completion method

Revenue from construction contracts (Note 3 to the financial statements) contributed approximately 59% of the Group's revenue from continuing operations. To measure progress over time, the Group applied the input method which is based on the percentage-of-completion ("POC"). 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.

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. It also involved appropriately identifying, estimating and providing for contracts with foreseeable losses. The costs to complete can vary with market conditions and unforeseen events during the contract period.

INDEPENDENT AUDITORS' REPORT (CONT'D.)

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

Key Audit Matters (cont'd.)

(b) Revenue from construction contracts recognised on percentage of completion method (cont'd.)

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

(i) Obtained an understanding of the processes and internal controls over the accuracy and timing of revenue recognised in the financial statements, including the process to estimate the total contract cost, profit margin and POC of the projects.

(ii) Agreed the price and work scopes for the significant contracts with customer to the total revenue amount included in the respective POC calculations.

(iii) Evaluated the assumptions applied in the POC calculations of significant projects, including estimates of the total contract cost and variation orders ('VOs'), by examining documentary evidence and considered the historical accuracy of management's forecasts for similar projects.

(iv) Discussed the basis for the recognition of VOs and estimation of total cost of significant projects with management, cost controllers and project managers.

(v) 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.

(vi) Assessed the adequacy of contracts with provision for foreseeable losses, where applicable.

(vii) Reperformed the calculations of the revenue and profit based on the POC method and where applicable, considered the implications of any changes in estimates.

(viii) Evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report and the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D.)

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

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.

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.

01
02
03
04
05
06
07
08

INDEPENDENT AUDITORS' REPORT (CONT'D.)

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

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim
No. 02607/12/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
8 May 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Continuing operations					
Revenue	3	**4,568,439**	5,050,642	**161,603**	666,364
Cost of sales	4	**(4,336,769)**	(4,447,193)	**–**	–
Gross profit		**231,670**	603,449	**161,603**	666,364
Other income	5	**65,469**	169,265	**1,780,938**	24,572
Other expenses		**(216,485)**	(209,652)	**–**	–
Administrative expenses		**(496,846)**	(429,039)	**(310,695)**	(264,191)
		(416,192)	134,023	**1,631,846**	426,745
Provision for impairment	6	**(1,520,264)**	(2,132,293)	**(1,143,416)**	(614,085)
Finance costs	7	**(979,381)**	(828,624)	**(146,429)**	(119,123)
Share of profit from associates and joint ventures		**340,937**	276,516	**–**	–
(Loss)/profit before taxation from continuing operations	8	**(2,574,900)**	(2,550,378)	**342,001**	(306,463)
Income tax expense	11	**(142,748)**	(175,495)	**(17,553)**	(3,327)
(Loss)/profit after taxation from continuing operations		**(2,717,648)**	(2,725,873)	**324,448**	(309,790)
Discontinued operations					
Profit after taxation from discontinued operations		**257,316**	221,058	**–**	–
Gain on disposal of 50% equity stake in a subsidiary		**2,663,699**	–	**–**	–
Profit after taxation from discontinued operations, including gain on disposal	12	**2,921,015**	221,058	**–**	–
Profit/(loss) after taxation		**203,367**	(2,504,815)	**324,448**	(309,790)
Profit/(loss) attributable to:					
Owners of the Parent					
– Continuing operations		**(2,713,466)**	(2,724,531)	**324,448**	(309,790)
– Discontinued operations		**2,921,015**	221,058	**–**	–
		207,549	(2,503,473)	**324,448**	(309,790)
Non-controlling interests		**(4,182)**	(1,342)	**–**	–
		203,367	(2,504,815)	**324,448**	(309,790)
Loss per share attributable to owners of the Parent from continuing operations (sen per share)	13				
Basic		**(44.91)**	(45.82)	**–**	–
Diluted		**(44.80)**	(45.82)	**–**	–
Earnings per share attributable to owners of the Parent from discontinued operations (sen per share)	13				
Basic		**48.34**	3.72	**–**	–
Diluted		**48.23**	3.72	**–**	–

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 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit/(loss) after taxation	**203,367**	(2,504,815)	**324,448**	(309,790)
Other comprehensive income/(loss):				
Continuing operations				
Items that may be reclassified to profit or loss in subsequent periods:				
Foreign currency translation differences	**331,099**	(670,117)	**–**	–
Cash flow hedge:				
– Changes in fair value of derivatives	**(88,056)**	284,422	**–**	–
– Foreign exchange gain/(loss) on hedged items	**129,420**	(334,418)	**–**	–
Share of other comprehensive income/(loss) of associates and joint ventures:				
– Foreign currency translation differences	**743**	(157,634)	**–**	–
– Changes in fair value of derivatives	**697**	23,150	**–**	–
Item that has been reclassified to profit or loss in current year:				
Transfer of exchange differences arising upon dissolution of joint ventures	**–**	(189,265)	**–**	–
Transfer of exchange differences arising upon disposal of 50% equity stake in a subsidiary	**(114,161)**	–	**–**	–
Total other comprehensive income/(loss)	**259,742**	(1,043,862)	**–**	–
Total comprehensive income/(loss) for the year	**463,109**	(3,548,677)	**324,448**	(309,790)
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	**467,332**	(3,544,886)	**324,448**	(309,790)
Non-controlling interests	**(4,223)**	(3,791)	**–**	–
	463,109	(3,548,677)	**324,448**	(309,790)

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

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 JANUARY 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	**10,024,809**	11,454,733	**19,379**	21,698
Expenditure on oil and gas properties	16	**–**	3,938,046	**–**	–
Intangible assets	17	**7,997,130**	7,918,880	**–**	–
Investment in subsidiaries	18	**–**	–	**12,550,668**	9,966,062
Investment in associates	19	**2,222,954**	21,835	**–**	–
Investment in joint ventures	20	**1,800,840**	1,535,671	**–**	–
Deferred tax assets	21	**37,311**	103,690	**19,145**	37,597
Derivative assets	22	**174,507**	262,563	**–**	–
Trade receivables	25	**11,374**	30,537	**–**	–
Amount due from subsidiaries	24	**–**	–	**199,902**	302,347
		22,268,925	25,265,955	**12,789,094**	10,327,704
Current assets					
Inventories	23	**354,447**	376,555	**–**	–
Amount due from subsidiaries	24	**–**	–	**3,033,017**	614,478
Trade and other receivables	25	**1,704,349**	1,890,560	**45,383**	17,885
Contract assets/amount due from customers on contracts	26	**1,065,377**	639,551	**–**	–
Tax recoverable		**84,772**	103,913	**23,184**	19,081
Cash and cash equivalents	27	**8,098,397**	1,716,235	**26,459**	31,626
		11,307,342	4,726,814	**3,128,043**	683,070
Total assets		**33,576,267**	29,992,769	**15,917,137**	11,010,774

01
02
03
04
05
06
07
08

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION (CONT'D.)

AS AT 31 JANUARY 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	28	**10,872,078**	8,066,410	**10,872,078**	8,066,410
RCPS-i	29	**982,713**	–	**982,713**	–
Shares held under trust	30	**(66,812)**	(114,942)	**(66,812)**	(114,942)
Warrants reserve	31	**109,110**	–	**109,110**	–
Other reserves	32	**1,764,292**	1,443,619	**60,890**	–
Retained profits		**213,684**	54,879	**1,013,653**	737,949
		13,875,065	9,449,966	**12,971,632**	8,689,417
Non-controlling interests		**(3,824)**	399	**–**	–
Total equity		**13,871,241**	9,450,365	**12,971,632**	8,689,417
Non-current liabilities					
Borrowings	33	**11,146,926**	14,692,954	**177**	177
Amount due to a subsidiary	35	**–**	–	**2,000,483**	2,000,483
Trade and other payables	36	**104,848**	1,620	**–**	–
Provisions	37	**–**	196,118	**–**	–
Deferred tax liabilities	21	**71,810**	1,023,726	**–**	–
		11,323,584	15,914,418	**2,000,660**	2,000,660
Current liabilities					
Amount due to subsidiaries	35	**–**	–	**642,256**	19,883
Borrowings	33	**5,838,910**	1,722,201	**21**	147
Trade and other payables	36	**2,288,710**	2,689,423	**302,568**	300,667
Contract liabilities/amount due to customers on contracts	26	**92,811**	107,691	**–**	–
Provisions	37	**94,866**	25,086	**–**	–
Provision for tax		**66,145**	83,585	**–**	–
		8,381,442	4,627,986	**944,845**	320,697
Total liabilities		**19,705,026**	20,542,404	**2,945,505**	2,321,357
Total equity and liabilities		**33,576,267**	29,992,769	**15,917,137**	11,010,774

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

	←---- Attributable to the owners of the Parent ----						→		
	←---- Non-distributable ----				→ Distributable				
	Share capital RM'000	RCPS-i RM'000	Shares held under trust RM'000	Warrants reserve 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 2018	8,066,410	–	(114,942)	–	1,443,619	54,879	9,449,966	399	9,450,365
Total comprehensive income/ (loss)	–	–	–	–	259,783	207,549	467,332	(4,223)	463,109
	8,066,410	–	(114,942)	–	1,703,402	262,428	9,917,298	(3,824)	9,913,474
Transactions with owners:									
Rights issue of shares with warrants	2,883,753	–	–	112,325	–	–	2,996,078	–	2,996,078
Rights issue of RCPS-i	–	982,713	–	–	–	–	982,713	–	982,713
Share issuance expenses	(78,085)	–	–	(3,215)	–	–	(81,300)	–	(81,300)
Purchase of shares held under trust	–	–	(14,350)	–	–	–	(14,350)	–	(14,350)
Shares transferred under LTIP	–	–	62,480	–	–	(48,744)	13,736	–	13,736
Fair value of share options granted under ESOS	–	–	–	–	60,890	–	60,890	–	60,890
Total transactions with owners	2,805,668	982,713	48,130	109,110	60,890	(48,744)	3,957,767	–	3,957,767
At 31 January 2019	10,872,078	982,713	(66,812)	109,110	1,764,292	213,684	13,875,065	(3,824)	13,871,241

01
02
03
04
05
06
07
08

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

	← 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 under LTIP	–	24,362	–	–	24,362	–	24,362
Dividend on ordinary shares (Note 14)	–	–	–	(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

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

	Non-distributable					Distributable	
	Share capital RM'000	RCPS-i RM'000	Shares held under trust RM'000	Warrants reserve RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 February 2018	**8,066,410**	**–**	**(114,942)**	**–**	**–**	**737,949**	**8,689,417**
Total comprehensive income	-	–	–	–	–	**324,448**	**324,448**
	8,066,410	**–**	**(114,942)**	**–**	**–**	**1,062,397**	**9,013,865**
Transactions with owners:							
Rights issue of shares with warrants	**2,883,753**	**–**	**–**	**112,325**	**–**	**–**	**2,996,078**
Rights issue of RCPS-i	**–**	**982,713**	**–**	**–**	**–**	**–**	**982,713**
Share issuance expenses	**(78,085)**	**–**	**–**	**(3,215)**	**–**	**–**	**(81,300)**
Purchase of shares held under trust	**–**	**–**	**(14,350)**	**–**	**–**	**–**	**(14,350)**
Shares transferred under LTIP	**–**	**–**	**62,480**	**–**	**–**	**(48,744)**	**13,736**
Fair value of share options granted under ESOS	**–**	**–**	**–**	**–**	**60,890**	**–**	**60,890**
Total transactions with owners	**2,805,668**	**982,713**	**48,130**	**109,110**	**60,890**	**(48,744)**	**3,957,767**
At 31 January 2019	**10,872,078**	**982,713**	**(66,812)**	**109,110**	**60,890**	**1,013,653**	**12,971,632**

	Non-distributable		Distributable	
	Share capital 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 under LTIP	–	24,362	–	24,362
Dividend on ordinary shares (Note 14)	–	–	(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

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 2019

	2019 RM'000	**2018 RM'000**
Cash flows from operating activities		
Loss before taxation from continuing operations	**(2,574,900)**	(2,550,378)
Profit before taxation from discontinued operations	**2,976,261**	226,789
Profit/(loss) before taxation	**401,361**	(2,323,589)
Adjustments for:		
Amortisation of intangible assets	**7,797**	15,484
Amortisation of expenditure on oil and gas properties	**240,273**	203,695
Depreciation of property, plant and equipment	**676,617**	842,800
Net gain on disposal of property, plant and equipment	**(909)**	(9,745)
Share of profit from associates and joint ventures	**(340,937)**	(276,516)
Provision for impairment on:		
– Goodwill	**108,374**	–
– Property, plant and equipment	**1,411,890**	2,132,293
LTIP expense	**28,091**	64,318
Gain on disposal of 50% equity stake in a subsidiary	**(2,663,699)**	–
Fair value of share options granted under ESOS	**60,890**	–
Inventories written off	**5,357**	24,552
Expenditure on oil and gas properties written off	**–**	2,195
Net unrealised foreign exchange (gain)/loss	**(11,345)**	82,467
Finance costs	**1,001,863**	858,666
Interest income	**(28,017)**	(21,398)
Operating profit before working capital changes	**897,606**	1,595,222
(Increase)/decrease in inventories	**(37,397)**	22,771
(Increase)/decrease in trade and other receivables	**(504,768)**	649,929
Increase/(decrease) in trade and other payables*	**125,856**	(952,442)
Changes in balances with joint ventures and associates	**39,547**	(25,145)
Cash generated from operating activities	**520,844**	1,290,335
Taxes paid	**(154,661)**	(123,931)
Net cash generated from operating activities	**366,183**	1,166,404

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

	2019 RM'000	2018 RM'000
Cash flows from investing activities		
Net proceeds from disposal of 50% equity stake in a subsidiary (Note 12(ii))	**3,582,595**	–
Repayment of advances from/(advances to) joint ventures	**131,174**	(31,625)
Proceeds from disposal of property, plant and equipment	**909**	9,745
Purchase of property, plant and equipment	**(254,838)**	(1,055,632)
Purchase of expenditure on oil and gas properties	**(319,783)**	(259,722)
Interest received	**22,413**	19,267
Dividends received from joint ventures	**8,396**	423,695
Payment of deferred consideration*	**(303,614)**	(255,318)
Net cash generated from/(used in) investing activities	**2,867,252**	(1,149,590)
Cash flows from financing activities		
Net proceeds from rights issue of shares with warrants and RCPS-i	**3,903,447**	–
Purchase of shares held under trust	**(14,350)**	(46,000)
Net repayment of revolving credit, term loans, Islamic Facility and Sukuk Programme	**–**	(871,036)
Net repayment of hire purchase and finance lease creditors (Note 33(c))	**(5,312)**	(8,700)
Finance costs paid	**(850,985)**	(743,139)
Dividend paid on ordinary shares	**–**	(59,628)
Net cash generated from/(used in) financing activities	**3,032,800**	(1,728,503)
Net increase/(decrease) in cash and cash equivalents	**6,266,235**	(1,711,689)
Effects of exchange rate changes	**115,927**	(91,585)
Cash and cash equivalents at beginning of the year	**1,716,235**	3,519,509
Cash and cash equivalents at end of the year (Note 27)	**8,098,397**	1,716,235

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

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 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation	**342,001**	(306,463)
Adjustments for:		
Depreciation of plant and equipment	**12,588**	12,227
Dividends income	**–**	(423,695)
Gain on disposal of plant and equipment	**–**	(82)
Net unrealised foreign exchange (gain)/loss	**(24,443)**	52,969
Provision for impairment on investment in subsidiaries and amount due from subsidiaries	**1,143,416**	614,085
Finance costs	**146,429**	119,123
Interest income	**(8,569)**	(11,218)
LTIP expense	**16,441**	37,172
Gain on disposal of 50% equity stake in a subsidiary	**(1,747,915)**	–
Fair value of share options granted under ESOS	**46,809**	–
Operating (loss)/profit before working capital changes	**(73,243)**	94,118
Net changes in balances with related companies	**140,584**	(288,492)
Increase in other receivables	**(27,489)**	(1,604)
Decrease in other payables	**(17,070)**	(100,828)
Cash generated from/(used in) operating activities	**22,782**	(296,806)
Taxes paid	**(3,204)**	(1,250)
Net cash generated from/(used in) operating activities	**19,578**	(298,056)
Cash flows from investing activities		
Net proceeds from disposal of 50% equity stake in a subsidiary	**2,208,060**	–
Net changes in balances with related companies	**(6,111,507)**	–
Purchase of plant and equipment	**(10,269)**	(14,238)
Proceeds from disposal of plant and equipment	**–**	82
Interest received	**–**	21,653
Dividends received from subsidiaries	**–**	423,695
Net cash (used in)/generated from investing activities	**(3,913,716)**	431,192
Cash flows from financing activities		
Net proceeds from rights issue of shares with warrants and RCPS-i	**3,903,447**	–
Dividends paid on ordinary shares	**–**	(59,628)
Purchase of shares held under trust	**(14,350)**	(46,000)
Net repayment of hire purchase creditors	**(126)**	(190)
Finance costs paid	**–**	(21,492)
Net cash generated from/(used in) financing activities	**3,888,971**	(127,310)
Net (decrease)/increase in cash and cash equivalents	**(5,167)**	5,826
Cash and cash equivalents at beginning of the year	**31,626**	25,800
Cash and cash equivalents at end of the year (Note 27)	**26,459**	31,626

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 JANUARY 2019

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 46.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 May 2019.

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 2018, the Group and the Company adopted the following new and amended MFRSs:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 2: Shared-based Payment: Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	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

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 as discussed below:

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

2.2 Changes in accounting policies (cont'd.)

MFRS 15: Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 February 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and the Company elected to apply the standard to only contracts that are not completed at 1 February 2018. The cumulative effect of initially applying MFRS 15, if any, is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have concluded that MFRS 15 did not have a significant impact on the results and financial position of the Group and of the Company.

Before the adoption of MFRS 15, construction contract revenue was recognised in accordance with MFRS 111 Construction Contracts, when the total costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts. Under MFRS 15, such amount due from customer represents a right to consideration in exchange for goods or services transferred to the customer known as contract asset. Similarly, an amount due to customers on contract is known as contract liability.

Therefore, upon adoption of MFRS 15, the Group reclassified RM639.6 million from amount due from customers on contract to contract assets and RM107.7 million from amount due to customers on contract to contract liabilities as at 1 February 2018.

MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 February 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9, if any, have been recognised directly in retained earnings and other components of equity.

The effect of adopting MFRS 9 as at 1 February 2018 did not have a significant impact on the results and financial position of the Group and of the Company.

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

2.2 Changes in accounting policies (cont'd.)

MFRS 9: Financial Instruments (cont'd.)

Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through Other Comprehensive Income ("OCI"). The classification is based on two criteria: the Group's and the Company's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 February 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139.

Trade receivables classified as loans and receivables as at 31 January 2018 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are classified and measured as financial assets at amortised cost beginning 1 February 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 February 2018.

	MFRS 9 measurement category **Financial assets at amortised cost RM'000**
Group	
At 1 February 2018	
MFRS 139 measurement category	
Loans and receivables	
Trade and other receivables	1,740,892
Cash and cash equivalents	1,716,235
Company	
At 1 February 2018	
MFRS 139 measurement category	
Loans and receivables	
Amount due from subsidiaries	916,825
Other receivables	12,850
Cash and cash equivalents	31,626

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

2.2 Changes in accounting policies (cont'd.)

MFRS 9: Financial Instruments (cont'd.)

Impairment of financial assets

The adoption of MFRS 9 has changed the Group's and the Company's assessment for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise a provision for impairment based on the ECL approach for all debt instruments not held at fair value through profit or loss and contract assets.

There are no significant changes to the closing provision for impairment in accordance with MFRS 139 to the opening provision for impairment determined in accordance with MFRS 9.

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
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16: Leases	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 3: Business Combinations	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
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 an impact on the financial statements in the period of application except as discussed below:

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. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

MFRS 16: Leases (cont'd.)

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The standard will affect primarily the accounting for the Group's and Company's non-cancellable operating leases. The Group and the Company expect to recognise right-of-use assets and corresponding liabilities by applying the modified retrospective approach and will not restate comparative amounts for the year prior to initial adoption. Right-of-use assets will be measured at an amount equal to the lease liability amount on the date of transition. In addition, the following practical expedients are expected to be elected:

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 February 2019.
- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply MFRS 16 to all contracts that were previously identified as leases.

The Group and the Company have performed a preliminary impact assessment based on currently available information and have concluded that MFRS 16 is not expected to have a material impact on the financial statements of the Group and of the Company upon initial adoption on 1 February 2019.

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.

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

2.4 Basis of consolidation (cont'd.)

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 statement of profit or loss.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to statement of profit or loss 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 9 either in statement of profit or loss 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 9, 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 profit or loss.

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 profit or loss. The accounting policy for goodwill is set out in Note 2.11(a).

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

2.4 Basis of consolidation (cont'd.)

Business Combinations (cont'd.)

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

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

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

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

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

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

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

2.5 Subsidiaries

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

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 joint venture after date of acquisition. When the Group's share of losses in the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

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

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

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 9: *Financial Instruments* 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 or fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised in the statement of profit or loss. 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 statement of profit or loss.

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 interests are 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.

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

2.9 Foreign currency (cont'd.)

(b) Foreign currency transactions (cont'd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in statement of profit or loss 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 statement of profit or loss 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 profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

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

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 statement of profit or loss as incurred.

