

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2019

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/01/2019 RM'000	Preceding year corresponding quarter 31/01/2018 RM'000	Twelve months to 31/01/2019 RM'000	Twelve months to 31/01/2018 RM'000
Continuing operations				
Revenue	1,485,071	902,697	4,568,439	5,050,642
Other operating income	10,868	16,431	24,325	67,556
Operating expenses	(1,685,617)	(718,338)	(4,301,886)	(4,151,687)
(Loss)/profit from operations continuing operations	(189,678)	200,790	290,878	966,511
Depreciation and amortisation	(171,047)	(180,760)	(682,538)	(852,342)
Finance income	4,816	4,282	26,542	19,286
Finance costs	(256,042)	(207,575)	(979,381)	(828,624)
Net foreign exchange loss	(126,900)	(54,849)	(51,074)	(9,177)
Gain on disposal of property, plant and equipment	-	4,162	-	9,745
Share of profit from associates and joint ventures	61,386	56,942	340,937	276,516
Loss before taxation and impairments from continuing operations	(677,465)	(177,008)	(1,054,636)	(418,085)
Provision for impairment on goodwill on consolidation	(108,374)	-	(108,374)	-
Provision for impairment on property, plant and equipment	(1,411,890)	(2,132,293)	(1,411,890)	(2,132,293)
Loss before taxation and after impairments from continuing operations	(2,197,729)	(2,309,301)	(2,574,900)	(2,550,378)
Taxation	(35,208)	(66,741)	(142,748)	(175,495)
Loss after taxation from continuing operations	(2,232,937)	(2,376,042)	(2,717,648)	(2,725,873)
Discontinued operations				
Profit after taxation from discontinued operations	66,752	89,646	257,316	221,058
Gain on disposal of 50% equity stake in a subsidiary	2,663,699	-	2,663,699	-
	2,730,451	89,646	2,921,015	221,058
Profit/(loss) after taxation	497,514	(2,286,396)	203,367	(2,504,815)
Attributable to:				
Owners of the Parent:				
- Continuing operations	(2,230,025)	(2,375,177)	(2,713,466)	(2,724,531)
- Discontinued operations	2,730,451	89,646	2,921,015	221,058
	500,426	(2,285,531)	207,549	(2,503,473)
Non-controlling interests	(2,912)	(865)	(4,182)	(1,342)
	497,514	(2,286,396)	203,367	(2,504,815)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2019

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT (CONT'D.)

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/01/2019	Preceding year corresponding quarter 31/01/2018	Twelve months to 31/01/2019	Twelve months to 31/01/2018
Earnings per share from continuing operations (sen)				
- Basic	(35.43)	(39.95)	(44.91)	(45.82)
- Diluted	(35.13)	(39.95)	(44.80)	(45.82)
Earnings per share from discontinued operations (sen)				
- Basic	43.38	1.51	48.34	3.72
- Diluted	43.01	1.51	48.23	3.72

The condensed consolidated income statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2019

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/01/2019 RM'000	Preceding year corresponding quarter 31/01/2018 RM'000	Twelve months to 31/01/2019 RM'000	Twelve months to 31/01/2018 RM'000
Profit/(loss) after taxation	497,514	(2,286,396)	203,367	(2,504,815)
Other comprehensive income:				
<u>Continuing operations</u>				
<i>Items that may be reclassified to income statements in subsequent periods:</i>				
Foreign currency translation differences	(45,088)	(315,232)	191,373	(670,117)
Cash flow hedge:				
- Changes in fair value of derivatives	60,967	207,122	(88,056)	284,422
- Foreign exchange (loss)/gain on hedged items	(57,157)	(204,490)	129,420	(334,418)
Share of other comprehensive (loss)/income of associates and joint ventures:				
- Foreign currency translation differences	(49,253)	(91,301)	26,308	(157,634)
- Changes in fair value of derivatives	(31,581)	23,402	