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

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

Leasehold land and buildings	1% – 2%
Vessels and related dry docking, remotely operated vehicles ("ROVs") and saturation diving system ("SAT system")	4% – 20%
Tender assisted drilling rigs and related dry docking	3% – 20%
Plant and machinery, tools and implements	10% – 50%
Equipment, furniture and motor vehicles	10% – 50%

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

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

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 statement of profit or loss in the year the asset is derecognised.

2.11 Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash Generating Unit ("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 profit or loss. 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 profit or loss.

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 profit or loss when the asset is derecognised.

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

2.11 Intangible assets (cont'd.)

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

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

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

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

2.12 Expenditure on oil and gas properties

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

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

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

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

(a) 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 of disposal or its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable 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 profit or loss 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 profit or loss 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

Accounting policies applied from 1 February 2018 onwards

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

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

2.14 Financial assets (cont'd.)

Accounting policies applied from 1 February 2018 onwards (cont'd.)

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15. Refer to the accounting policies in revenue from contracts with customers in Note 2.23 (i).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(a) Financial assets at amortised cost (debt instruments)

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade and other receivables (excluding prepayment and deferred mobilisation cost), amount due from subsidiaries and cash and cash equivalents.

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

2.14 Financial assets (cont'd.)

Accounting policies applied from 1 February 2018 onwards (cont'd.)

Subsequent measurement (cont'd.)

(b) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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

2.14 Financial assets (cont'd.)

Accounting policies applied from 1 February 2018 onwards (cont'd.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's and the Company's statement of financial position) when:

(a) The rights to receive cash flows from the asset have expired; or

(b) The Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

  (i) the Group and the Company have transferred substantially all the risks and rewards of the asset, or

  (ii) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 for debt instruments is recognised in profit or loss.

Where the Group or the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group or the Company continue to recognise the transferred asset to the extent of its continuing involvement.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Accounting policies applied until 31 January 2018

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

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

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

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) 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 profit or loss. 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 statement of profit or loss 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.

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

2.14 Financial assets (cont'd.)

Accounting policies applied until 31 January 2018 (cont'd.)

(b) Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss 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 profit or loss.

2.15 Impairment of financial assets

Accounting policies applied from 1 February 2018 onwards

The Group and the Company recognise a provision for impairment for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a provision for impairment is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a provision for impairment based on lifetime ECLs at each reporting date. The Group and the Company have established a process to monitor the recoverability of the receivables, based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company considers whether a financial asset is in default when contractual payments are more than 90 days past due. In certain cases, the Group and the Company may consider a financial asset to be in default when internal or external information indicate that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.15 Impairment of financial assets (cont'd.)

Accounting policies applied until 31 January 2018

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 profit or loss.

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

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

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 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.

2.18 Provisions

(a) Provision for decommissioning and restoration costs

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

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

2.18 Provisions (cont'd.)

(b) Onerous contract

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

(c) Other provisions

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

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

2.19 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

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

2.19 Financial liabilities (cont'd.)

Subsequent measurement (cont'd.)

(b) Financial liabilities at amortised cost

After initial recognition, the financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing borrowings, trade and other payables, and amount due to subsidiaries.

(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 guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of ECL determined in accordance with the policy set out in Note 2.15 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in statement of profit or loss.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.20 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 statement of profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

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

2.21 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 statement of profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(c) Long Term Incentive Plan

Eligible executive directors and employees of the Group and of the Company 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.

(d) Executive share option scheme ("ESOS")

ESOS, an equity-settled, share-based compensation plan, allows the Company's eligible executive directors and senior management ("Executives") to acquire ordinary shares of the Company. The total fair value of share options granted to Executives of the Company is recognised as an employee cost with a corresponding increase in the ESOS reserve within equity over the vesting period and taking into account the probability that the share options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options and awards were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and awards that are expected to become exercisable on vesting date.

At each reporting date, the Company revises its estimates of the number of options of the Company that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the ESOS reserve until the option is exercised, or until the option expires.

When the share options are exercised, the ESOS reserve relating to the exercised options is transferred to equity. When the share options or share awards are forfeited, the ESOS reserve relating to the forfeited share options is transferred to equity.

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

2.22 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 statement of profit or loss. 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 statement of profit or loss 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.

2.23 Revenue

(i) Revenue from contracts with customers

Accounting policies applied from 1 February 2018 onwards

Revenue is measured based on the consideration to which the Group or the Company expects to be entitled in exchange for transferring promised goods or services to a customer.

Revenue is recognised when the Group or the Company satisfies a performance obligation by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Construction contracts

The Group's construction contracts include engineering, procurement, construction, installation and commissioning services ("EPCIC"), transportation and installation ("T&I"), fabrication and hook-up and commissioning works, which may last several years.

The Group determined that contracts of this nature have generally one performance obligation. In these contracts, the final product is highly customised to the specifications of the field and the customer's requirements as the customised products do not have an alternative use. The Group has an enforceable right to payment plus reasonable profit for performance completed to date.

Therefore, the customer obtains control of the asset over time, and thus revenue is recognised over time using an input measure (i.e., costs incurred to date relative to total estimated costs at completion) to measure progress. Under this method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

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

2.23 Revenue (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

Accounting policies applied from 1 February 2018 onwards (cont'd.)

(a) Construction contracts (cont'd.)

Contracts are often modified to account for changes in contract specifications and requirements. The Group considers contract modifications to exist when the modification either creates new, or changes the existing, enforceable rights and obligations. Most of the Group's contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract.

The effect of a contract modification on the transaction price and the Group measures of progress for the performance obligation to which it relates is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

Certain contracts with the customer include performance bonuses, liquidated damages and provisional sums. These amounts which will be included in the transaction price of the contract provided they can be reasonably estimated and will not result in a significant reversal in the future.

Should the customer terminate a contract early, the Group may be entitled to shortfall commitment revenue on the contract. The Group recognises shortfall commitment revenue when payment from the customer is certain. At the inception of a contract, an estimate for shortfall commitment revenue is not recognised, as the Group expects the customer to use its services for the full term of the contract. As a result, determining when to recognise shortfall commitment revenue requires judgment to ensure that revenue is recognised when the performance obligation has been satisfied and collectability assured.

Foreseeable losses for construction contracts

Prior to the implementation of MFRS 15, foreseeable losses for construction contracts were governed by MFRS 111. Following the implementation of MFRS 15, all foreseeable losses for construction contracts have been calculated in accordance with MFRS 137. The requirements of MFRS 137 prescribe that a provision for onerous contract provision must be calculated on a least net cost basis, which includes unavoidable costs only and comparing these costs to the cost of cancelling a contract including any termination fees. The policy on provision for onerous contracts is in Note 2.18(b).

Contracts with significant procurement

In circumstances where there is significant procurement of materials for that contract, the Group assessed whether the procurement of items are specifically designed for the project and if so, would include the costs of such materials in the percentage-of-completion calculation. Non-customised procurement are excluded from percentage-of-completion calculation.

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

2.23 Revenue (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

Accounting policies applied from 1 February 2018 onwards (cont'd.)

(b) Revenue from other services

Revenue from other services includes offshore support, geotechnical, maintenance and consultation services.

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring services to a customer, which is when the customer obtains control of the services. The Group principally satisfies its performance obligations over time.

The right-to-invoice practical expedient can be applied to a performance obligation satisfied over time by recognising revenue in the amount that the Group has a right to invoice the customer, which corresponds directly with the value transferred to the customer for the performance completed to date.

The Group has elected to use the right-to-invoice practical expedient in certain service contracts where the Group invoices its customers on a per day basis that directly corresponds with the value received by the customer. As days are worked on the customer's contract, the Group satisfies its performance obligation to the customer and recognises revenue on a per day basis. When this practical expedient is used, the Group does not estimate variable consideration at the inception of the contract to determine the transaction price or for disclosure purposes.

(c) Revenue from sale of crude oil and gas and its related products

For sale of crude oil and gas and its related products, revenue is recognised at the point in time when control of the asset is transferred to the customer.

(d) Contract balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts (contract assets), and billings in excess of costs and estimated earnings on uncompleted contracts (contract liabilities) on the consolidated statements of financial position.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies on financial assets in Note 2.14.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs the obligation under the contract.

01
02
03
04
05
06
07
08

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

2.23 Revenue (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

Accounting policies applied until 31 January 2018

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

(a) 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.

(b) Offshore drilling services

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

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

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

(c) 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 profit or loss when the risks and rewards of ownership have been transferred to the buyer.

(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.

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

2.23 Revenue (cont'd.)

(ii) Other revenue

(a) Lease of rigs and related drilling services

For drilling services, the Group signs a contract drilling services agreement with its customers.

The Group satisfies its performance obligations related to its contracts as the Group provides its services on a per billable day basis.

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 cost are recognised as contract costs capitalised to fulfil a contract, and recognised on a straight-line basis over the period that the related drilling services are performed. Correspondingly, 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.

(b) Lease of other assets

The Group satisfies its performance obligations related to its contracts as the Group provides its services over the contract periods.

(c) Interest income

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

(d) Dividend income

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

(e) Intellectual property rights, trademarks and branding fees

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

2.24 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 profit or loss except to the extent that the tax relates to items recognised outside statement of profit or loss, either in other comprehensive income or directly in equity.

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

2.24 Income taxes (cont'd.)

(b) Deferred tax

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

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

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

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

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

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

When assessing whether taxable profits will be available against which it can utilise a deductible temporary differences, the Group and the Company have 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 and the Company assess 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 statement of profit or loss is recognised outside statement of profit or loss. 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.

2.25 Segment reporting

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

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

2.26 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.

2.27 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.

Shares transferred to the recipient under the LTIP scheme is measured at the weighted average cost of the shares on the date of transfer. The difference between the weighted average cost and the fair value of the shares transferred is recognised in equity.

2.28 Warrants

Warrants are classified as equity instrument and the value is allocated based on the closing price of the first trading day, if the warrant is listed, or estimated using option pricing models, if the warrant is not listed, and recognised in the warrant reserves.

The issuance of ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

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 Derivatives financial instruments and hedge accounting

Initial recognition and measurement

The Group uses derivative financial instruments, such as Islamic cross-currency swaps, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the 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; and
- 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 it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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

2.30 Derivatives financial instruments and hedge accounting (cont'd.)

Initial recognition and measurement (cont'd.)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flows hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses Islamic cross-currency swap contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to the derivative contracts is recognised in other operating income or expenses.

The Group designated all of the Islamic cross-currency swap contracts as hedging instrument. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

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

2.31 Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with MFRS 5: Non-current Assets Held for Sale and Discontinued Operations that is at the lower of carrying amount and fair value less costs of disposal. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary company acquired exclusively with a view to resale.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

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 17.

(b) 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 the statement of profit or loss 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 15.

(ii) Construction contracts

Where the performance obligations are satisfied over time, the Group recognises contract revenue in statement of profit or loss by using the input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

Significant judgement is required in determining the extent of the contract costs incurred, the estimated total contract revenue and costs, the recoverability of the contract costs as well as assessing potential deductions to revenue due to delays in delivery or other contractual penalties. In making these judgements, the Group evaluates based on past experience and historical information. Further details are disclosed in Note 26.

(iii) Provision for impairment of trade receivables and contract assets

For major oil and gas customers and national oil companies, the Group undergoes a specific review of the trade receivables and contract assets through an analysis of the customer's credit risk and the ageing of the receivable balances. Further details of how the credit risk is determined and managed is described in Note 42(d).

The information about the provision for impairment on the Group's trade receivables is disclosed in Note 25.

3. REVENUE

Disaggregation of revenue

The Group disaggregates revenue by type of goods or services, geographic location and timing of transfer of goods or services.

3.1 Type of goods or services

The following tables represent revenue by types of goods or services:

	Group 2019 RM'000	Group 2018 RM'000
(i) Revenue from contracts with customers:		
Engineering and Construction		
Construction contracts	**2,700,193**	2,832,697
Offshore support, geotechnical, maintenance and consultation services	**852,131**	978,082
Exploration and Production		
Oilfield development and production	**–**	6,052
	3,552,324	3,816,831
(ii) Other revenue:		
Engineering and Construction		
Lease of other assets	**82,659**	88,271
Drilling		
Lease of rigs and related drilling services	**933,456**	1,145,540
	4,568,439	5,050,642

	Company 2019 RM'000	Company 2018 RM'000
Other revenue		
Dividends income	**–**	423,695
Management fees from subsidiaries	**141,043**	185,056
Intellectual property rights, trademarks and branding fees from subsidiaries	**20,560**	57,613
	161,603	666,364

01
02
03
04
05
06
07
08

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

3. REVENUE (CONT'D.)

3.2 Geographic location

The following tables represent revenue by geographic location:

31 January 2019	Engineering and Construction RM'000	Drilling RM'000	Total RM'000
Group			
Malaysia	**1,833,882**	**310,878**	**2,144,760**
Asia	**669,905**	**600,596**	**1,270,501**
Americas	**608,205**	**–**	**608,205**
Africa	**153,111**	**21,982**	**175,093**
Middle East	**128,315**	**–**	**128,315**
Australia	**121,600**	**–**	**121,600**
Turkey	**90,024**	**–**	**90,024**
Others	**29,941**	**–**	**29,941**
Total revenue	**3,634,983**	**933,456**	**4,568,439**

Revenue for the Company is entirely from Malaysia.

3.3 Timing of transfer of goods or services

The Group recognised its revenue from contracts with customers predominantly over time.

3.4 Transaction price allocated to the remaining unsatisfied performance obligations

Remaining unsatisfied performance obligations ("RUPO") represent the transaction price for goods and services for which the Group has a material right but work has not been performed. Transaction price of the RUPO includes the base transaction price, variable consideration and changes in transaction price. As a practical expedient, the RUPO does not include contracts for which the Group has recognise revenue at the amount to which the Group has have the right to invoice for services performed or the performance obligation is part of a contract that has an original expected duration of one year or less.

As of 31 January 2019, the aggregate amounts of the transaction price allocated to the remaining unsatisfied performance obligations of the Group is RM6.37 billion. The Group is expecting to recognise the revenue over the next 36 months.

4. COST OF SALES

Cost of sales comprise of costs related to construction contracts, lease of rigs and related drilling services and other services recognised.

5. OTHER INCOME

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest income:				
– third parties	**22,604**	15,168	**–**	193
– joint ventures	**3,939**	4,121	**–**	–
– subsidiaries	**–**	–	**8,569**	11,025
Gain on disposal of property, plant and equipment	**909**	9,745	**–**	82
Foreign exchange differences:				
– net realised exchange gain	**–**	94,254	**11**	3,869
– net unrealised exchange gain	**16,527**	–	**24,443**	–
Contingent consideration received arising from previous business combination	**–**	9,403	**–**	9,403
Gain on disposal of 50% equity stake in a subsidiary	**–**	–	**1,747,915**	–
Miscellaneous income	**21,490**	36,574	**–**	–
	65,469	169,265	**1,780,938**	24,572

6. PROVISION FOR IMPAIRMENT

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Provision for impairment on:				
– property, plant and equipment (Note 15)	**1,411,890**	2,132,293	**–**	–
– goodwill (Note 17)	**108,374**	–	**–**	–
– investment in subsidiaries and amount due from subsidiaries (Note 18 and Note 24)	**–**	–	**1,143,416**	614,085
	1,520,264	2,132,293	**1,143,416**	614,085

7. FINANCE COSTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest expense on borrowings	**486,213**	377,943	**16**	32
Profit sharing on Islamic financings	**487,299**	428,469	**–**	–
Interest on deferred consideration	**5,869**	27,192	**–**	–
Interest expense on amount due to subsidiaries	**–**	–	**146,413**	119,091
Less: Interest expense capitalised in property, plant and equipment (Note 15(c))	**–**	(4,980)	**–**	–
	979,381	828,624	**146,429**	119,123

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

8. PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
This is arrived at after charging/(crediting):				
Employee benefits expense (Note 9)	**1,233,585**	1,040,797	**125,336**	79,003
Non-executive directors' remuneration (Note 10)	**4,249**	4,237	**4,188**	4,209
Auditors' remuneration:				
– Statutory audits:				
– Group auditors	**3,731**	3,553	**185**	166
– Other services:				
– Group auditors	**1,024**	2,033	**941**	1,596
– Corporate exercise:				
– Group auditors	**1,555**	–	**1,555**	–
Charter of vessels, barges and rigs and hire of equipment	**237,593**	360,922	**–**	–
Depreciation of property, plant and equipment	**674,733**	836,859	**12,588**	12,227
Amortisation of intangible assets (Note 17)	**7,797**	15,484	**–**	–
Inventories written off	**955**	544	**–**	–
Rental of premises	**41,593**	40,901	**4,246**	3,756
Foreign exchange differences:				
– net unrealised exchange (gain)/loss	**(16,527)**	103,432	**–**	52,969
– net realised exchange loss/(gain)	**67,602**	(94,254)	**–**	–
Intellectual property rights, trademarks and branding fees (Note 41(a))	**20,000**	55,920	**20,000**	55,920

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Wages and salaries	**1,023,771**	872,375	**69,032**	69,861
Social security contributions	**4,395**	1,861	**117**	115
Contributions to defined contribution plan	**62,448**	59,600	**7,746**	7,208
Fair value of share options granted under ESOS	**60,890**	–	**46,809**	–
Other benefits	**82,081**	106,961	**1,632**	1,819
Total employee benefits expense	**1,233,585**	1,040,797	**125,336**	79,003

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration as disclosed in Note 10, amounts relating to the LTIP charged out as disclosed in Note 30 and fair value of share options granted under the ESOS as disclosed in Note 38.

10. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors of the Company				
Executive:				
Salaries and other emoluments	**8,511**	10,607	**8,511**	10,607
Bonus	**4,161**	26,222	**4,161**	26,222
Benefits-in-kind	**356**	518	**356**	518
	13,028	37,347	**13,028**	37,347
Non-Executive:				
Fees ^	**4,209**	4,199	**4,148**	4,171
Other emoluments	**40**	38	**40**	38
Total remuneration (Note 8)	**4,249**	4,237	**4,188**	4,209
Benefits-in-kind	**14**	31	**14**	31
	4,263	4,268	**4,202**	4,240
	17,291	41,615	**17,230**	41,587
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration	**12,672**	36,829	**12,672**	36,829
Total non-executive directors' remuneration	**4,249**	4,237	**4,188**	4,209
Total directors' remuneration	**16,921**	41,066	**16,860**	41,038

^ *In the previous financial year, 50% of the fee for one of the directors was paid to the organisation that the director represents.*

No LTIP shares were granted for the financial year ended 2019 and 2018. The amount to be vested to a director for the current financial year is in relation to the LTIP shares granted in financial years ended 2016 and 2017 amounted to RM19.9 million (2018: RM38.3 million in relation to the LTIP shares granted to directors in financial years ended 2015, 2016 and 2017).

No ESOS has been exercised by the director in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

11. INCOME TAX EXPENSE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Income tax:				
Malaysian income tax	**53,602**	46,716	**–**	3,327
Foreign tax	**42,860**	99,790	**–**	–
	96,462	146,506	**–**	3,327
Under/(over) provision in prior years:				
Malaysian income tax	**24,278**	10,552	**(899)**	–
Effect of prior years' Group tax relief	**–**	(1,655)	**–**	–
Foreign tax	**18,766**	679	**–**	–
	43,044	9,576	**(899)**	–
	139,506	156,082	**(899)**	3,327
Deferred tax:				
Relating to origination of temporary differences	**22,517**	15,714	**15,638**	–
(Over)/under provision in prior years	**(19,275)**	3,699	**2,814**	–
	3,242	19,413	**18,452**	–
Total income tax expense	**142,748**	175,495	**17,553**	3,327

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

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

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Loss before taxation from continuing operations	**(2,574,900)**	(2,550,378)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**(617,976)**	(612,091)
Effect of different tax rates in other countries and jurisdictions	**406,319**	646,310
Effect of income not subject to tax	**(102,617)**	(82,831)
Effect of double deduction of expenses and tax incentive	**(792)**	(6,397)
Effect of expenses not deductible for tax purposes	**366,278**	207,154
Effect of share of results of associates and joint ventures	**(91,934)**	(47,974)
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(1,851)**	(4,867)
Deferred tax assets not recognised in respect of tax losses and unabsorbed capital allowances	**161,552**	62,916
Under provision of income tax in prior years	**43,044**	9,576
(Over)/under provision of deferred tax in prior years	**(19,275)**	3,699
Total income tax expense for the year	**142,748**	175,495

11. INCOME TAX EXPENSE (CONT'D.)

	Company	
	2019 **RM'000**	**2018** **RM'000**
Profit/(loss) before taxation	**342,001**	(306,463)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**82,080**	(73,551)
Effect of income not subject to tax	**(419,500)**	(101,687)
Effect of expenses not deductible for tax purposes	**353,058**	183,296
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**–**	(4,731)
Over provision of income tax in prior years	**(899)**	–
Under provision of deferred tax in prior years	**2,814**	–
Income tax expense for the year	**17,553**	3,327

12. DISCONTINUED OPERATIONS

On 9 November 2018, the Group entered into an agreement with Austria's OMV Aktiengesellschaft ("OMV AG") to form a strategic partnership through SapuraOMV Upstream Sdn. Bhd. ("SapuraOMV") (formerly known as SEB Upstream Sdn. Bhd.), a company owned by the Group and OMV AG incorporated to hold the entire equity interest of Sapura Upstream Sdn. Bhd. (formerly known as Sapura Exploration and Production Sdn. Bhd.) and its subsidiaries ("Sapura Upstream Group"), which was reported under the E&P segment.

As at 31 January 2019, the strategic partnership with OMV AG was completed following the fulfilment of all agreed conditions required for the closing of the transaction. Consequently, the Group recognised SapuraOMV as a 50% owned associate company by applying the equity accounting method.

The cash subscription price was USD540.0 million (RM2,208.1 million), subject to both parties' agreement on the adjustments based on the difference between the net debt and net working capital of Sapura Upstream Group as at 31 January 2019 compared to the amounts estimated in the closing preliminary statement prepared by the Group. As part of the transaction, SapuraOMV entered into a facility agreement with OMV Exploration & Production GmbH ("OMV E&P") to settle its debt with the Group of USD350.0 million (RM1,431.2 million). Additionally, upon achieving certain conditions in the future, OMV AG will pay an additional consideration of up to USD85.0 million (RM347.6 million). This is dependent on the oil prices in 2019 to 2022, and the final investment decision taken on Block 30 in Mexico.

Following the completion of the strategic partnership with OMV AG, the financial results of Sapura Upstream Group has been reclassified as discontinued operations.

The comparative condensed consolidated income statement has been re-presented to show the discontinued operations separately from the continuing operations, in accordance with the requirement of MFRS 5: Non-current assets held for sale and discontinued operations.

12. DISCONTINUED OPERATIONS (CONT'D.)

In presenting the discontinued operations, the Group continues to apply MFRS 10 which requires the elimination of the intra-group transactions.

(i) The results of Sapura Upstream Group, net of related eliminations are as follows:

	2019 RM'000	2018 RM'000
Statement of profit or loss disclosure:		
Revenue ^	**936,038**	844,356
Cost of sales	**(574,927)**	(478,337)
Gross profit	**361,111**	366,019
Other income	**71,720**	23,076
Other expenses	**(11,139)**	(68,398)
Administrative expenses	**(86,648)**	(63,866)
	335,044	256,831
Finance costs	**(22,482)**	(30,042)
Profit before taxation from discontinued operations	**312,562**	226,789
Income tax expense	**(56,349)**	(36,177)
Deferred tax credit	**1,103**	30,446
Profit after taxation from discontinued operations	**257,316**	221,058
Gain on disposal of 50% equity stake in a subsidiary	**2,663,699**	–
Profit after taxation from discontinued operations, including gain on disposal	**2,921,015**	221,058
Statement of cash flows disclosure:		
Net cash generated from operating activities	**394,672**	544,170
Net cash used in investing activities	**(197,179)**	(183,423)
Net cash generated from discontinued operations	**197,493**	360,747

^ *Revenue comprise of sale of crude oil and gas and its related products. The revenue is recognised at a point in time.*

12. DISCONTINUED OPERATIONS (CONT'D.)

(i) The results of Sapura Upstream Group, net of related eliminations are as follows (cont'd.):

	2019 RM'000	2018 RM'000
Profit before taxation from discontinued operations:		
This is arrived at after charging/(crediting):		
Employee benefits expense:		
– Wages and salaries	**106,347**	68,888
– Social security contributions	**231**	204
– Contributions to defined contribution plan	**10,125**	8,061
– Other benefits	**21,886**	20,592
Interest income – third parties	**(1,474)**	(2,109)
Accretion of decommissioning provision (Note 37)	**22,482**	30,042
Auditors' remuneration:		
– Statutory audits:		
– Group auditors	**133**	127
– Other services:		
– Group auditors	**462**	396
– Corporate exercise:		
– Group auditors	**380**	–
Depreciation of property, plant and equipment	**1,884**	5,941
Expenditure on oil and gas properties written off (Note 16)	**–**	2,195
Inventories written off	**4,402**	24,008
Rental of premises	**6,744**	4,994
Foreign exchange differences:		
– net unrealised exchange loss/(gain)	**5,182**	(20,965)
– net realised exchange (gain)/loss	**(70,246)**	46,823
Amortisation of expenditure on oil and gas properties (Note 16)	**240,273**	203,695

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

12. DISCONTINUED OPERATIONS (CONT'D.)

(ii) The disposal of 50% equity stake in Sapura Upstream Group had the following effects on the financial position and performance of the Group as at the end of the financial year:

	2019 RM'000
Net assets disposed	
Property, plant and equipment	2,382
Expenditure on oil and gas properties	4,267,355
Deferred tax assets	68,563
Inventories	74,006
Trade and other receivables	331,447
Cash and bank balances	56,615
Deferred tax liabilities	(999,485)
Provision for decommissioning	(347,073)
Trade and other payables	(292,463)
Provision for taxation	(18,667)
Amount due to the Group	(1,431,150)
Net assets disposed	1,711,530
Gain on disposal of Sapura Upstream Group	
OMV E&P cash subscription price	2,208,060
Add: Fair value of retained 50% equity stake in SapuraOMV	2,208,060
	4,416,120
Less: Sapura Upstream Group's total net assets as at 31 January 2019	(1,711,530)
Less: Transaction expenses	(40,891)
Net gain on disposal of Sapura Upstream Group	2,663,699
Cash inflow arising from the disposal:	
OMV E&P cash subscription price	2,208,060
Settlement of amount due to the Group	1,431,150
Total cash proceeds received	3,639,210
Cash and bank balances of Sapura Upstream Group disposed	(56,615)
Net cash inflow from disposal of 50% equity stake in Sapura Upstream Group	3,582,595

13. EARNINGS/(LOSS) PER SHARE

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

	Group	
	2019	**2018**
In respect of financial year:		
Profit/(loss) for the year attributable to owners of the Parent (RM'000)		
– Continuing operations	**(2,713,466)**	(2,724,531)
– Discontinued operations	**2,921,015**	221,058
	207,549	(2,503,473)
Weighted average number of ordinary shares in issue ('000) *		
– Basic	**6,042,519**	5,946,662
Effects of dilution:		
ESOS	**13,728**	–
– Diluted	**6,056,247**	5,946,662
Loss per share from continuing operations (sen)		
– Basic	**(44.91)**	(45.82)
– Diluted	**(44.80)**	(45.82)
Earnings per share from discontinued operations (sen)		
– Basic	**48.34**	3.72
– Diluted	**48.23**	3.72

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

14. DIVIDENDS

	Group and Company	
	2019 RM'000	**2018 RM'000**
Proposed but not recognised as a liability as at 31 January		
Special dividends on ordinary shares:		
In respect of the financial year ended 31 January 2019		
Tax exempt (single-tier) special dividend of 0.5 sen per ordinary share, on 15,979,080,232 ordinary shares, declared on 25 March 2019 and will be paid on 24 June 2019	**79,895**	–
Recognised during the financial year		
In respect of the financial year ended 31 January 2017		
Tax exempt (single-tier) special dividend of 1.0 sen per ordinary share, on 5,962,751,337 ordinary shares, declared on 31 March 2017 and paid on 28 April 2017	**–**	59,628

The financial statements for the current financial year do not reflect the special dividends in respect of the financial year ended 31 January 2019 which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 January 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

15. 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 RM'000	Plant and machinery, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs under construction RM'000	Total RM'000
At 31 January 2019								
Cost								
At 1 February 2018	4,568	515,345	5,418,161	10,833,478	741,914	334,568	1,246,717	19,094,751
Additions	–	37,025	29,204	30,578	14,405	24,264	12,145	147,621
Disposals	–	–	(21,984)	–	(230)	(4,312)	–	(26,526)
Write-off	–	–	–	–	(474)	(637)	–	(1,111)
Disposal of a subsidiary	–	–	–	–	–	(47,819)	–	(47,819)
Exchange differences	–	–	238,309	397,329	47,829	18,284	63,447	765,198
At 31 January 2019	4,568	552,370	5,663,690	11,261,385	803,444	324,348	1,332,309	19,932,114
Accumulated depreciation and impairment								
At 1 February 2018	–	91,320	1,453,932	4,782,118	529,922	268,967	513,759	7,640,018
Depreciation charge for the year	–	8,763	225,012	367,960	44,130	30,752	–	676,617
Impairment (Note 6)	–	–	394,085	924,175	–	–	93,630	1,411,890
Disposals	–	–	(21,984)	–	(230)	(4,312)	–	(26,526)
Write-off	–	–	–	–	(474)	(637)	–	(1,111)
Disposal of a subsidiary	–	–	–	–	–	(45,437)	–	(45,437)
Exchange differences	–	–	25,274	137,687	44,907	16,417	27,569	251,854
At 31 January 2019	–	100,083	2,076,319	6,211,940	618,255	265,750	634,958	9,907,305
Net carrying amount								
At 31 January 2019	4,568	452,287	3,587,371	5,049,445	185,189	58,598	687,351	10,024,809

15. 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 RM'000	Plant and machinery, 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	12,493,987	767,070	352,361	1,475,005	20,987,659
Additions	–	1,343	552,993	190,386	14,176	27,923	45,784	832,605
Disposals	–	–	–	(248,320)	(189)	(3,889)	–	(252,398)
Write-off	–	–	(15,385)	(48,537)	–	(1,406)	–	(65,328)
Transfer	–	–	102,960	–	–	–	(102,960)	–
Exchange differences	–	–	(603,073)	(1,554,038)	(39,143)	(40,421)	(171,112)	(2,407,787)
At 31 January 2018	4,568	515,345	5,418,161	10,833,478	741,914	334,568	1,246,717	19,094,751
Accumulated depreciation and impairment								
At 1 February 2017*	–	82,601	1,394,194	3,439,710	511,169	259,055	160,898	5,847,627
Depreciation charge for the year	–	8,719	203,864	538,886	49,087	42,244	–	842,800
Impairment (Note 6)	–	–	70,121	1,672,595	–	–	389,577	2,132,293
Disposals	–	–	–	(248,320)	(189)	(3,889)	–	(252,398)
Write-off	–	–	(15,276)	(48,537)	–	(1,404)	–	(65,217)
Exchange differences	–	–	(198,971)	(572,216)	(30,145)	(27,039)	(36,716)	(865,087)
At 31 January 2018	–	91,320	1,453,932	4,782,118	529,922	268,967	513,759	7,640,018
Net carrying amount								
At 31 January 2018	4,568	424,025	3,964,229	6,051,360	211,992	65,601	732,958	11,454,733

* *Certain balances have been reclassified to conform with current year's presentation.*

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

Company	Equipment, furniture and motor vehicles RM'000
At 31 January 2019	
Cost	
At 1 February 2018	**86,647**
Additions	**10,269**
At 31 January 2019	**96,916**
Accumulated depreciation	
At 1 February 2018	**64,949**
Depreciation charge for the year (Note 8)	**12,588**
At 31 January 2019	**77,537**
Net carrying amount	
At 31 January 2019	**19,379**
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

(a) The Group has estimated the recoverable amount of its property, plant and equipment that are subject to impairment losses during the financial year. The assessment has led to the recognition of impairment of RM1,411.9 million (2018: RM2,132.3 million) as disclosed in Note 6.

Included in the total impairment is an impairment loss of RM1,017.8 million on 10 tender assisted drilling rigs (including a rig under construction) with a recoverable amount of RM1,867.9 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% (2018: 9.0%).

Included in the total impairment is an impairment loss of RM296.6 million on 9 vessels and related dry docking with recoverable amounts of RM341.6 million. The recoverable amounts are determined based on fair value less cost of disposal. The valuation was performed by independent valuers 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 43(c).

In addition, there is also an impairment loss of RM97.5 million for other assets based on value-in-use.

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Motor vehicles	**200**	356	**200**	356
Plant and machinery	**15,307**	17,024	**–**	–
	15,507	17,380	**200**	356

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 hire purchase and finance lease liabilities are disclosed in Note 34.

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

	Group	
	2019 RM'000	2018 RM'000
Borrowing costs capitalised (Note 7)	**–**	4,980

(d) Included in the Group's accumulated depreciation and impairment of property, plant and equipment are impairment losses carried forward of RM4,431.8 million (2018: RM3,019.9 million).

16. 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 2019			
Cost			
At 1 February 2018	**4,351,668**	**2,103,465**	**6,455,133**
Additions	**139,304**	**128,023**	**267,327**
Change in decommissioning liabilities (Note 37)	**117,000**	**–**	**117,000**
Exchange differences	**221,301**	**104,790**	**326,091**
Disposal of a subsidiary	**(4,829,273)**	**(2,336,278)**	**(7,165,551)**
At 31 January 2019	**–**	**–**	**–**

01
02
03
04
05
06
07
08

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

16. 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 2019			
Accumulated depletion, depreciation and amortisation/impairment			
At 1 February 2018	**2,204,795**	**312,292**	**2,517,087**
Charge for the year (Note 12)	**240,273**	**–**	**240,273**
Exchange differences	**125,239**	**15,597**	**140,836**
Disposal of a subsidiary	**(2,570,307)**	**(327,889)**	**(2,898,196)**
At 31 January 2019	**–**	**–**	**–**
Net carrying amount			
At 31 January 2019	**–**	**–**	**–**

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	(67,035)	–	(67,035)
Cessation of Berantai RSC *	(1,291,734)	–	(1,291,734)
Write-off (Note 12)	–	(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 12)	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

* *Relates to the disposal of expenditure on oil and gas properties upon cessation of the Berantai Risk Service Contract ("RSC"). In financial year ended 31 January 2017, 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 financial year ended 31 January 2018, the Group completed its first gas development project for SK310 B15 field.*

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

Included in the accumulated depletion, depreciation and amortisation/impairment of expenditure on oil and gas properties are impairment losses carried forward of RM nil (2018: RM1,451.0 million).

Included in oil and gas properties is cost related to development in progress.

(a) Production Sharing Contracts ("PSC")

The Group secures the rights to carry out exploitation of petroleum resource activities via various joint operation arrangements with Petroliam Nasional Berhad ("PETRONAS").

Under the terms of the various PSC that the Group as PSC contractor has entered into, the PSC contractors bear all costs. The PSC contractors fund the work outlined in the approved work programme and budget and may recover their costs in barrels of crude oil or gas equivalent, in accordance with the terms of the respective PSCs. Remaining unrecovered costs in any quarter can be carried forward for recovery against production of crude oil or gas equivalent in subsequent quarter(s). The contractors' share of production also includes an element of profit.

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.

01
02
03
04
05
06
07
08

17. 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 2019						
Cost						
At 1 February 2018	**34,788**	**2,053**	**21,121**	**105,432**	**7,899,114**	**8,062,508**
Exchange differences	**1,158**	**77**	**3,160**	**4,021**	**192,309**	**200,725**
At 31 January 2019	**35,946**	**2,130**	**24,281**	**109,453**	**8,091,423**	**8,263,233**
Accumulated amortisation and impairment						
At 1 February 2018	**34,788**	**2,053**	**8,454**	**98,333**	**–**	**143,628**
Charge for the year (Note 8)	**–**	**53**	**2,218**	**5,526**	**–**	**7,797**
Impairment (Note 6)	**–**	**–**	**–**	**–**	**108,374**	**108,374**
Exchange differences	**1,158**	**24**	**428**	**4,694**	**–**	**6,304**
At 31 January 2019	**35,946**	**2,130**	**11,100**	**108,553**	**108,374**	**266,103**
Net carrying amount						
At 31 January 2019	**–**	**–**	**13,181**	**900**	**7,983,049**	**7,997,130**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

17. INTANGIBLE ASSETS (CONT'D.)

Group	Software Development Costs RM'000	Intellectual Property Right and Patent RM'000	Other Development Costs RM'000	Customer Contracts RM'000	Goodwill RM'000	Total RM'000
At 31 January 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

Included in the Group's accumulated amortisation and impairment of intangible assets are impairment carried forward of RM108.4 million (2018: RM nil).

Impairment tests for goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segments as follows:

	Group 2019 RM'000	Group 2018 RM'000
Engineering and Construction ("E&C")	**3,969,021**	4,077,395
Drilling	**4,014,028**	3,821,719
	7,983,049	7,899,114

Within the E&C business segment, there are three CGUs of which two of them are not significant in relation to the total carrying amount of goodwill. In light of the continued uncertainties in the oil and gas industry, the Group recognised an impairment loss on goodwill for the two CGUs of RM108.4 million (2018: RM nil) in the current financial year.

17. INTANGIBLE ASSETS (CONT'D.)

Key assumptions used in value-in-use calculations

The recoverable amounts of the CGUs have been determined based on value-in-use calculations using cash flow projections covering a 10-year period for the Drilling CGU and a 5-year period for the E&C CGUs.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Revenue growth

Management has taken into consideration the order book, the likelihood of securing work within the bid book and expectations of the day rates and utilisation rates in determining the revenue growth for the respective CGUs.

(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% (2018: 9.0%).

(iv) Terminal growth rate

Cash flow beyond the terminal period is extrapolated using the growth rate of 3.0%. (2018: 3.0%).

Sensitivity to changes in assumptions

The only CGU where a reasonably possible change to certain key assumptions would cause the recoverable amount to be equal to its carrying amount is the Drilling CGU. At 31 January 2019, the recoverable amount of the Drilling CGU exceeded the carrying amount by USD205.3 million (RM839.5 million).

The following changes in the key assumptions, in isolation, would lead to the recoverable amount of the Drilling CGU to be equal to its carrying amount.

Forecasted revenue	A decrease by 6%
Discount rate	An increase by 0.5%
Terminal growth rate	A decrease by 0.8%

18. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
Cost of investment	**13,036,727**	10,309,415
Less: Accumulated impairment losses	**(486,059)**	(343,353)
	12,550,668	9,966,062

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

18. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The details of the subsidiaries are set out in Note 46.

(a) The Company increased its investment in certain subsidiaries amounting to RM3,198.7 million by way of capitalisation of certain amounts due from subsidiaries and subscription of share capital in a newly incorporated subsidiary.

(b) Included in the cost of investment is ESOS granted to eligible senior management of subsidiaries of RM14.1 million.

(c) As described in Note 12, the investment in relation to Sapura Upstream Sdn. Bhd. with carrying amount of RM485.5 million has been disposed in the current financial year.

(d) As at 31 January 2019, certain subsidiaries have reported continuing operating losses and/or depleting shareholder funds. These are indicators that the investment in these subsidiaries may be impaired. This resulted in impairment losses on its investment in subsidiaries of RM142.7 million (2018: RM336.5 million).

19. INVESTMENT IN ASSOCIATES

	Group	
	2019 RM'000	**2018 RM'000**
Unquoted shares, at cost	**2,265,681**	27,765
Share of post-acquisition reserves	**(42,727)**	(5,930)
	2,222,954	21,835

Information relating to investment in associates:

(i) An investment in associate of RM2,208.1 million relates to the retained interest of 50% in SapuraOMV as described in Note 12.

(ii) Details of the associates are as follows:

	Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2019 %	Proportion of Ownership Interest 2018 %
(a)	**Held through Sapura Technology Solutions 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.**				
	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

19. INVESTMENT IN ASSOCIATES (CONT'D.)

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

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2019 %	2018 %
(d) Held through Sapura Upstream Assets Sdn. Bhd.				
^*SapuraOMV Upstream Sdn. Bhd. (formerly known as SEB Upstream Sdn. Bhd.)	Malaysia	Investment holding	**50**	–
(e) Held through SapuraOMV Upstream Sdn. Bhd. (formerly known as SEB Upstream Sdn. Bhd.)				
^Sapura Upstream Sdn. Bhd. (formerly known as Sapura Exploration and Production Sdn. Bhd.)	Malaysia	Investment holding	**50**	100
(f) Held through Sapura Upstream Sdn. Bhd. (formerly known as Sapura Exploration and Production Sdn. Bhd.)				
^›SapuraOMV Upstream (Southeast Asia) Inc. (formerly known as Sapura Exploration and Production (Southeast Asia) Inc.)	Bahamas	Investment holding	**50**	100
#SapuraKencana Energy Resources Ltd.	Bermuda	Manpower supply	**–**	100
^Sapura Exploration and Production (Oceania) Sdn. Bhd.	Malaysia	Investment holding	**50**	100
^Sapura Exploration and Production (Americas) Sdn. Bhd.	Malaysia	Investment holding	**50**	100
(g) Held through Sapura Exploration and Production (Oceania) Sdn. Bhd.				
^Sapura Exploration and Production (NZ) Sdn. Bhd.	Malaysia/ New Zealand	Production of crude gaseous hydrocarbon (natural gas), draining and separation of liquid hydrocarbon fractions and mining of hydrocarbon liquids, obtain through liquefaction or pyrolysis	**50**	100
^‡Sapura Exploration and Production (Australia) Sdn. Bhd.	Malaysia	Investment holding	**50**	–

* *Incorporated on 2 November 2018*

› *Sapura Exploration and Production Inc. changed its name to Sapura Exploration and Production (Southeast Asia) Inc. on 30 April 2018 and thereafter to SapuraOMV Upstream (Southeast Asia) Inc. on 25 March 2019*

Dissolved on 9 July 2018

^ *Disposal of 50% equity stake in a former subsidiary and now treated as an associated company*

‡ *Incorporated on 18 September 2018*

01
02
03
04
05
06
07
08

19. INVESTMENT IN ASSOCIATES (CONT'D.)

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

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2019 %	2018 %
(h) Held through SapuraOMV Upstream (Southeast Asia) Inc. (formerly known as Sapura Exploration and Production (Southeast Asia) Inc.)				
^SapuraOMV Upstream (Malaysia) Inc. (formerly known as Sapura Exploration and Production (Malaysia) Inc.)	Bahamas	Investment holding	**50**	100
›Sapura Exploration and Production (Vietnam) Inc.	Bahamas	Investment holding	**–**	100
(i) Held through SapuraOMV Upstream (Malaysia) Inc. (formerly known as Sapura Exploration and Production (Malaysia) Inc.)				
^SapuraOMV Upstream (PM) Inc. (formerly known as Sapura Exploration and Production (PM) Inc.)	Bahamas/Malaysia	Exploration, development and production of crude oil and natural gas	**50**	100
^SapuraOMV Upstream (Sarawak) Inc. (formerly known as Sapura Exploration and Production (Sarawak) Inc.)	Bahamas/Malaysia	Exploration, development and production of crude oil and natural gas	**50**	100
(j) Held through Sapura Exploration and Production (Americas) Sdn. Bhd.				
^Sapura Exploration and Production (Mexico) Sdn. Bhd.	Malaysia	Investment holding	**50**	100
(k) Held through Sapura Exploration and Production (NZ) 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	**50**	100
(l) Held through Sapura Exploration and Production (Australia) Sdn. Bhd.				
^*Sapura Exploration and Production (Western Australia) Pty Ltd	Australia	Exploration, development and production of crude oil and natural gas	**50**	–
(m) Held through Sapura Upstream Sdn. Bhd. and Sapura Exploration and Production (Mexico) Sdn. Bhd.				
^#SEP Block 30 S. de R.L. de C.V.	Mexico	Exploration, development and production of crude oil and natural gas	**50**	–

^ *Disposal of 50% equity stake in a former subsidiary and now treated as an associated company*
› *Dissolved on 18 July 2018*
* *Incorporated on 26 September 2018*
\# *Incorporated on 11 May 2018*

19. INVESTMENT IN ASSOCIATES (CONT'D.)

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

The financial statements of the above associates that are not coterminous with those of the Company are as follows:

	Financial year end
(i) Geowell Sdn. Bhd. ("Geowell")	31 December
(ii) Labuan Shipyard & Engineering Sdn. Bhd. ("LSE")	31 December
(iii) Matrix Maintenance Sdn. Bhd. ("Matrix")	31 December
(iv) Best Wide Engineering (M) Sdn. Bhd. ("BWE")	30 November

For the purpose of applying the equity method of accounting, the financial statements of Geowell, LSE, Matrix and BWE have been used and appropriate adjustments have been made for the effects of significant transactions between the associates' respective financial year end and 31 January 2019.

(iii) Information relating to the associates:

Summarised financial information of the Group's material associates comprising of SapuraOMV Upstream Sdn. Bhd. and its subsidiaries ("SapuraOMV Group") is set out below.

(i) Summarised statement of financial position and reconciliation to the carrying amount of the Group's interest in associates:

	2019 RM'000
Non-current assets	7,682,004
Current assets	396,572
Total assets	8,078,576
Non-current liabilities	3,349,864
Current liabilities	312,592
Total liabilities	3,662,456
Net assets	4,416,120
Interest in associates	50%
Carrying value of interest in the associates	2,208,060

(ii) Summarised statement of comprehensive income:

There is no statement of comprehensive income as the investment in SapuraOMV Group was established on 31 January 2019.

(iii) Aggregate information of other associates that are not individually material:

	2019 RM'000	**2018 RM'000**
Carrying value of interest in associates	**14,894**	21,835
Share of loss before tax	**(36,797)**	(1,207)
Share of total comprehensive loss	**(36,797)**	(1,207)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

20. INVESTMENT IN JOINT VENTURES

	Group 2019 RM'000	Group 2018 RM'000
Unquoted shares, at cost	**196,211**	196,211
Share of post-acquisition reserves	**1,171,862**	801,083
	1,368,073	997,294
Shareholders' advances to joint ventures	**432,767**	538,377
	1,800,840	1,535,671

The shareholders' advances are unsecured, non-interest bearing and treated as deemed investment.

Details of the joint ventures are as follows:

	Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2019 %	Proportion of Ownership Interest 2018 %
(a)	**Held through Sapura Drilling Probadi Sdn. Bhd. (formerly known as Sapura Probadi Sdn. Bhd.)**				
	Uzmal Oil Inc.	Uzbekistan	Oilfield production	**50**	50
(b)	**Held through Sapura Nautical Essence Sdn. Bhd.**				
	SapuraAcergy Sdn. Bhd.	Malaysia	Dormant	**50**	50
	SapuraAcergy Assets Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**49**	49
(c)	**Held through SapuraAcergy Sdn. Bhd.**				
	SapuraAcergy (Australia) Pty. Ltd.	Australia	Dormant	**50**	50
(d)	**Held through Sapura 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 Offshore Sdn. Bhd.**				
	Seabras Sapura Participações S.A.	Brazil	Investment holding	**50**	50
	Seabras Sapura Holding, GmbH	Austria	Investment holding	**50**	50
(f)	**Held through Seabras Sapura Participações S.A.**				
	Sapura Navegação Maritima S.A.	Brazil	Vessel owner and chartering	**50**	50
(g)	**Held through Seabras Sapura Holding, GmbH**				
	Seabras Sapura PLSV Holding GmbH	Austria	Investment holding	**50**	50

20. 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 2019 %	2018 %
(h)	**Held through Seabras Sapura PLSV Holding GmbH**				
	Seabras Sapura Holdco Ltd.	Bermuda	Investment holding	**50**	50
	Sapura Diamante GmbH	Austria	Vessel owner and chartering	**50**	50
	Sapura Topazio GmbH	Austria	Vessel owner and chartering	**50**	50
	Sapura Onix GmbH	Austria	Vessel owner and chartering	**50**	50
	Sapura Jade GmbH	Austria	Vessel owner and chartering	**50**	50
	Sapura Rubi GmbH	Austria	Vessel owner and chartering	**50**	50
(i)	**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
(j)	**Held through Sapura Navegação Maritima S.A.**				
	Let's Log Serviços Intergrados de Logística Ltda.	Brazil	Management of general warehouses and deposits	**50**	50
(k)	**Held through Sapura Services Sdn. Bhd.**				
	Sapura GE Oil & Gas Services Sdn. Bhd.	Malaysia	Provision of repair and maintenance services and sales of parts to the energy sector	**51**	51

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)	Seabras Sapura Holding, GmbH	31 December
(iv)	Seabras Sapura Participações S.A.	31 December
(v)	Seabras Sapura Talent Ltd.	31 December
(vi)	Sapura Navegação Maritima S.A.	31 December
(vii)	Seabras Sapura PLSV Holding GmbH	31 December

20. 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 (cont'd.):

	Financial year end
(viii) Sapura Diamante GmbH	31 December
(ix) Sapura Topazio GmbH	31 December
(x) Seabras Sapura Holdco Ltd.	31 December
(xi) Sapura Onix GmbH	31 December
(xii) Sapura Jade GmbH	31 December
(xiii) Sapura Rubi GmbH	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 2019.

Information relating to the joint ventures:

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

In the previous financial year, 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 profit or loss.

(b) In the previous financial year, 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.. Sapura 3000 (which was previously owned by SapuraAcergy Assets Pte. Ltd.) was disposed to a wholly-owned subsidiary of the Company, Sapura 3000 Pte. Ltd. for RM592.2 million (USD140.0 million).

In addition, 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 was recognised in the profit and loss.

(c) Summarised financial information of the Group's material joint ventures is set out below. Material joint ventures in the E&C segment comprise of Seabras Sapura Holding, GmbH and its subsidiary and Seabras Sapura Participações S.A. and its subsidiaries. In the current financial year, SapuraAcergy Group has been excluded as it is no longer a material joint venture.

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

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

(c) (cont'd.)

(i) Summarised statements of financial position and reconciliation to the carrying amount of the Group's interest in material joint ventures:

	2019 E&C RM'000	2018 E&C RM'000
Current assets		
Cash and cash equivalents ^	**867,390**	1,181,873
Other current assets	**295,109**	512,656
Total current assets	**1,162,499**	1,694,529
Non-current assets		
Cash and cash equivalents ^	**447**	432,547
Other non-current assets	**6,381,053**	6,423,227
Total non-current assets	**6,381,500**	6,855,774
Total assets	**7,543,999**	8,550,303
Current liabilities		
Borrowings #	**541,565**	534,156
Other current liabilities	**1,959,140**	2,343,481
Total current liabilities	**2,500,705**	2,877,637
Non-current liabilities		
Borrowings #	**2,605,444**	3,911,225
Other non-current liabilities	**–**	27,889
Total non-current liabilities	**2,605,444**	3,939,114
Total liabilities	**5,106,149**	6,816,751
Net assets	**2,437,850**	1,733,552
Interest in joint ventures	**50%**	50%
Carrying value of interest in joint ventures	**1,218,925**	866,776
Shareholders' advances	**432,767**	538,377
Net carrying value of interest in joint ventures	**1,651,692**	1,405,153
Dividends paid during the year to the Group	**–**	(423,695)

^ *Included in the cash and cash equivalent of E&C are RM427.4 million (2018: RM1,287.0 million), pledged as security over the borrowings as at 31 January 2019.*

The borrowings are secured by the joint ventures' vessels.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

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

(c) (cont'd.)

(ii) Summarised statements of comprehensive income:

	2019 E&C RM'000	2018 E&C RM'000
Revenue	**1,907,359**	2,265,469
Depreciation and amortisation	**(293,754)**	(360,180)
Interest income	**104,138**	42,777
Interest expense	**(321,418)**	(312,867)
Other expenses	**(606,036)**	(1,056,471)
Profit before tax	**790,289**	578,728
Income tax expense	**(42,533)**	(85,245)
Profit after tax	**747,756**	493,483
Other comprehensive loss	**(10,270)**	(231,005)
Total comprehensive income	**737,486**	262,478

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

	2019 RM'000	2018 RM'000
Carrying value of interest in joint ventures	**149,148**	130,518
Share of profit after tax	**3,856**	7,535
Share of total comprehensive income/(loss)	**10,431**	(15,823)
Dividends paid during the year to the Group	**8,396**	–

21. DEFERRED TAX

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 February 2018/2017	**920,036**	1,061,113	**(37,597)**	(37,597)
Recognised in the profit or loss	**2,139**	(11,033)	**18,452**	–
Disposal of a subsidiary	**(930,922)**	–	**–**	–
Exchange differences	**43,246**	(130,044)	**–**	–
At 31 January	**34,499**	920,036	**(19,145)**	(37,597)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(37,311)**	(103,690)	**(19,145)**	(37,597)
Deferred tax liabilities	**71,810**	1,023,726	**–**	–
	34,499	920,036	**(19,145)**	(37,597)

21. DEFERRED TAX (CONT'D.)

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 2018	**1,090,743**	**5,195**	**1,095,938**
Recognised in the profit or loss	**(604)**	**(1,892)**	**(2,496)**
Disposal of a subsidiary (Note 12)	**(999,485)**	**–**	**(999,485)**
Exchange differences	**43,755**	**958**	**44,713**
At 31 January 2019	**134,409**	**4,261**	**138,670**
At 1 February 2017	1,281,595	20,348	1,301,943
Recognised in the profit or loss	(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

Deferred tax assets of the Group:

	Unutilised tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Others RM'000	Total RM'000
At 1 February 2018	**(143,832)**	**(24,886)**	**(7,184)**	**(175,902)**
Recognised in the profit or loss	**(21,007)**	**30,519**	**(4,877)**	**4,635**
Disposal of a subsidiary (Note 12)	**68,563**	**–**	**–**	**68,563**
Exchange differences	**3,399**	**(4,829)**	**(37)**	**(1,467)**
At 31 January 2019	**(92,877)**	**804**	**(12,098)**	**(104,171)**
At 1 February 2017	(209,497)	(25,697)	(5,636)	(240,830)
Recognised in the profit or loss	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)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

21. DEFERRED TAX (CONT'D.)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000
At 1 February 2018	**1,604**
Recognised in the profit or loss	**(1,604)**
At 31 January 2019	**–**
At 1 February 2017/31 January 2018	1,604

Deferred tax assets of the Company:

	Unutilised tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Total RM'000
At 1 February 2018	**(410)**	**(38,791)**	**(39,201)**
Recognised in the profit or loss	**(9,462)**	**29,518**	**20,056**
At 31 January 2019	**(9,872)**	**(9,273)**	**(19,145)**
At 1 February 2017/31 January 2018	(410)	(38,791)	(39,201)

During the financial year, the unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences of the Group that have not been recognised as deferred tax assets amounted to RM1,952.7 million (2018: RM1,287.3 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.

22. 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			
	2019		2018	
	Notional Value RM'000	Assets Fair Value RM'000	Notional Value RM'000	Assets Fair Value RM'000
Islamic Cross-Currency Swap				
5 years	**2,704,606**	**174,507**	2,704,606	262,563

22. DERIVATIVES (CONT'D.)

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 changes on fair value of derivatives.

23. INVENTORIES

	Group	
	2019 **RM'000**	**2018** **RM'000**
At cost		
Consumables, materials and spares	**354,059**	361,164
Work-in-progress	**388**	1,764
Crude oil	**–**	13,627
	354,447	376,555

The cost of inventories recognised as an expense during the financial year amounted to RM688.5 million (2018: RM490.0 million).

During the year, the Group has written off inventories totalling RM5.4 million (2018: RM24.6 million).

24. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2019 **RM'000**	**2018** **RM'000**
Non-current assets		
Amount due from subsidiaries	**293,104**	302,347
Less: Provision for impairment	**(93,202)**	–
	199,902	302,347
Current assets		
Amount due from subsidiaries	**4,389,430**	1,063,383
Less: Provision for impairment	**(1,356,413)**	(448,905)
	3,033,017	614,478

Amount due from subsidiaries are unsecured, interest free and repayable on demand except for RM124.2 million (2018: RM121.0 million) which is subject to interest rates ranging from 6.09% to 8.00% (2018: 5.12% to 8.00%) per annum.

The Company recognised an impairment loss on amount due from its subsidiaries of RM1,000.7 million (2018: RM277.6 million) in the current financial year.

Further details on related party transactions are disclosed in Note 41.

Other information on financial risks are disclosed in Note 42.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current assets				
Trade receivables				
Retention sums	**5,411**	28,407	**–**	–
Deferred mobilisation cost	**5,963**	2,130	**–**	–
	11,374	30,537	**–**	–
Current assets				
Trade receivables				
Third parties	**950,367**	926,700	**–**	–
Deferred mobilisation cost	**1,815**	4,958	**–**	–
Retention sums	**13,758**	5,317	**–**	–
	965,940	936,975	**–**	–
Less: Provision for impairment third parties	**(38,172)**	(34,446)	**–**	–
	927,768	902,529	**–**	–
Other receivables				
Amount due from:				
Related parties	**316**	542	**316**	316
Joint ventures and associates	**422,992**	433,430	**17,827**	3,836
Joint operation partners	**–**	167,568	**–**	–
	423,308	601,540	**18,143**	4,152
Deposits and prepayments	**75,676**	91,585	**8,533**	4,722
Sundry receivables	**277,597**	294,906	**18,707**	9,011
Other receivables	**353,273**	386,491	**27,240**	13,733
Total current trade and other receivables	**1,704,349**	1,890,560	**45,383**	17,885

(a) Trade receivables

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (2018: 30 to 90 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.

Included in trade receivables of the Group are retention sums from contract customers of RM19.2 million (2018: RM33.7 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.

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

(a) Trade receivables (cont'd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables (excluding deferred mobilisation cost and retention sums) is as follows:

	2019 RM'000	2018 RM'000
Neither past due nor impaired	**544,761**	547,778
1 to 30 days past due not impaired	**169,067**	172,733
31 to 60 days past due not impaired	**57,381**	47,288
61 to 90 days past due not impaired	**60,148**	31,055
91 to 120 days past due not impaired	**16,815**	13,884
More than 121 days past due not impaired	**64,023**	79,516
	367,434	344,476
Impaired	**38,172**	34,446
	950,367	926,700

Movement in provision for impairment of trade receivables based on lifetime ECL are as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 February 2018/2017	**34,446**	30,328
Exchange differences	**3,726**	4,118
At 31 January	**38,172**	34,446

(b) Sundry receivables

Sundry receivables, which include GST and VAT receivables, are unsecured, interest free and repayable on demand.

(c) Amount due from joint ventures

Amount due from joint ventures are unsecured, interest free and repayable on demand, except for RM165.2 million (2018: RM196.5 million) provided to certain joint ventures which is subject to interest rates ranging from 3.0% to 3.4% (2018: 3.4%) per annum.

(d) Amount due from joint operation partners

In the previous financial year, the amount due from joint operation partners is in relation to joint operation in the upstream oil and gas business and construction activities, which are unsecured, repayable on demand and interest free.

01
02
03
04
05
06
07
08

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

26. CONTRACT ASSETS/(LIABILITIES)/AMOUNT DUE FROM/(TO) CUSTOMER ON CONTRACTS

(a) Contract assets/(liabilities)

Group	Contract assets RM'000	Contract liabilities RM'000
At 31 January 2019		
Current	**1,065,377**	**(92,811)**

	Group 2019 RM'000
Revenue recognised which was included in construction contract liabilities at the beginning of the financial year	**72,303**
Revenue recognised from performance obligations satisfied in the previous periods	**51,426**

The Group receives payments from customers based on a billing schedule, as established in the contracts. The contract asset relates to costs incurred to perform in advance of scheduled billing. The contract liability relates to payments received in advance of performance under the contract. Changes in the contract asset and liabilities are due to the Group's performance under the contract.

(b) Amount due from/(to) customers on contracts

In the previous year under MFRS 111, the following was disclosed for the amount due from/(to) customer on contracts.

	Group 2018 RM'000
Construction contract costs incurred and recognised profit to date *	6,214,922
Less: Progress billings	(5,683,062)
	531,860
Presented as:	
Due from customers on contracts	639,551
Due to customers on contracts	(107,691)
	531,860

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

Correspondingly, the progress billings related to these projects amounted to RM3,325.0 million.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash on hand and at banks	**5,805,210**	1,405,696	**6,459**	31,626
Deposits with licensed banks	**2,293,187**	310,539	**20,000**	–
Cash and cash equivalents	**8,098,397**	1,716,235	**26,459**	31,626

Other information on financial risks of cash and cash equivalents are disclosed in Note 42.

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

	Group		Company	
	2019	2018	2019	2018
Interest rate (%)	**0.40 – 5.53**	0.40 – 5.32	**3.20**	–
Maturities (days)	**1 – 90**	1 – 90	**4**	–

28. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
Ordinary shares				
At 1 February 2018/2017	**5,992,155**	5,992,155	**8,066,410**	8,066,410
Rights issue of shares with warrants	**9,986,925**	–	**2,883,753**	–
Share issuance expenses	**–**	–	**(78,085)**	–
At 31 January	**15,979,080**	5,992,155	**10,872,078**	8,066,410

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Group's and the Company's assets.

During the financial year, the Company issued new ordinary share of 9,986,925,145 rights shares at an issue price of RM0.30 per rights share together with 998,692,020 free detachable warrants.

The new shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

29. ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS-i")

In the current financial year, the Company issued 2,396,862,035 RCPS-i at an issue price of RM0.41 per RCPS-i for a total of RM982,713,434. The RCPS-i is classified as an equity instrument.

	Group and Company			
	Number of shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
RCPS-i				
At 1 February 2018/2017	**–**	–	**–**	–
Rights issue	**2,396,862**	–	**982,713**	–
At 31 January	**2,396,862**	–	**982,713**	–

The key features of the RCPS-i are as follows:

(i) The RCPS-i shall be converted into new ordinary shares of the Company on the maturity date (i.e. 29 January 2024) without the payment of any consideration (cash or otherwise) and in accordance with the conversion ratio.

(ii) The conversion ratio of the RCPS-i is one new ordinary share of the Company for every one RCPS-i held.

(iii) The RCPS-i shall carry the right to receive preferential dividends, out of the distributable profits of the Company earned from the first day of the calendar month following the issue date, when declared and approved by the Board of the Company, at the expected preferential dividend rate of five percent (5%) per annum.

(iv) The Company may at any time after the issue date, at its discretion, redeem wholly or in part on a pro rata basis the outstanding RCPS-i by giving not less than thirty (30) days' notice in writing to the RCPS-i holders of its intention to do so, subject to compliance with the Companies Act 2016. The redemption price, payable in cash, shall be the aggregate of:

(a) the issue price of RCPS-i;

(b) any preferential dividends declared but unpaid as at the redemption date;

(c) any deferred dividends as at the redemption date; and

(d) a redemption adjustment that yields an effective return of ten percent (10%) per annum, computed based on the internal rate of return formula, from the issue date (i.e. 29 January 2019) and up to the redemption date, out of the distributable profits of the Company and after taking into account (a), (b) and (c) above and all preferential dividend declared and paid up to the redemption date.

(v) The RCPS-i shall rank equally amongst themselves, and will rank ahead in point of priority to the holders of the ordinary shares of the Company and all other classes of shares (if any) in the Company, in respect of payment of dividends and payment out of the assets of the Company upon any liquidation, dissolution or winding up of the Company, provided always that the Board of the Company approves such payment of dividends and payment out of the assets of the Company on this basis and further affirms the priority of payment to the holders of the RCPS-i.

30. SHARES HELD UNDER TRUST

	Group and Company			
	Number of shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
At 1 February 2018/2017	**39,878**	29,404	**114,942**	93,304
Purchased during the year	**41,314**	26,502	**14,350**	46,000
Transferred during the year	**(39,236)**	(16,028)	**(62,480)**	(24,362)
At 31 January	**41,956**	39,878	**66,812**	114,942

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 RM28.1 million (2018: RM64.3 million) and RM16.4 million (2018: RM37.2 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 RM19.4 million (2018: RM44.8 million) and RM15.4 million (2018: RM35.4 million) respectively, as included in Note 41(b).

In the current financial year, the trustee appointed by the Company purchased 41,314,200 units (2018: 26,502,000 units) of its issued ordinary shares from the open market at an average price of RM0.35 per share (2018: RM1.74 per share) for the purpose of the share bonus scheme in relation to LTIP.

During the year, 39,236,000 units (2018: 16,028,000 units) of shares, at a weighted average cost of RM1.59 per share (2018: RM1.52 per share), were transferred to the eligible executive directors and employees. The value of these shares is based on the share price at the date of transfer.

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 executive directors for the long-term success and growth of the Group as well as to enhance shareholders' value.

(b) The selected executive directors and employees must elect in writing to participate in the scheme.

(c) The vesting of the new shares is over a period of 2 years (subsequent to grant date), provided that the recipient remains in the Group's employment.

31. WARRANTS RESERVE

The warrants reserve represents the cumulative fair value of the warrants yet to be exercised.

The warrants are valid to be exercised for a period of 7 years from its issue date and ending on 23 January 2026 ("Exercise Period"). During the Exercise Period, each warrant shall entitle the registered holder to subscribe for one new ordinary share of the Company at an exercise price of RM0.49 per warrant in accordance with the provisions of the Deed Poll dated 6 December 2018. Any warrants not exercised will lapse thereafter and cease to be valid.

As at 31 January 2019, the entire 998,692,020 warrants remain unexercised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

32. OTHER RESERVES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreign currency translation reserve	**1,651,871**	1,434,149	**–**	–
Hedge reserve	**(458)**	(42,519)	**–**	–
Merger reserve	**51,989**	51,989	**–**	–
ESOS reserve	**60,890**	–	**60,890**	–
	1,764,292	1,443,619	**60,890**	–

	Group	
	2019 RM'000	2018 RM'000
The movements in the reserves are as follows:		
Foreign currency translation reserve		
At 1 February 2018/2017	**1,434,149**	2,448,715
Exchange differences on translation of foreign subsidiaries, joint ventures and associates	**331,883**	(825,301)
Transfer of exchange differences arising upon dissolution of joint ventures to profit or loss	**–**	(189,265)
Transfer of exchange differences arising upon disposal of 50% equity stake in a subsidiary to profit or loss	**(114,161)**	–
At 31 January	**1,651,871**	1,434,149
Hedge reserve		
At 1 February 2018/2017	**(42,519)**	(15,672)
Changes in fair value of derivatives held by a subsidiary and joint ventures	**(87,359)**	307,571
Foreign exchange gain/(loss) on hedged items	**129,420**	(334,418)
At 31 January	**(458)**	(42,519)

	Group and Company	
	2019 RM'000	2018 RM'000
ESOS reserve		
At 1 February 2018/2017	**–**	–
Fair value of share options granted under ESOS	**60,890**	–
At 31 January	**60,890**	–

32. 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 RM114.2 million relating to realisation of the cumulative exchange difference arising from foreign currency translation of the disposal of 50% equity stake in a subsidiary has been recognised in the profit or loss.

In the previous 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 profit or loss.

(b) Hedge reserve

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

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

(d) ESOS reserve

The ESOS reserve represents the equity-settled share options granted to the eligible executive directors and senior management as further discussed in Note 38.

The reserve is made up of the cumulative value of services received from the eligible executive directors and senior management recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

33. BORROWINGS

	Group	
	2019 RM'000	**2018 RM'000**
Short term borrowings		
Secured:		
Conventional borrowings		
Hire purchase and finance lease liabilities (Note 34)	**1,059**	6,134
Unsecured:		
Conventional borrowings		
Revolving credits	**1,757,633**	1,714,681
Term loans	**4,080,218**	1,386
	5,837,851	1,716,067
	5,838,910	1,722,201
Long term borrowings		
Secured:		
Conventional borrowings		
Hire purchase and finance lease liabilities (Note 34)	**178**	287
Unsecured:		
Islamic financings		
Islamic Facility	**3,487,682**	3,403,489
Sukuk Programme	**4,538,197**	4,468,496
	8,025,879	7,871,985
Conventional borrowings		
Term loans	**3,120,869**	6,820,682
	11,146,926	14,692,954
Total borrowings		
Islamic financings		
Islamic Facility	**3,487,682**	3,403,489
Sukuk Programme	**4,538,197**	4,468,496
	8,025,879	7,871,985
Conventional borrowings		
Term loans	**7,201,087**	6,822,068
Revolving credits	**1,757,633**	1,714,681
Hire purchase and finance lease liabilities (Note 34)	**1,237**	6,421
	8,959,957	8,543,170
	16,985,836	16,415,155

33. BORROWINGS (CONT'D.)

	Group 2019 RM'000	Group 2018 RM'000
Maturity of borrowings (excluding hire purchase and finance lease liabilities):		
Within one year	**5,837,851**	1,716,067
More than 1 year and less than 2 years	**2,854,563**	2,710,988
More than 2 years and less than 5 years	**8,292,185**	7,579,128
More than 5 years	**–**	4,402,551
	16,984,599	16,408,734

	Company 2019 RM'000	Company 2018 RM'000
Short term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 34)	**21**	147
Long term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 34)	**177**	177
Total borrowings		
Hire purchase and finance lease liabilities (Note 34)	**198**	324

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

	Group 2019 %	Group 2018 %
Term loans, Islamic Facility and Sukuk Programme	**3.95 to 6.85**	3.33 to 6.53
Revolving credits	**3.07 to 4.95**	2.27 to 4.95

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

33. BORROWINGS (CONT'D.)

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

	Short term borrowings		**Long term borrowings**		**Total borrowings**	
	USD denomination RM'000	**RM denomination RM'000**	**USD denomination RM'000**	**RM denomination RM'000**	**USD denomination RM'000**	**RM denomination RM'000**
As at 31 January 2019						
Secured						
Hire purchase	**–**	**1,059**	**–**	**178**	**–**	**1,237**
Unsecured						
Revolving credits	**805,533**	**952,100**	**–**	**–**	**805,533**	**952,100**
Term loans	**4,080,218**	**–**	**3,120,869**	**–**	**7,201,087**	**–**
Islamic Facility	**–**	**–**	**1,612,977**	**1,874,705**	**1,612,977**	**1,874,705**
Sukuk Programme	**–**	**–**	**1,119,980**	**3,418,217**	**1,119,980**	**3,418,217**
	4,885,751	**953,159**	**5,853,826**	**5,293,100**	**10,739,577**	**6,246,259**
Total		**5,838,910**		**11,146,926**		**16,985,836**
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

(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:

			Non-cash changes		
	At 1.2.2018 RM'000	**Net cash changes RM'000**	**Amortisation of borrowing cost^ RM'000**	**Foreign exchange movement RM'000**	**At 31.1.2019 RM'000**
Borrowings*	16,408,734	–	89,477	486,388	16,984,599
Hire purchase and finance lease liabilities	6,421	(5,312)	–	128	1,237
Total	16,415,155	(5,312)	89,477	486,516	16,985,836

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

^ *Charged to profit or loss*

33. BORROWINGS (CONT'D.)

(d) Other information relating to borrowings:

(i) In the previous financial year, Sapura TMC Sdn. Bhd. ("STMC") (a wholly-owned subsidiary of the Company) 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) Subsequent to the financial year end, the Group utilised the proceeds from the rights issue and the disposal of 50% equity stake in Sapura Upstream Group to repay the short term and long term loan borrowings of approximately RM7.18 billion.

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

(a) Corporate guarantee from the Company and key subsidiaries;

(b) Negative pledge over existing assets including assets under construction;

(c) Debenture over STMC fixed and floating assets;

(d) First legal charge over certain bank accounts of the Company and STMC; and

(e) Compliance with the facilities' covenants.

Other information of financial risks are disclosed in Note 42.

34. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Future minimum lease payments:				
Not later than 1 year	**1,090**	6,268	**30**	163
Later than 1 year and not later than 2 years	**178**	244	**178**	134
Later than 2 years and not later than 5 years	**–**	62	**–**	62
Total future minimum lease payments	**1,268**	6,574	**208**	359
Less: Future finance charges	**(31)**	(153)	**(10)**	(35)
Present value of hire purchase and finance lease liabilities (Note 33)	**1,237**	6,421	**198**	324

34. HIRE PURCHASE AND FINANCE LEASE LIABILITIES (CONT'D.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Analysis of present value of hire purchase and finance lease liabilities:				
Not later than 1 year	**1,059**	6,134	**21**	147
Later than 1 year and not later than 2 years	**178**	231	**177**	121
Later than 2 years and not later than 5 years	**–**	56	**–**	56
	1,237	6,421	**198**	324
Due within 12 months (Note 33)	**(1,059)**	(6,134)	**(21)**	(147)
Due after 12 months (Note 33)	**178**	287	**177**	177

The Group's and the Company's hire purchase and finance lease liabilities bore effective interest rates ranging from 4% to 5% (2018: 3% to 8%) per annum.

35. AMOUNT DUE TO SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Non-current liability		
Amount due to a subsidiary	**2,000,483**	2,000,483
Current liabilities		
Amount due to subsidiaries	**642,256**	19,883

Amount due to subsidiaries are unsecured, interest free and repayable on demand, except for a loan of RM2,000.5 million (2018: RM2,000.5 million) which is subject to interest rate of 2% (2018: 2%) per annum above the cost of funds and with final payment due on 11 March 2026.

Further details on related party transactions are disclosed in Note 41.

Other information on financial risks of amount due to subsidiaries are disclosed in Note 42.

36. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current liabilities				
Other payables	**88,518**	1,620	**–**	–
Deferred mobilisation fees	**16,330**	–	**–**	–
	104,848	1,620	**–**	–

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current liabilities				
Trade payables				
Third parties	**1,195,946**	1,110,715	**–**	–
Other payables				
Staff costs	**243,607**	287,860	**179,951**	223,831
Accruals	**497,689**	730,833	**22,224**	58,941
Deferred consideration (Note 36(a))	**–**	292,087	**–**	–
Sundry payables	**239,639**	119,041	**100,393**	17,895
Deferred mobilisation fees	**30,542**	12,473	**–**	–
	1,011,477	1,442,294	**302,568**	300,667
Amount due to:				
Joint ventures	**80,048**	84,712	**–**	–
Joint operation partners	**–**	49,574	**–**	–
Related parties	**1,239**	2,128	**–**	–
	81,287	136,414	**–**	–
	2,288,710	2,689,423	**302,568**	300,667

(a) Deferred consideration

In the previous financial year, the deferred consideration was payable to Seadrill Limited arising from the acquisition of the tender rig business in 2013 and bears interest rate of LIBOR + 5%. The deferred consideration has been fully repaid in the current financial year.

(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 (2018: 30 days to 90 days).

(c) Other payables

Included in the non-current other payables in payments received in advance in relation to revenue from lease of rigs amounting to RM88.5 million (2018: RM nil).

Sundry payables are non-interest bearing and the normal credit terms granted to the Group and the Company range from 7 days to 90 days (2018: 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 operation partners

In the previous financial year, the amount due to joint operation partners is in relation to joint operations in the upstream oil and gas business, which are unsecured, repayable on demand and interest free.

37. PROVISIONS

The movement of provisions during the financial year are as follows:

Group	**RM'000**
At 1 February 2018	**221,204**
Changes in decommissioning liabilities (Note 16)	**117,000**
Payment during the year	**(25,372)**
Accretion expense (Note 12)	**22,482**
Disposal of a subsidiary (Note 12)	**(347,073)**
Exchange differences	**11,759**
Recognised during the year in relation to onerous contracts	**94,866**
At 31 January 2019	**94,866**

	2019 RM'000	**2018 RM'000**
Current liabilities	**94,866**	25,086
Non-current liabilities	**–**	196,118
	94,866	221,204

As at the end of the financial year, the provision recognised in relation to onerous contracts represents the foreseeable losses arising from a construction contract.

In the previous financial year, the provision relates to the decommissioning costs of oil and gas properties. Due to the disposal of 50% equity stake in Sapura Upstream Group, this provision amount is RM nil (2018: RM221.2 million).

38. EXECUTIVE SHARE OPTION SCHEME

At an EGM held on 29 November 2018, shareholders approved the establishment of the ESOS and the By-Laws for the granting of options to the eligible executive directors and senior management to subscribe for new ordinary shares of the Company. The ESOS has been implemented effective from 13 December 2018.

Options are granted to the eligible executive directors and senior management employed on a full time basis at the discretion of the LTIP Committee.

The key features of the ESOS are as follows:

(a) The maximum number of new ordinary shares of the Company which may be allotted and issued pursuant to the options that may be granted under the ESOS shall not in aggregate exceed ten percent (10%) of the total number of issued ordinary shares of the Company (excluding shares held under trust);

(b) The maximum number of options that may be granted under the ESOS to any one eligible person shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration the position, performance and length of service of the eligible person in the Group, or such other factors which the LTIP Committee may in its absolute discretion deem fit, subject to the following:

   (i) the eligible executive directors and senior management do not participate in the deliberation or discussion in respect of his/her own allocation; and

   (ii) the number of new ordinary shares of the Company to be allocated to any eligible person who, either singly or collectively through persons connected with such eligible person, holds twenty percent (20%) or more of the total issued ordinary shares of the Company (excluding shares held under trust), does not exceed ten percent (10%) (or such percentage as allowable by the relevant authorities) of the total number of new ordinary shares of the Company to be issued under the ESOS.

(c) The option exercise price shall be determined by the Board upon recommendation of the LTIP Committee to be the five (5) days weighted average market price of the ordinary shares of the Company, as quoted on Bursa Securities, immediately preceding the date of offer or with a premium or discount. In the event of a discount, the discount shall not be more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS;

(d) The ESOS shall be in force for a duration of seven (7) years from the effective date of implementation of the ESOS on 13 December 2018. The LTIP Committee may terminate the ESOS at any time during the duration of the ESOS subject to a notice period of at least thirty days being provided; and

(e) The ESOS is immediately exercisable upon granting. However, the grantee must not sell, transfer or assign any new ordinary shares of the Company obtained through the exercise of the options offered to the person under the ESOS within three (3) years from the date of offer.

38. EXECUTIVE SHARE OPTION SCHEME (CONT'D.)

Movement of share options during the financial year

The following table illustrates the number and exercise price of, and movements in, share options during the financial year:

	Group and Company 2019	
	Exercise price RM	**Number ('000)**
Outstanding at 1 February 2018		**–**
Granted on 14 December 2018	**0.31**	**479,372**
Adjusted on 2 January 2019*		**212,566**
Outstanding and exercisable at 31 January	**0.22**	**691,938**

* *The exercise price has been adjusted to RM0.22 and additional options were issued on 2 January 2019 following the completion of the rights issue.*

– *The remaining contractual life for these options is 6.87 years with an expiry date of 12 December 2025.*

On 12 April 2019, a further offer of 586,388,264 options have been made to the eligible executive director and senior management at an exercise price of RM0.39.

Following the further grant of options on 12 April 2019, the weighted average exercise price of the options granted to date is RM0.30.

Fair value of share options granted

The fair value of the share options granted under the ESOS is estimated at the grant date using a trinomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing models for the year ended 31 January 2019.

	Group and Company 2019
Dividend yield	1.52%
Expected volatility	35.5%
Risk-free interest rate	3.80% per annum
Expected life of option	7 years
Weighted average share price	RM0.31

The expected life of the options is based on the ESOS duration and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

39. COMMITMENTS

	Group 2019 RM'000	Group 2018 RM'000
(a) Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	**437,839**	365,119
Expenditure on oil and gas properties	**–**	177,065
	437,839	542,184
Approved but not contracted for:		
Property, plant and equipment	**74,728**	87,543
Expenditure on oil and gas properties	**–**	247,268
	74,728	334,811
	512,567	876,995

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
(b) Operating leases				
Non-cancellable operating lease commitments as lessee:				
– Within 1 year	**18,946**	16,910	**9,556**	6,400
– Later than 1 year but less than 5 years	**2,133**	7,388	**–**	–
	21,079	24,298	**9,556**	6,400

The Group leases premises under non-cancellable operating leases expiring within 2 years (2018: 2 years). The leases have various terms and escalation clauses.

40. FINANCIAL GUARANTEE CONTRACTS AND CONTINGENT LIABILITIES

The nominal value of the financial guarantee contracts given by the Group and the Company are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Secured				
Financial guarantee contracts given to financial institutions for credit facilities and performance bonds granted to joint ventures and associate	**713,852**	816,804	**–**	–
	713,852	816,804	**–**	–
Unsecured				
Financial guarantee contracts given on behalf of subsidiaries	**–**	–	**1,000,679**	698,315
	713,852	816,804	**1,000,679**	698,315

The fair value of the financial guarantee contracts given to financial institutions for credit 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 credit facilities are secured by way of deposit pledged and legal charges over the vessels of the joint ventures.

Other contingent liabilities:

(a) On 31 January 2019, SapuraOMV (an associate company of the Group) entered into a facility agreement with OMV E&P for the OMV financing amounting to USD350.0 million (RM1,431.2 million). As security for this, Sapura Upstream Assets Sdn. Bhd. (a subsidiary of the Group) has pledged shares of SapuraOMV with a value of USD175.0 million (RM715.6 million) in favour of OMV E&P.

(b) Tax positions for the Group are subject to income tax audits and disputes in various tax jurisdictions. One of its subsidiaries, Sapura Drilling Berani Limited ("SDBL"), is currently engaged in an on-going discussion with tax authorities regarding the resolution of tax matters for previous years' tax assessments. SDBL has submitted various documents and evidences to prove that all taxes have been settled correctly in the disputed years. SDBL, with the advice of an appointed tax advisor, is of the opinion that there are strong defences over the disputed claims. Accordingly, no provision has been made in the current financial statements.

41. 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 2019 RM'000	2018 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.	**20,000**	43,400
Kencana Capital Sdn. Bhd.	**–**	12,520
	20,000	55,920
(b) Rental of office premises		
Sapura Resources Berhad	**11,238**	10,259
Company		
(i) Transactions with subsidiaries		
(a) Dividend income from subsidiaries	**–**	(423,695)
(b) Management fees from subsidiaries	**(141,043)**	(185,056)
(c) Intellectual property rights, trademarks and branding fees from subsidiaries	**(20,560)**	(57,613)
(d) Interest charged to subsidiaries	**(8,569)**	(11,025)
(e) Interest charged by a subsidiary	**146,413**	119,091
(f) Shared service fees charged by a subsidiary	**2,113**	–
(ii) 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.	**20,000**	43,400
Kencana Capital Sdn. Bhd.	**–**	12,520
	20,000	55,920
(b) Rental of office premises		
Sapura Resources Berhad	**3,385**	2,508

The transactions above have been entered into in the normal course of business and on a negotiated basis.

41. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

The remuneration of the key management personnel, including directors, during the financial year are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Employee benefits and other emoluments	**77,878**	115,620	**39,027**	71,345
Contributions to defined contribution plan	**3,649**	17,011	**2,552**	11,172
Fair value of share options granted under ESOS	**60,890**	–	**46,809**	–
	142,417	132,631	**88,388**	82,517

42. 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 the 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 and of the Company will fluctuate because of changes in market interest rates.

The Group's and the Company'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 interest rates.

At the reporting date, approximately 91% (2018: 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 to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

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

(a) Interest rate risk (cont'd.)

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 the Group's and of the Company's profit before tax (through the impact on interest expense on floating rate loans and borrowings).

	2019		2018	
	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**	**(9,039)**	+ 25	(7,750)
– US Dollar	**+ 25**	**(30,716)**	+ 25	(32,014)
– Ringgit Malaysia	**– 25**	**9,039**	– 25	7,750
– US Dollar	**– 25**	**30,716**	– 25	32,014
Company				
– Ringgit Malaysia	**+ 25**	**(5,406)**	+ 25	(4,455)
– Ringgit Malaysia	**– 25**	**5,406**	– 25	4,455

(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 and of the Company'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 the Group entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly USD and RM respectively.

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 of the 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)	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
USD/RM – strengthened 5%	**8,922**	64,725	**21,631**	33,425
– weakened 5%	**(8,922)**	(64,725)	**(21,631)**	(33,425)

01 02 03 04 05 06 07 08

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

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

(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 34% (2018: 10%) of the Group's borrowings (Note 33), 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. Subsequent to year end, the Group made part repayment of its borrowings as disclosed in Note 33(d)(ii).

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	**On demand or within one year RM'000**	**One to five years RM'000**	**More than five years RM'000**	**Total RM'000**
At 31 January 2019				
Financial liabilities:				
Trade and other payables	**2,258,168**	**–**	**–**	**2,258,168**
Borrowings	**6,556,543**	**12,789,829**	**–**	**19,346,372**
Financial guarantee contracts	**119,420**	**185,067**	**409,365**	**713,852**
Total undiscounted financial liabilities	**8,934,131**	**12,974,896**	**409,365**	**22,318,392**
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
Financial guarantee contracts	178,043	208,878	429,883	816,804
Total undiscounted financial liabilities	5,334,905	12,535,490	4,849,474	22,719,869

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

(c) Liquidity risk (cont'd.)

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

Company	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
At 31 January 2019				
Financial liabilities:				
Amount due to subsidiaries	**775,074**	**1,816,595**	**691,915**	**3,283,584**
Other payables	**302,568**	**–**	**–**	**302,568**
Financial guarantee contracts	**1,000,679**	**–**	**–**	**1,000,679**
Total undiscounted financial liabilities	**2,078,321**	**1,816,595**	**691,915**	**4,586,831**
At 31 January 2018				
Financial liabilities:				
Amount due to subsidiaries	151,669	1,509,585	1,131,742	2,792,996
Other payables	300,667	–	–	300,667
Financial guarantee contracts	698,315	–	–	698,315
Total undiscounted financial liabilities	1,150,651	1,509,585	1,131,742	3,791,978

At the reporting date, the counterparty to the financial guarantee contracts have no right to demand cash as no event of default has occurred.

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade receivables, contract assets and financial guarantee contracts.

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 trade receivables and contract assets, the Group apply a simplified approach in calculating ECLs. Therefore, the Group do not track changes in credit risk, but instead recognises a provision for impairment based on lifetime ECLs at each reporting date. Management monitors the recoverability of the receivables based on its historical credit loss experience and also considers available forward-looking information, which could indicate whether a customer is experiencing significant financial difficulty or it becomes probable that a customer will enter into bankruptcy or other financial reorganisation.

The Group categorises a receivable for potential impairment when the customer fails to make contractual payments more than 90 days past due. The receivable is impaired if there is no reasonable expectation of recovery, such as the customer failing to engage in a repayment plan with the Group.

42. 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 as disclosed in Note 43.

– The carrying amount of contract assets as disclosed in Note 26.

– Financial guarantees contracts provided by the Group and the Company as disclosed in Note 40.

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 deferred mobilisation cost) at the reporting date are as follows:

	Group			
	2019		2018	
By country/region	**RM'000**	**% of total**	**RM'000**	**% of total**
Malaysia	**408,208**	**44%**	624,494	68%
Asia	**301,496**	**32%**	177,475	19%
Africa	**97,754**	**10%**	1,011	0%
Australia	**44,875**	**5%**	45,259	5%
Americas	**36,422**	**4%**	18,774	2%
Middle East	**25,212**	**3%**	–	0%
Turkey	**17,397**	**2%**	58,965	6%
	931,364	**100%**	925,978	100%

Exposure to expected credit 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 to any single customer or a group of customers at the reporting date.

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 25. Deposits with banks and other financial institutions are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 25.

43. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The accounting policies in Note 2.14 and Note 2.19 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:

Group	Note	Debt instruments at amortised cost RM'000	Financial assets at fair value through profit or loss RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
As at 31 January 2019					
Assets					
Trade and other receivables		**1,474,710**	**–**	**–**	**1,474,710**
Cash and cash equivalents	27	**8,098,397**	**–**	**–**	**8,098,397**
Derivative assets	22	**–**	**174,507**	**–**	**174,507**
Total financial assets		**9,573,107**	**174,507**	**–**	**9,747,614**
Total non-financial assets					**23,828,653**
Total assets					**33,576,267**
Liabilities					
Borrowings	33	**–**	**–**	**16,985,836**	**16,985,836**
Trade and other payables		**–**	**–**	**2,257,101**	**2,257,101**
Total financial liabilities		**–**	**–**	**19,242,937**	**19,242,937**
Total non-financial liabilities					**462,089**
Total liabilities					**19,705,026**

01
02
03
04
05
06
07
08

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

43. 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.):

Group	Note	Loans and receivables RM'000	Financial assets at fair value through profit or loss RM'000	Financial liabilities RM'000	Total RM'000
As at 31 January 2018					
Assets					
Trade and other receivables		1,740,892	–	–	1,740,892
Cash and cash equivalents	27	1,716,235	–	–	1,716,235
Derivative assets	22	–	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	33	–	–	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

Company	Note	Debt instruments at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
As at 31 January 2019				
Assets				
Amount due from subsidiaries	24	**3,232,919**	**–**	**3,232,919**
Other receivables		**36,098**	**–**	**36,098**
Cash and cash equivalents	27	**26,459**	**–**	**26,459**
Total financial assets		**3,295,476**	**–**	**3,295,476**
Total non-financial assets				**12,621,661**
Total assets				**15,917,137**
Liabilities				
Amount due to subsidiaries	35	**–**	**2,642,739**	**2,642,739**
Other payables	36	**–**	**302,568**	**302,568**
Total financial liabilities		**–**	**2,945,307**	**2,945,307**
Total non-financial liabilities				**198**
Total liabilities				**2,945,505**

43. 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.):

Company	Note	Loans and receivables RM'000	Financial liabilities RM'000	Total RM'000
As at 31 January 2018				
Assets				
Amount due from subsidiaries	24	916,825	–	916,825
Other receivables		12,850	–	12,850
Cash and cash equivalents	27	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	35	–	2,020,366	2,020,366
Other payables	36	–	300,667	300,667
Total financial liabilities		–	2,321,033	2,321,033
Total non-financial liabilities				324
Total liabilities				2,321,357

(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	25
Trade and other payables	36
Borrowings	33
Amount due from subsidiaries	24
Amount due to subsidiaries	35

The carrying amounts of the current financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of the fixed rate borrowings are reasonable approximation of fair values due to the insignificant impact of incremental market rate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

43. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Fair value hierarchy

The Group's 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.

44. 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.

		Group	
	Note	2019 RM'000	2018 RM'000
Borrowings	33	**16,985,836**	16,415,155
Add: Unamortised transaction cost		**193,128**	248,407
Less: Cash and cash equivalents	27	**(8,098,397)**	(1,716,235)
Net debt/(cash)		**9,080,567**	14,947,327
Total equity		**13,871,241**	9,450,365
Less: Non-controlling interests		**3,824**	(399)
Total capital		**13,875,065**	9,449,966
Net gearing ratio		**0.65**	1.58

45. 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"); and

(iv) Corporate

Major activities of the E&C business segment are:

– Installation of offshore platforms, marine pipelines and subsea services, including those undertaken by our joint ventures;

– 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.

The Drilling segment is involved in the charter of oil drilling rigs and provision at related drilling services.

Sapura Exploration & Production (Sabah) Inc. remains in continuing E&P segment. Going forward, the share of profit from SapuraOMV will be recorded under the E&P segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Corporate assets, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on a negotiated basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

45. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Continuing Operations						Discontinued Operations	
31 January 2019	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations* RM'000	Subtotal RM'000	Exploration and Production RM'000	Consolidated RM'000
Revenue								
External sales	3,634,983	933,456	–	–	–	4,568,439	936,038	5,504,477
Inter-segment sales	29,967	–	–	189,064	(219,031)	–	–	–
Total revenue	3,664,950	933,456	–	189,064	(219,031)	4,568,439	936,038	5,504,477
Results								
Segment (loss)/profit	(780,057)	(869,632)	(5,072)	(104,163)	(204,075)	(1,962,999)	2,997,269	1,034,270
Finance costs						(979,381)	(22,482)	(1,001,863)
Interest income						26,543	1,474	28,017
Share of profit/(loss) from associates and joint ventures	370,871	–	–	(29,934)	–	340,937	–	340,937
(Loss)/profit before tax						(2,574,900)	2,976,261	401,361
Income tax expense						(142,748)	(55,246)	(197,994)
(Loss)/profit net of tax						(2,717,648)	2,921,015	203,367
Non-controlling interests						4,182	–	4,182
(Loss)/profit for the year attributable to owners of the Parent						(2,713,466)	2,921,015	207,549

* *Inter-segment transactions are eliminated on consolidation*

45. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

31 January 2019 (cont'd.)	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
Assets						
Segment assets	**7,156,870**	**6,353,535**	**21,178**	**8,026,977**	**(26,447)**	**21,532,113**
Investment in associates and joint ventures	**1,815,734**	**–**	**2,208,060**	**–**	**–**	**4,023,794**
Goodwill on consolidation	**3,969,021**	**4,014,028**	**–**	**–**	**–**	**7,983,049**
Deferred tax assets	**14,831**	**3,335**	**–**	**19,145**	**–**	**37,311**
Consolidated total assets						**33,576,267**
Liabilities						
Segment liabilities	**1,733,796**	**584,588**	**19,777**	**386,504**	**(77,285)**	**2,647,380**
Borrowings						**16,985,836**
Deferred tax liabilities	**69,731**	**2,079**	**–**	**–**	**–**	**71,810**
Consolidated total liabilities						**19,705,026**

	Continuing Operations						Discontinued Operations	
31 January 2019 (cont'd.)	**Engineering and Construction RM'000**	**Drilling RM'000**	**Exploration and Production RM'000**	**Corporate RM'000**	**Eliminations* RM'000**	**Subtotal RM'000**	**Exploration and Production RM'000**	**Consolidated RM'000**
Other Information								
Capital expenditure	**107,401**	**28,989**	**–**	**10,342**	**–**	**146,732**	**268,216**	**414,948**
Depreciation of property, plant and equipment	**302,013**	**360,533**	**8**	**12,589**	**(410)**	**674,733**	**1,884**	**676,617**
Amortisation of intangible assets	**2,257**	**5,540**	**–**	**–**	**–**	**7,797**	**–**	**7,797**
Amortisation of expenditure on oil and gas properties	**–**	**–**	**–**	**–**	**–**	**–**	**240,273**	**240,273**
Provision for impairment on property, plant and equipment	**394,085**	**1,017,805**	**–**	**–**	**–**	**1,411,890**	**–**	**1,411,890**
Provision for impairment on goodwill	**108,374**	**–**	**–**	**–**	**–**	**108,374**	**–**	**108,374**
Gain on disposal of 50% equity stake in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**2,663,699**	**2,663,699**

* *Inter-segment transactions are eliminated on consolidation*

45. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

31 January 2018	Continuing Operations: Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations* RM'000	Subtotal RM'000	Discontinued Operations: Exploration and Production RM'000	Consolidated RM'000
Revenue								
External sales	3,899,050	1,145,540	6,052	–	–	5,050,642	844,356	5,894,998
Inter-segment sales	56,824	–	–	666,364	(723,188)	–	–	–
Total revenue	3,955,874	1,145,540	6,052	666,364	(723,188)	5,050,642	844,356	5,894,998
Results								
Segment profit/(loss)	96,908	(1,939,166)	26,295	(179,259)	(22,337)	(2,017,559)	254,722	(1,762,837)
Finance costs						(828,624)	(30,042)	(858,666)
Interest income						19,289	2,109	21,398
Share of profit from associates and joint ventures	274,569	–	1,947	–	–	276,516	–	276,516
(Loss)/profit before tax						(2,550,378)	226,789	(2,323,589)
Income tax expense						(175,495)	(5,731)	(181,226)
(Loss)/profit net of tax						(2,725,873)	221,058	(2,504,815)
Non-controlling interests						1,342	–	1,342
(Loss)/profit for the year attributable to owners of the Parent						(2,724,531)	221,058	(2,503,473)

* *Inter-segment transactions are eliminated on consolidation*

45. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

31 January 2018 (cont'd.)	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
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 on consolidation	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
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

	Continuing Operations						Discontinued Operations	
31 January 2018 (cont'd.)	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations* RM'000	Subtotal RM'000	Exploration and Production RM'000	Consolidated RM'000
Other Information								
Capital expenditure	588,337	225,502	–	14,241	3,554	831,634	345,373	1,177,077
Depreciation of property, plant and equipment	290,857	531,956	66	12,227	1,753	836,859	5,941	842,800
Amortisation of intangible assets	2,273	13,211	–	–	–	15,484	–	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	–	2,132,293

* *Inter-segment transactions are eliminated on consolidation*

45. 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 exploration and production 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 (excluding Malaysia) – 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) Middle East – 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 and construction.

(vi) Africa – provision of offshore oil and gas drilling services and installation of pipelines and facilities.

(vii) Others (comprise of United Kingdom) – provision of advanced subsea and floating systems engineering and project management services to offshore projects.

Further details of revenue from external customers by geographical areas are disclosed in Note 3.

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.

46. 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 2019 %	Proportion of Ownership Interest 2018 %
(a)	**Subsidiaries of Sapura Energy Berhad**				
	Total Marine Technology (Malaysia) Sdn. Bhd.	Malaysia	Dormant	**100**	100
	Sapura Deepwater Pte. Ltd.	Bermuda	Chartering and hiring out of vessels and barges	**100**	100
	Sapura GeoSciences Sdn. Bhd.	Malaysia	Provision of offshore geotechnical and geophysical services	**100**	100
	Sapura Technology Solutions Sdn. Bhd.	Malaysia	Investment holding, provision of operation and maintenance services and provision of management services	**100**	100
	Petcon (Malaysia) Sdn. Bhd.	Malaysia	Dormant	**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.	Malaysia	Dormant	**100**	100
	Sapura 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 Drilling Probadi Sdn. Bhd. (formerly known as Sapura Probadi Sdn. Bhd.)	Malaysia	Investment holding	**100**	100
	Sapura Management Services Sdn. Bhd.	Malaysia	Management services	**100**	100
	Sapura Nautical Essence Sdn. Bhd.	Malaysia	Investment holding	**100**	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

46. 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 2019 %	2018 %
(a)	**Subsidiaries of Sapura Energy Berhad (cont'd.)**				
	Sapura 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.	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.	Malaysia/Qatar and Abu Dhabi	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.	Malaysia	Investment holding, property investment and provision of engineering, fabrication and construction works	**100**	100
	Sapura Engineering Sdn. Bhd.	Malaysia	Provision of front-end engineering design (FEED) and detailed design engineering (DDE)	**100**	100
	SE Petroleum Berhad	Malaysia	Dormant	**100**	100

46. 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 2019 %	2018 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.)				
Sapura Pinewell Sdn. Bhd.	Malaysia	Hook-up, commissioning, maintenance brownfield rejuvenation and onshore construction	**100**	100
Sapura Petroleum Ventures Sdn. Bhd.	Malaysia	Investment holding	**100**	100
SEB Energy Sdn. Bhd.	Malaysia	Development and production of petroleum resources	**100**	100
Sapura 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.	Malaysia	Provision of treasury management services	**100**	100
Sapura Drilling Pte. Ltd.	Federal Territory of Labuan, Malaysia	Investment holding	**100**	100
Sapura 900 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	**100**	100
SapuraKencana 1200 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
Sapura 3000 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	**100**	100
SapuraKencana FLB-1 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
Sapura Energy Services Sdn. Bhd.	Malaysia	Investment holding	**100**	100
*Sapura Upstream Assets Sdn. Bhd.	Malaysia	Investment holding	**100**	–
^Sapura Upstream Sdn. Bhd. (formerly known as Sapura Exploration and Production Sdn. Bhd.)	Malaysia	Investment holding	**50**	100

* *Incorporated in 2 November 2018*

^ *Disposal of 50% equity stake in a former subsidiary and now treated as an associated company*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
– 31 JANUARY 2019

46. 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 2019 %	2018 %
(b)	**Held through Sapura Drilling Probadi Sdn. Bhd. (formerly known as Sapura Probadi Sdn. Bhd.) and Sapura Drilling Asia Limited**				
	Sapura Drilling Asia 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.**				
	SapuraKencana Talent Ltd.	Bermuda/Mexico	Provision of manpower services chartering	**100**	100
	Sapura 1200 Ltd.	Bermuda	Vessel owner and chartering	**100**	100
	Sapura 3500 Ltd.	Bermuda	Vessel owner and chartering	**100**	100
	Sapura FLB-1 Ltd.	Bermuda	Vessel owner and chartering	**100**	100
	Sapura Saudi Arabia Company	Saudi Arabia	Engineering, procurement, construction, offshore transportation and installation, hook up and commissioning of offshore structures, pipelines and cables	**100**	100
	Sapura Energy DMCC	Dubai, United Arab Emirates	Regional office for business development and marketing	**100**	100
(e)	**Held through Sapura Offshore Sdn. Bhd. and Sapura Energy DMCC**				
	Sapura Energy Do Brasil Ltda.	Brazil	Installation of offshore platforms and marine pipelines	**100**	100
(f)	**Held through Sapura GeoSciences Sdn. Bhd.**				
	Sapura Jaya Sdn. Bhd.	Malaysia	Chartering of vessels	**100**	100
(g)	**Held through Sapura Jaya Sdn. Bhd.**				
	Sapura GeoSurvey Sdn. Bhd.	Malaysia	Hydrographic surveys and related services	**100**	100
	Sapura GeoTechnics Sdn. Bhd.	Malaysia	Soil investigation and geotechnical services	**100**	100

46. 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 2019 %	2018 %
(h)	**Held through Sapura GeoTechnics Sdn. Bhd.**				
	Sapura GeoTechnics (S) Pte. Ltd.	Singapore	Soil investigation and geotechnical services	**100**	100
	Sapura Oilserve Sdn. Bhd.	Malaysia	Provision of marine vessel transportation services	**100**	100
(i)	**Held through Sapura GeoSurvey Sdn. Bhd.**				
	Sapura GeoSurvey Pte. Ltd.	Singapore	Dormant	**100**	100
	Sapura GeoSurvey Pty. Ltd.	Australia	Dormant	**100**	100
(j)	**Held through Sapura Oilserve Sdn. Bhd.**				
	Sapura Oilserve Labuan Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of vessels/barges	**100**	100
(k)	**Held through Sapura Technology Solutions Sdn. Bhd.**				
	Sapura Digital Solutions Sdn. Bhd.	Malaysia	Retail automation systems and maintenance services	**100**	100
	Sapura Project Services Sdn. Bhd.	Malaysia	Systems integration, software development, general engineering, maintenance and related activities	**100**	100
	Sapura 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.	Malaysia	Provision of rental equipment	**100**	100
	Sapura Maintenance Services Sdn. Bhd.	Malaysia	Provision of maintenance services to the power, utility and oil and gas industry	**100**	100
	Sapura Petroleum Technologies Sdn. Bhd.	Malaysia	Provision of trading and maintenance services	**99.7**	99.7
	Sapura Energy Infinite Sdn. Bhd.	Malaysia	Investment holding and provision of operations and maintenance services to the oil and gas industry	**100**	100
	Sapura Vessels Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of barges, vessels and operational equipment on bareboat basis	**100**	100
	Sapura Services Sdn. Bhd.	Malaysia	Investment holding	**100**	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

46. 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 2019 %	2018 %
(l)	**Held through Sapura Energy Infinite Sdn. Bhd.**				
	Sapura Energy Resources Sdn. Bhd.	Malaysia	Investment holding	**100**	100
(m)	**Held through Sapura Energy 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
	Sapura Marine Ventures Sdn. Bhd.	Malaysia	Provision of crew, chartering and hiring out of barges	**100**	100
	Sapura 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.	Malaysia	Dormant	**100**	100
	^Sarku Semantan Sdn. Bhd.	Malaysia	Dormant	**–**	100
	#Sarku Samudera Sdn. Bhd.	Malaysia	Dormant	**–**	100
	*Sarku Utama Sdn. Bhd.	Malaysia	Dormant	**–**	100
(n)	**Held through Sapura Petroleum Sdn. Bhd.**				
	Sapura Nautical Bay Pte. Ltd.	Singapore	Provision of manpower services	**100**	100
	Sapura Petroleum Inc.	The State of Texas, United States of America	Regional Office for business development and marketing	**100**	100
	SapuraMex Pte. Ltd.	Singapore	Investment holding	**100**	100
	Sapura Energy B.V.	The Netherlands	Design, fabricate, install, commission and maintenance of marine offshore facilities	**100**	100
	SapuraKencana Enerji Çözümleri Anonim Şirketi	Turkey	Engineering, procurement, construction, installation and commissioning of offshore facilities and cables	**100**	100

^ *Struck off on 14 February 2018*

\# *Struck off on 6 February 2018*

* *Struck off on 2 May 2018*

46. 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 2019 %	2018 %
(o)	**Held through Sapura Nautical Bay Pte. Ltd.**				
	Sapura Nautical Power Pte. Ltd.	Singapore	Investment holding	**100**	100
(p)	**Held through Sapura Offshore Sdn. Bhd. and SapuraMex Pte. Ltd.**				
	Sapura Energy Mexicana, S.A.P.I. de C.V. (formerly known as SapuraKencana Mexicana, S.A.P.I. de C.V.)	Mexico	Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines	**100**	100
(q)	**Held through SapuraMex Pte. Ltd.**				
	Sapura 3500 (S) Pte. Ltd.	Singapore	Chartering and hiring out of vessel	**100**	100
(r)	**Held through Momentum Energy Sdn. Bhd.**				
	Sapura Australia (Holdings) Pty. Ltd.	Australia	Investment holding	**100**	100
(s)	**Held through Sapura Australia (Holdings) Pty. Ltd.**				
	Sapura USA Holdings Incorporated	State of Delaware, United States of America	Investment holding	**100**	100
	Sapura Australia Pty. Ltd.	Australia	Investment holding	**100**	100
	Peritus International Limited	United Kingdom	Provision of advanced subsea and floating systems engineering and project management services to oil and gas offshore projects and developments in remote, hostile and deepwater environments	**100**	100
	Peritus International Pty. Ltd.	Australia	Provision of advanced subsea and floating systems engineering and project management services to offshore projects	**100**	100
(t)	**Held through Sapura Australia Pty. Ltd.**				
	Sapura Petroleum (Australia) Pty. Ltd.	Australia	Investment holding	**100**	100
	Sapura Projects Pty. Ltd.	Australia	Investment holding	**100**	100
	SC Projects Australia Pty. Ltd.	Australia	Investment holding	**100**	100
	Sapura Constructor Pte. Ltd.	Singapore	Vessel owner and chartering	**100**	100
	Sapura Assets Pty. Ltd.	Australia	Owner and operator of marine assets	**100**	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

46. 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 2019 %	2018 %
(u)	**Held through Sapura 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 operating companies	**100**	100
	Peritus International Inc.	The State of Texas, United States of America	Provision of advanced subsea and floating systems engineering and project management services to offshore projects	**100**	100
(v)	**Held through Momentum Energy Sdn. Bhd. and Sapura Australia Pty. Ltd.**				
	Normand Sapura Pty. Ltd.	Australia	Sub-charter and provision of project delivery capabilities, technology and proprietary offshore assets	**100**	100
(w)	**Held through Peritus International Pty. Ltd.**				
	Peritus International Sdn. Bhd.	Malaysia	Provision of engineering consultancy services for the oil and gas industry	**100**	100
(x)	**Held through Sapura Constructor Pte. Ltd.**				
	Sapura Projects Singapore Pte. Ltd.	Singapore	Vessel leasing and chartering	**100**	100
(y)	**Held through Geomark Sdn. Bhd.**				
	Quippo Prakash Pte. Ltd.	Singapore	Dormant	**100**	100
(z)	**Held through Sapura Fabrication Sdn. Bhd.**				
	Sapura Marine Sdn. Bhd.	Malaysia	Operation and management of fabrication yard	**100**	100
	Sapura Infrastructure Sdn. Bhd.	Malaysia	Dormant	**100**	100
	Sapura Metering Sdn. Bhd.	Malaysia	Dormant	**100**	100
	Sapura Steelworks Sdn. Bhd.	Malaysia	Dormant	**70**	70
	*Sapura Energy Vietnam Limited	Vietnam	Dormant	**100**	–
(aa)	**Held through Sapura Fabrication Sdn. Bhd. and Sapura Petroleum Sdn. Bhd.**				
	Sapura Engineering & Construction (India) Private Limited	India	Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines	**100**	100

* *Incorporated on 27 December 2018*

46. 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 2019 %	2018 %
(ab)	**Held through Sapura Energy Services Sdn. Bhd.**				
	Sapura HUC Sdn. Bhd.	Malaysia	Dormant	**100**	100
	Sapura Fabricators Sdn. Bhd.	Malaysia	Dormant	**100**	100
	Total Marine Technology Pty. Ltd.	Australia	Development of marine technology and marine chartering, specialising on ROVs	**94**	94
(ac)	**Held through Total Marine Technology Pty. Ltd.**				
	Sapura Excersize Pty. Ltd.	Australia	Owner and operator of ROVs for the offshore oil and gas industries	**94**	94
	Sapura Babalon Pty. Ltd.	Australia	Owner and operator of ROVs for the offshore oil and gas industries	**94**	94
(ad)	**Held through Sapura Fabrication Sdn. Bhd. and Sapura Petroleum Ventures Sdn. Bhd.**				
	Sapura Energy (B) Sdn. Bhd.	Brunei	Investment holding	**100**	100
(ae)	**Held through Sapura Energy (B) Sdn. Bhd.**				
	RSK Petroleum Sdn. Bhd.	Brunei	To act as service provider for oil and gas industry	**70**	70
(af)	**Held through Sapura Onshore Sdn. Bhd.**				
	Sapura Subsea Sdn. Bhd.	Malaysia	Provision of engineering, fabrication and construction works	**100**	100
	Sapura Assets Sdn. Bhd.	Malaysia	Property investment	**100**	100
	Sapura Torsco (Hong Kong) Private Limited	Hong Kong	Dormant	**100**	100
(ag)	**Held through Sapura Petroleum Ventures Sdn. Bhd.**				
	Sapura Marine Drilling Sdn. Bhd.	Malaysia	Dormant	**100**	100
	Sapura Marine Rig 1 Pte. Ltd.	Singapore	Dormant	**100**	100
	Sapura Nautilus Sdn. Bhd.	Malaysia	Service provider for offshore support vessels	**100**	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

46. 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 2019 %	2018 %
(ah)	**Held through Sapura Nautilus Sdn. Bhd.**				
	Sapura Gemia (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Provision of offshore support vessels for oil and gas industry	**100**	100
	Sapura Teras Ventures Sdn. Bhd.	Malaysia	Provision of offshore support vessels for oil and gas industry	**100**	100
	Sapura Redang (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Provision of offshore support vessels for oil and gas industry	**100**	100
	*SapuraKencana Marine Assets (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**–**	100
(ai)	**Held through Sapura Subsea Services Sdn. Bhd.**				
	Sapura Marine Services Sdn. Bhd.	Malaysia	Provision of vessel related management services	**100**	100
	Sapura Subsea 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	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
	Sapura Subsea Robotics Corporation	Federal Territory of Labuan, Malaysia	Leasing of ROV and Hyperbaric Reception Facility	**100**	100
(aj)	**Held through Sapura Subsea Services Sdn. Bhd., Sapura Marine Services Sdn. Bhd. and Sapura SS Corporation**				
	Sapura Energy (Thailand) Limited	Thailand	Provision of offshore diving and related services	**100**	100
(ak)	**Held through Sapura Drilling Pte. Ltd.**				
	Sapura Drilling (S) Pte. Ltd.	Singapore	Leasing of offshore oil and gas drilling rigs and providing management services	**100**	100
	Sapura Drilling (Bermuda) Ltd.	Bermuda	Investment holding	**100**	100

* *Liquidated on 15 May 2018*

46. 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 2019 %	2018 %
(ak)	**Held through Sapura Drilling Pte. Ltd. (cont'd.)**				
	Sapura Drilling Resources Ltd.	Bermuda	Provision of crew services	**100**	100
	Sapura Drilling Labuan Leasing Ltd.	Federal Territory of Labuan, Malaysia	Hire and charter of the oil drilling rigs	**100**	100
(al)	**Held through Sapura Drilling (Bermuda) Ltd.**				
	Sapura Drilling T-10 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling T-19 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling T-7 Ltd.	Bermuda	Dormant	**100**	100
	Sapura Drilling T-9 Ltd.	Bermuda	Dormant	**100**	100
	Sapura Drilling T-20 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling T-11 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling T-12 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling T-17 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling T-18 Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling Menang Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling Berani Ltd.	Bermuda/ Indonesia	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling Alliance Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling Pelaut Ltd.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
	Sapura Drilling Setia Ltd.	Bermuda	Leasing of drilling rig and providing drilling service to offshore oil and gas industry	**100**	100

46. 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 2019 %	2018 %
(al) Held through Sapura Drilling (Bermuda) Ltd. (cont'd.)				
Sapura Drilling Esperanza Ltd.	Bermuda	Leasing of drilling rig and providing drilling services to offshore oil and gas industry	**100**	100
Sapura 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.	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	100
Sapura Drilling Asia Limited	Hong Kong/ Thailand	Investment holding and provision of oil drilling services	**100**	100
Sapura Drilling Services Sdn. Bhd.	Malaysia	Provision of management services for tender rig business	**100**	100
Sapura Drilling Holdings (Panama) Inc.	Panama	Investment holding	**100**	100
Sapura Drilling T-19 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
Sapura Drilling T-20 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
Sapura Drilling Kinabalu Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
Sapura Drilling Teknik Berkat Ltd.	Bermuda	Dormant	**100**	100
(am) Held through Sapura Drilling Asia Limited				
Sapura Drilling Holdings Limited	Hong Kong/ Ivory Coast	Investment holding and provision of oil drilling services	**100**	100
(an) Held through Sapura Drilling Holdings (Panama) Inc. and Sapura Drilling Asia Limited				
Sapura Drilling Sdn. Bhd.	Brunei	Offshore drilling, workover and development of oil and gas wells	**100**	100

46. 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 2019 %	2018 %
(ao) Held through Sapura Drilling Asia Limited and Sapura Drilling Holdings Limited				
Sapura Energy Angola, LDA (formerly known as SapuraKencana Drilling Angola, LDA)	Republic of Angola	Providing drilling services to oil and gas industry	**100**	100
(ap) Held through Sapura Drilling Pte. Ltd. and Sapura 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
(aq) Held through SapuraCrest Ventures Sdn. Bhd.				
‹Sapura Exploration and Production (RSC) Sdn. Bhd.	Malaysia	Dormant	**100**	–
(ar) Held through Sapura Exploration and Production (RSC) Sdn. Bhd.				
Sapura Sambang Sdn. Bhd.	Malaysia	Dormant	**100**	100
(as) Held through Sapura Energy Ventures Sdn. Bhd.				
*Sapura Exploration and Production (Sabah) Inc.	Bahamas/ Malaysia	Exploration, development and production of crude oil and natural gas	**100**	100
(at) Held through Sapura Upstream Sdn. Bhd. (formerly known as Sapura Exploration and Production Sdn. Bhd.)				
^#SapuraOMV Upstream (Southeast Asia) Inc. (formerly known as Sapura Exploration and Production (Southeast Asia) Inc.)	Bahamas	Investment holding	**50**	100
~SapuraKencana Energy Resources Ltd.	Bermuda	Manpowers supply	**–**	100

‹ *Transferred from Sapura Upstream Sdn. Bhd. (formerly known as Sapura Exploration and Production Sdn. Bhd.) on 29 October 2018*

^ *Disposal of 50% equity stake in a former subsidiary and now treated as an associated company*

Sapura Exploration and Production Inc. changed its name to Sapura Exploration and Production (Southeast Asia) Inc. on 30 April 2018 and thereafter to SapuraOMV Upstream (Southeast Asia) Inc. on 25 March 2019

* *Transferred from Sapura Exploration and Production (Malaysia) Inc. on 25 January 2019*

~ *Dissolved on 9 July 2018*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

46. 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 2019 %	2018 %
(at) Held through Sapura Upstream Sdn. Bhd. (formerly known as Sapura Exploration and Production Sdn. Bhd.) (cont'd.)				
^Sapura Exploration and Production (Oceania) Sdn. Bhd.	Malaysia	Investment holding	**50**	100
^Sapura Exploration and Production (Americas) Sdn. Bhd.	Malaysia	Investment holding	**50**	100
(au) Held through Sapura Exploration and Production (Oceania) Sdn. Bhd.				
^Sapura Exploration and Production (NZ) Sdn. Bhd.	Malaysia/ New Zealand	Production of crude gaseous hydrocarbon (natural gas), draining and separation of liquid hydrocarbon fractions and mining of hydrocarbon liquids obtain through liquefaction or pyrolysis	**50**	100
^*Sapura Exploration and Production (Australia) Sdn. Bhd.	Malaysia	Investment holding	**50**	–
(av) Held through SapuraOMV Upstream (Southeast Asia) Inc. (formerly known as Sapura Exploration and Production (Southeast Asia) Inc.)				
^SapuraOMV Upstream (Malaysia) Inc. (formerly known as Sapura Exploration and Production (Malaysia) Inc.)	Bahamas	Investment holding	**50**	100
~Sapura Exploration and Production (Vietnam) Inc.	Bahamas	Investment holding	**–**	100
(aw) Held through SapuraOMV Upstream (Malaysia) Inc. (formerly known as Sapura Exploration and Production (Malaysia) Inc.)				
^SapuraOMV Upstream (PM) Inc. (formerly known as Sapura Exploration and Production (PM) Inc.)	Bahamas/ Malaysia	Exploration, development and production of crude oil and natural gas	**50**	100
^SapuraOMV Upstream (Sarawak) Inc. (formerly known as Sapura Exploration and Production (Sarawak) Inc.)	Bahamas/ Malaysia	Exploration, development and production of crude oil and natural gas	**50**	100

^ *Disposal of 50% equity stake in a former subsidiary and now treated as an associated company*

* *Incorporated on 18 September 2018*

~ *Dissolved on 18 July 2018*

46. 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 2019 %	Proportion of Ownership Interest 2018 %
(aw) Held through SapuraOMV Upstream (Malaysia) Inc. (formerly known as Sapura Exploration and Production (Malaysia) Inc.) (cont'd.)				
*Sapura Exploration and Production (Sabah) Inc.	Bahamas/ Malaysia	Exploration, development and production of crude oil and natural gas	**–**	100
(ax) Held through Sapura Exploration and Production (NZ) 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	**50**	100
(ay) Held through Sapura Exploration and Production (Americas) Sdn. Bhd.				
^Sapura Exploration and Production (Mexico) Sdn. Bhd.	Malaysia	Investment holding	**50**	100
(az) Held through Sapura Exploration and Production (Australia) Sdn. Bhd.				
^~Sapura Exploration and Production (Western Australia) Pty Ltd	Australia	Exploration, development and production of crude oil and natural gas	**50**	–
(ba) Held through Sapura Upstream Sdn. Bhd. and Sapura Exploration and Production (Mexico) Sdn. Bhd.				
^#SEP Block 30 S. de R.L. de C.V.	Mexico	Exploration, development and production of crude oil and natural gas	**50**	–

^ *Disposal of 50% equity stake in a former subsidiary and now treated as an associated company*

* *Transferred to Sapura Energy Ventures Sdn. Bhd. on 25 January 2019*

~ *Incorporated on 26 September 2018*

Incorporated on 11 May 2018

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 JANUARY 2019

47. JOINT OPERATION ARRANGEMENTS

Details of the joint operation arrangements are as follows:

	Participating Interest	
Production Sharing Contracts:	**2019 %**	**2018 %**
(a) Peninsular Malaysia*		
PM329	**–**	70
PM323	**–**	60
PM318	**–**	50
Abu, Abu Kecil, Bubu, North Lukut and Penara Oil Fields	**–**	50
(b) Sarawak*		
SK408	**–**	40
SK310	**–**	30
(c) Sabah		
SB331	**70**	70
SB332	**70**	70

* *Due to the disposal of 50% equity stake in a subsidiary, the participating interest is now held through an associated company.*

48. SUBSEQUENT EVENTS

On 12 April 2019, a further offer of 586,388,264 options have been made to the eligible executive director and senior management at an exercise price of RM0.39.

Following the further grant of options on 12 April 2019, the weighted average exercise price of the options granted to date is RM0.30.

The key features and salient terms of the ESOS are similar to those disclose in Note 38.

Other subsequent event has been disclosed in Note 33(d)(ii).

49. MATERIAL LITIGATION

(i) Sarku Engineering Services Sdn. Bhd.

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.

Examination in chief took place in January 2014 whereby revised list of documents were exchanged and recorded.

The cross examination of ONGC's witness were on 22 to 24 December 2014 and 5 to 6 January 2015.

In January 2018 and February 2018 sittings, SESSB have concluded its arguments on each of the claims filed before the Tribunal. On 5 February 2018, submissions were made by SESSB's external counsel and thereafter arguments were closed.

ONGC counsel commenced their arguments in defence on 6 February 2018 and continued on the 2 to 4 May 2018. They concluded their arguments in the said sittings and handed over written note of their arguments.

Proceedings continued on the 21, 22 and 23 November 2018 with submissions from SESSB's counsel. The tribunal heard ONGC's counsel present its submissions on 12 and 13 February 2019. Final written submission has been submitted to arbitrators on 15 April 2019. ONGC has presented its submissions on 30 April 2019. Currently, the arbitrators are reviewing the submissions and preparing the final award. The award is expected to be published after June 2019.

SESSB has been advised by its solicitors, that SESSB has a reasonable basis for its claims against ONGC.

(ii) Sapura Fabrication Sdn. Bhd.

On 18 March 2011, Sapura Fabrication Sdn. Bhd. ("SFSB"), a wholly-owned subsidiary of the Company entered into a contract with Petrofac (Malaysia) Limited ("PML") to provide works for the engineering, procurement and construction of well head platforms for the Cendor Phase 2 Development Project and the Cendor field is located in Block PM 304 in the Malaysian sector of the South China Sea ("Contract").

On 26 March 2018, SFSB received a commencement request from PML to formally initiate a claim by way of arbitration proceedings at the Asian International Arbitration Centre for damages amounting to a sum of USD14,743,541 and RM831,188 in relation to disputes arising from the Contract. PML has alleged breach of riser height requirements and preservation obligations by SFSB. The claim by PML was made separately in two currencies as the claim is based on the rates and currencies prescribed in the Contract.

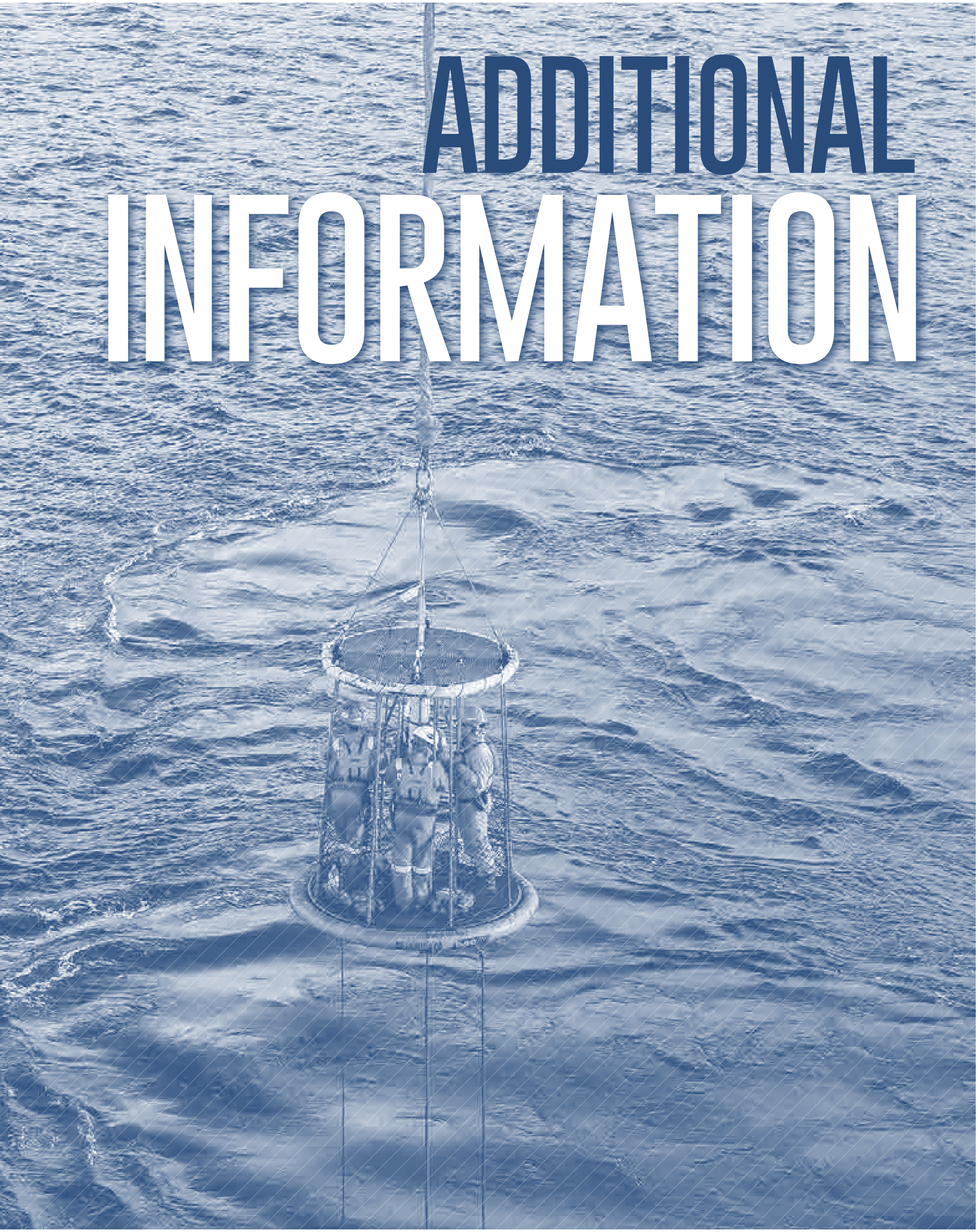
On 26 April 2018, SFSB responded to PML's claim and made a counter claim for a total amount of RM11,023,720.

The arbitrators have been appointed and parties have attended the first arbitration meeting on 21 July 2018. PML has filed their Points of Claim on 21 September 2018 and SFSB has filed its Defence and Counterclaim on 3 December 2018. Subsequently, Petrofac submitted their Points of Reply and Defence to Counterclaim on 4 February 2019. Petrofac has requested to amend their Point of Claim and the same was filed on 8 March 2019. SFSB's rejoinder is due on 18 March 2019 and the same was filed on the said date. The deadline for parties to exchange bundle of documents was on 5 April 2019, and any request for discovery/disclosure has been filed on 8 May 2019. The tentative hearing date has been fixed on 23 September 2019.

SFSB has been advised by its solicitors that PML's claim can be legally defended and SFSB has a reasonable basis for its claims against PML.

08

ADDITIONAL INFORMATION



ANALYSIS OF SECURITIES HOLDINGS

AS AT 30 APRIL 2019

ORDINARY SHARES

Total Number of Issued Shares	:	15,979,080,232 Ordinary Shares
Class of Security	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share
Number of Holders	:	65,873

DISTRIBUTION BY SIZE OF HOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	2,127	3.24	76,321	0.00
100 – 1,000	6,199	9.41	4,279,698	0.03
1,001 – 10,000	27,661	41.99	148,837,866	0.93
10,001 – 100,000	24,112	36.60	872,490,588	5.46
100,001 – to less than 5% of issued shares	5,772	8.76	9,250,676,386	57.89
5% and above of issued shares	2	0.00	5,702,719,373	35.69
Total	**65,873**	**100.00**	**15,979,080,232**	**100.00**

TOP 30 HOLDERS BASED ON RECORD OF DEPOSITORS

No.	Holders	No. of Shares	% of Shares
1	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	4,302,719,373	26.93
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAPURA TECHNOLOGY SDN BHD (420284)	1,400,000,000	8.76
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	558,409,866	3.49
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 – WAWASAN	550,133,333	3.44
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	406,879,840	2.55
6	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	391,367,000	2.45
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	324,550,400	2.03
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR JURUDATA SDN BHD (PB)	313,522,000	1.96
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	302,553,896	1.89
10	SAPURA TECHNOLOGY SDN BHD	286,337,808	1.79

ANALYSIS OF SECURITIES HOLDINGS (CONT'D.)

AS AT 30 APRIL 2019

No.	Holders	No. of Shares	% of Shares
11	PERMODALAN NASIONAL BERHAD	197,675,733	1.24
12	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 – DIDIK	172,258,240	1.08
13	TAN SRI DATO' SERI SHAHRIL BIN SHAMSUDDIN	148,161,688	0.93
14	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	137,707,968	0.86
15	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	124,328,962	0.78
16	URUSHARTA JAMAAH SDN BHD	120,428,700	0.75
17	DB (MALAYSIA) NOMINEE (ASING) SDN BHD BNYM SA/NV FOR BLACKROCK FRONTIERS INVESTMENT TRUST PLC	86,584,500	0.54
18	CARTABAN NOMINEES (ASING) SDN BHD SS LUXEMBOURG FUND B11K FOR BLACKROCK STRATEGIC FUNDS – BLACKROCK EMERGING MARKETS EQUITY STRATEGIES FUND	81,283,000	0.51
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (USA) LLC (PB CLIENT)	80,911,500	0.51
20	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	70,803,100	0.44
21	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	48,272,888	0.30
22	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)	47,844,133	0.30
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SAPURA CAPITAL SDN BHD (PB)	46,387,227	0.29
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD – KENANGA GROWTH FUND	44,294,100	0.28
25	HSBC NOMINEES (ASING) SDN BHD HSBC BANK PLC (LONDON)	42,989,200	0.27
26	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK TRUSTEES BERHAD (SKPB SHAREBONUS)	42,880,550	0.27
27	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	41,938,100	0.26
28	LAM KONG TANG	41,760,000	0.26
29	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND PPES FOR PIMCO EQUITY SERIES: PIMCO RAE FUNDAMENTAL EMERGING MARKETS FUND	41,491,700	0.26
30	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)	37,999,900	0.24
	Total	**10,492,474,705**	**65.66**

ANALYSIS OF SECURITIES HOLDINGS (CONT'D.)

AS AT 30 APRIL 2019

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Substantial Shareholders	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	4,302,719,373	26.93	–	–
Sapura Technology Sdn Bhd	1,686,337,808	10.55	313,522,000[1]	1.96
Sapura Holdings Sdn Bhd	–	–	2,048,149,790[2]	12.82
Tan Sri Dato' Seri Shahril Shamsuddin	169,164,600	1.06	2,048,149,790[3]	12.82
Dato' Shahriman Shamsuddin	506,385	0.00*	2,048,149,790[3]	12.82
Brothers Capital Sdn Bhd	–	–	2,048,149,790[3]	12.82

* Negligible

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.

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS, AND OPTIONS HELD UNDER THE COMPANY'S EXECUTIVE SHARE OPTION SCHEME

	Direct Interest		Indirect Interest		
Directors	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**	**No. of Options Held**
Dato' Hamzah Bakar	–	–	4,000,000[1]	0.03	–
Tan Sri Dato' Seri Shahril Shamsuddin	169,164,600	1.06	2,048,149,790[2]	12.82	798,954,012
Tan Sri Datuk Amar (Dr) Hamid Bugo	1,578,412	0.01	275,000[3]	0.00*	–
Datin Paduka Kartini Hj Abdul Manaf	–	–	–	–	–
Dato' Shahriman Shamsuddin	506,385	0.00*	2,048,149,790[2]	12.82	–
Gee Siew Yoong	–	–	–	–	–
Mohamed Rashdi Mohamed Ghazalli	410,970	0.00*	130,485[4]	0.00*	–
Datuk Muhamad Noor Hamid	–	–	–	–	–
Datuk Ramlan Abdul Rashid	–	–	–	–	–
Dato' Roslina Zainal	–	–	–	–	–

* Negligible

Notes:

(1) Deemed interested by virtue of his interest in Adviable Ventures Sdn Bhd pursuant to Section 8 of the Act.
(2) 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.
(3) 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.
(4) Deemed interested by virtue of the shareholding held by his spouse pursuant to Section 8 of the Act.

ANALYSIS OF SECURITIES HOLDINGS (CONT'D.)
AS AT 30 APRIL 2019

ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS-i")

Total Number of Issued RCPS-i	:	2,396,862,035 RCPS-i
Class of Security	:	RCPS-i
Voting Rights	:	The RCPS-i holders shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of the Company, save and except in respect of any resolution made: i. when the preferential dividends or any part thereof is in arrears and unpaid for more than six (6) months; ii. on a proposal to reduce the Company's share capital; iii. on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking; iv. on a proposal to wind-up the Company; v. during the winding-up of the Company; or vi. on any proposal that affects the rights and privileges attached to the RCPS-i.
Number of Holders	:	1,326

DISTRIBUTION BY SIZE OF HOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Holdings	No. of Holders	% of Holders	No. of RCPS-i	% of RCPS-i
Less than 100	25	1.88	1,155	0.00
100 – 1,000	260	19.61	152,951	0.01
1,001 – 10,000	642	48.42	2,612,682	0.11
10,001 – 100,000	341	25.72	9,984,116	0.42
100,001 – to less than 5% of issued RCPS-i	56	4.22	169,662,231	7.07
5% and above of issued RCPS-i	2	0.15	2,214,448,900	92.39
Total	**1,326**	**100.00**	**2,396,862,035**	**100.00**

TOP 30 HOLDERS BASED ON RECORD OF DEPOSITORS

No.	Holders	No. of RCPS-i	%
1	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	2,088,165,500	87.12
2	PERMODALAN NASIONAL BERHAD	126,283,400	5.27
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	37,261,480	1.55
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	33,200,000	1.39
5	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	26,182,560	1.09
6	AMANAHRAYA TRUSTEES BERHAD ASN UMBRELLA FOR ASN IMBANG (MIXED ASSET BALANCED) 2	20,000,000	0.83
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 – DIDIK	15,021,696	0.63
8	AMANAHRAYA TRUSTEES BERHAD ASN UMBRELLA FOR ASN EQUITY 3	10,000,000	0.42

ANALYSIS OF SECURITIES HOLDINGS (CONT'D.)

AS AT 30 APRIL 2019

No.	Holders	No. of RCPS-i	%
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	3,600,000	0.15
10	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM NASIONAL	3,096,378	0.13
11	AMANAHRAYA TRUSTEES BERHAD ASN IMBANG (MIXED ASSET BALANCED) 1	2,955,871	0.12
12	MOHD JAMEL BIN ABDUL MUNIN	2,090,000	0.09
13	MUHAMAD ALOYSIUS HENG	1,540,160	0.06
14	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (CLIENT)	1,500,000	0.06
15	AMANAHRAYA TRUSTEES BERHAD ASN EQUITY 2	1,469,640	0.06
16	PERMODALAN NASIONAL BERHAD BUMIPUTERA WEALTH FUND	1,300,000	0.05
17	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHIAH CHEANG	1,000,000	0.04
18	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHIAH CHEANG	1,000,000	0.04
19	LIM GAIK BWAY @ LIM CHIEW AH	593,300	0.02
20	TAN CHIA CHIN	588,000	0.02
21	LAU CHUAN CHAI	448,800	0.02
22	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	438,000	0.02
23	TOB WENG KIN	400,000	0.02
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR AZIZAN BIN ABD RAHMAN (PB)	280,000	0.01
25	LIM CHOW SEN @ LIM CHOW SOON	280,000	0.01
26	MOHD JAMEL BIN ABDUL MUNIN	280,000	0.01
27	CHAI KIM SIN	235,000	0.01
28	PFM CAPITAL SDN BHD	233,800	0.01
29	TAN CHOO LYE	219,600	0.01
30	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR THIRAPHAT LAOSUWANNARATCHATA	219,360	0.01
	Total	**2,379,882,545**	**99.27**

ANALYSIS OF SECURITIES HOLDINGS (CONT'D.)

AS AT 30 APRIL 2019

DIRECTORS' RCPS-i HOLDINGS BASED ON REGISTER OF DIRECTORS' RCPS-i HOLDINGS

Directors	Direct Interest		Indirect Interest	
	No. of RCPS-i Held	%	No. of RCPS-i Held	%
Dato' Hamzah Bakar	–	–	–	–
Tan Sri Dato' Seri Shahril Shamsuddin	–	–	–	–
Tan Sri Datuk Amar (Dr) Hamid Bugo	78,291	0.00*	–	–
Datin Paduka Kartini Hj Abdul Manaf	–	–	–	–
Dato' Shahriman Shamsuddin	–	–	–	–
Gee Siew Yoong	–	–	–	–
Mohamed Rashdi Mohamed Ghazalli	39,145	0.00*	19,572[1]	0.00*
Datuk Muhamad Noor Hamid	–	–	–	–
Datuk Ramlan Abdul Rashid	–	–	–	–
Dato' Roslina Zainal	–	–	–	–

* Negligible

Note:

(1) Deemed interested by virtue of the RCPS-i held by his spouse pursuant to Section 8 of the Act.

ANALYSIS OF SECURITIES HOLDINGS (CONT'D.)

AS AT 30 APRIL 2019

WARRANTS 2019/2026

Class of Security	:	Warrants 2019/2026 ("Warrants")
Number of Warrants Unexercised	:	998,692,020 Warrants
Number of Holders	:	5,243

DISTRIBUTION BY SIZE OF HOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Warrants
Less than 100	134	2.56	6,270	0.00
100 – 1,000	801	15.28	448,249	0.04
1,001 – 10,000	1,501	28.63	7,627,253	0.76
10,001 – 100,000	1,915	36.52	88,869,594	8.90
100,001 – to less than 5% of issued Warrants	890	16.97	718,407,321	71.94
5% and above of issued Warrants	2	0.04	183,333,333	18.36
Total	**5,243**	**100.00**	**998,692,020**	**100.00**

TOP 30 HOLDERS BASED ON RECORD OF DEPOSITORS

No.	Holders	No. of Warrants	%
1	SAPURA TECHNOLOGY SDN BHD	133,333,333	13.35
2	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	50,000,000	5.01
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR JURUDATA SDN BHD (PB)	30,700,000	3.07
4	RHB INVESTMENT BANK BERHAD IVT (ECM)	25,000,000	2.50
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	20,000,000	2.00
6	OOI CHIN HOCK	19,648,300	1.97
7	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE AG (DUB CLT N-TREAT)	16,907,153	1.69
8	TOH EAN HAI	13,000,000	1.30
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI CHIN HOCK (8058312)	12,500,000	1.25
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAI CHENG KUAN (8058893)	12,500,000	1.25
11	RHB NOMINEES (TEMPATAN) SDN BHD RHB BANK BERHAD	11,970,900	1.20
12	TAN SRI DATO' SERI SHAHRIL BIN SHAMSUDDIN	11,822,608	1.18
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU KWAN SENG	10,300,000	1.03

ANALYSIS OF SECURITIES HOLDINGS (CONT'D.)

AS AT 30 APRIL 2019

No.	Holders	No. of Warrants	%
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIEW JUN KUAN (MY0750)	10,000,000	1.00
15	DENNISE KHOO YEAP TENG	9,857,600	0.99
16	LIM TSUI PHENG	7,866,066	0.79
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHAN CHEE LEONG (MY0633)	7,500,000	0.75
18	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR CHEW BEN BEN (SMART)	7,000,000	0.70
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE SECURITIES (USA) LLC (PB CLIENT)	6,700,950	0.67
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR FOO LONG LOKE (MY1890)	6,538,500	0.65
21	CHONG YEH MEI	5,501,000	0.55
22	LIM GAIK BWAY @ LIM CHIEW AH	5,438,333	0.54
23	FOO LONG LOKE	5,000,000	0.50
24	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOO LONG LOKE	5,000,000	0.50
25	LEW KIM TECK	5,000,000	0.50
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HUAT ENG	5,000,000	0.50
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BERNARD TAN GHIM HUAT	5,000,000	0.50
28	NG THONG YANG	5,000,000	0.50
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAN A/L PERUMAL (8077481)	4,500,000	0.45
30	MALACCA SECURITIES SDN BHD IVT 017V	4,500,000	0.45
	Total	**473,084,743**	**47.34**

ANALYSIS OF SECURITIES HOLDINGS (CONT'D.)

AS AT 30 APRIL 2019

DIRECTORS' WARRANT HOLDINGS BASED ON REGISTER OF DIRECTORS' WARRANT HOLDINGS

Directors	Direct Interest		Indirect Interest	
	No. of Warrants Held	%	No. of Warrants Held	%
Dato' Hamzah Bakar	–	–	–	–
Tan Sri Dato' Seri Shahril Shamsuddin	13,135,290	1.32	164,060,506[1]	16.43
Tan Sri Datuk Amar (Dr) Hamid Bugo	98,649	0.01	–	–
Datin Paduka Kartini Hj Abdul Manaf	–	–	–	–
Dato' Shahriman Shamsuddin	–	–	164,060,506[1]	16.43
Gee Siew Yoong	–	–	–	–
Mohamed Rashdi Mohamed Ghazalli	31,310	0.00*	8,155[2]	0.00*
Datuk Muhamad Noor Hamid	–	–	–	–
Datuk Ramlan Abdul Rashid	–	–	–	–
Dato' Roslina Zainal	–	–	–	–

* Negligible

Notes:

(1) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings pursuant to Section 8 of the Act. Sapura Holdings is a substantial shareholder of Sapura Technology Sdn Bhd, Sapura Resources Berhad and Jurudata Sdn Bhd.

(2) Deemed interested by virtue of the warrants held by his spouse pursuant to Section 8 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of Sapura Energy Berhad ("the 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 Thursday, 18 July 2019 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 January 2019 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who retire by rotation pursuant to Article 87 of the Constitution of the Company and who being eligible offer themselves for re-election:
   (a) Dato' Hamzah Bakar **Ordinary Resolution 1**
   (b) Tan Sri Datuk Amar (Dr) Hamid Bugo **Ordinary Resolution 2**
   (c) Gee Siew Yoong **Ordinary Resolution 3**

3. To re-elect the following Directors who retire pursuant to Article 93 of the Constitution of the Company and who being eligible offer themselves for re-election:
   (a) Datin Paduka Kartini Hj Abdul Manaf **Ordinary Resolution 4**
   (b) Dato' Roslina Zainal **Ordinary Resolution 5**

4. To approve the payment of Directors' fees and benefits to Non-Executive Directors up to an amount of RM5,600,000 from 19 July 2019 until the next Annual General Meeting of the Company. **Ordinary Resolution 6**

5. 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. **Ordinary Resolution 7**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modifications:

6. **AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

   Ordinary Resolution 8

   "THAT subject to the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total 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 Securities AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D.)

7. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY**

"THAT approval be and is hereby given for the existing Memorandum and Articles of Association of the Company to be revoked with immediate effect and in place thereof, the draft of the new set of the Constitution of the Company in the form and manner as set out in Appendix A be and is hereby approved and adopted as the new Constitution of the Company AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to adoption of the new Constitution of the Company." **Special Resolution**

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

BY ORDER OF THE BOARD

LEW SUE LI (MIA 42700)
WONG LAY SEE (MAICSA 7018684)
Company Secretaries

Seri Kembangan, Selangor Darul Ehsan
31 May 2019

NOTES:

1. Proxy Form

A member entitled to attend and vote at the Eighth 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, Boardroom Share Registrars Sdn Bhd (formerly known as 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 Wednesday, 17 July 2019 at 10.00 a.m.

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in the Notice of the Eighth Annual General Meeting will be put to vote on a poll.

2. Corporate Representatives

As an alternative to the appointment of a proxy, a corporate member may appoint its corporate representative to attend the Eighth Annual General Meeting pursuant to Section 333 of the Companies Act 2016. For this purpose and pursuant to Section 333(5) of the Companies Act 2016, 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 Eighth Annual General Meeting.

3. Members Entitled to Attend

For the purpose of determining a member who shall be entitled to attend the Eighth Annual General Meeting in accordance with Article 63(2) of the Company's Constitution 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 2019. Only a depositor whose name appears on the Record of Depositors as at 11 July 2019 shall be entitled to attend the Eighth Annual General Meeting or appoint proxies to attend and/or vote on his/her behalf.

4. Note to Holders of the Islamic Redeemable Convertible Preference Shares ("RCPS-i")

The holders of the RCPS-i shall be entitled to attend the Eighth Annual General Meeting but have no right to vote at the said meeting. The voting rights of the RCPS-i holders are detailed in the Constitution of the Company.

5. Audited Financial Statements for the Financial Year Ended 31 January 2019

This Agenda is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016 and the Company's Constitution, the Audited Financial Statements need not be approved by the shareholders and hence, the matter will not be put forward for voting.

6. **Directors' fees and benefits to Non-Executive Directors**
Pursuant to Section 230(1) of the Companies Act 2016, fees and benefits payable to the Directors of the Company will have to be approved at a general meeting.

The amount of up to RM5,600,000 under the proposed Ordinary Resolution 6 comprising Directors' fees and benefits to Non-Executive Directors of the Company is estimated for the period from 19 July 2019 until the next Annual General Meeting of the Company to be held in 2020.

Directors' benefits for Non-Executive Chairman of the Company comprising medical and insurance coverage, car allowance, driver, petrol and other claimable benefits. Benefits for other Non-Executive Directors comprises medical and insurance coverage and other claimable benefits.

The estimated amount of Directors' fees and benefits is based on the assumption that there is no change in the Non-Executive Directors' remuneration framework.

Payment of Directors' fees will be made on a quarterly basis and/or as and when incurred.

EXPLANATORY NOTES

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 Securities, the proposed Ordinary Resolution 8 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 funds 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 funds 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 Seventh Annual General Meeting held on 18 July 2018 which will lapse at the conclusion of this Eighth Annual General Meeting.

2. **Proposed adoption of new Constitution of the Company**
The Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016, the updated provisions of the Main Market Listing Requirements of Bursa Securities, and the prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout. A copy of the proposed new Constitution is set out in the Appendix A.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Individuals who are standing for election as Directors at the Eighth Annual General Meeting of the Company

There is no individual standing for election as Director (excluding Directors standing for re-election).

Details of the Directors who are standing for re-election are provided in the "Profiles of Board of Directors" on pages 044, 046, 047, 049 and 053 of this Annual Report. Details of their interests in the securities of the Company are set out in the "Analysis of Securities Holdings" on pages 266, 269 and 272 of this Annual Report.

2. Ordinary Resolution on authority for Directors to allot and issue shares

Details on the authority for Directors to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 is provided under the explanatory notes on special business in the Notice of Eighth Annual General Meeting.

This page is intentionally left blank.

PROXY FORM

Sapura Energy Berhad

(Company No. 950894-T)
(Incorporated in Malaysia)

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 No./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 No./Passport No. ____________________________

of ____
(Full Address)

or failing him/her, ____________________________
(Full Name as per NRIC/Passport in Capital Letters)

NRIC No./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 Eighth 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 Thursday, 18 July 2019 at 10.00 a.m. or at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his/her discretion.

Resolutions		For	Against
ORDINARY RESOLUTION 1	Re-election of Dato' Hamzah Bakar as Director of the Company		
ORDINARY RESOLUTION 2	Re-election of Tan Sri Datuk Amar (Dr) Hamid Bugo as Director of the Company		
ORDINARY RESOLUTION 3	Re-election of Gee Siew Yoong as Director of the Company		
ORDINARY RESOLUTION 4	Re-election of Datin Paduka Kartini Hj Abdul Manaf as Director of the Company		
ORDINARY RESOLUTION 5	Re-election of Dato' Roslina Zainal as Director of the Company		
ORDINARY RESOLUTION 6	Payment of Directors' fees and benefits up to RM5,600,000		
ORDINARY RESOLUTION 7	Re-appointment of Messrs Ernst & Young as Auditors of the Company		
ORDINARY RESOLUTION 8	To authorise the Directors to allot and issue shares under Sections 75 and 76 of the Companies Act 2016		
SPECIAL RESOLUTION	Proposed adoption of new Constitution of the Company		

____
Signature/Common Seal of Shareholder

Dated this ________ day of ________________ 2019

NOTES:

1. A member entitled to attend and vote at the Eighth 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.
2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporate member, shall be either under its common seal or signed by its attorney or an officer on behalf of the corporation.
5. The instrument appointing a proxy must be deposited with the Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd (formerly known as 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 Wednesday, 17 July 2019 at 10.00 a.m.
6. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Eighth Annual General Meeting will be put to vote on a poll.
7. 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.

Note to Holders of the Islamic Redeemable Convertible Preference Shares ("RCPS-i")

The holders of the RCPS-i shall be entitled to attend the Eighth Annual General Meeting but have no right to vote at the said meeting. The voting rights of the RCPS-i holders are detailed in the Constitution of the Company.

Fold here

STAMP

SHARE REGISTRAR OF
SAPURA ENERGY BERHAD

Boardroom Share Registrars Sdn Bhd
(Formerly known as Symphony Share Registrars Sdn Bhd)

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

www.sapuraenergy.com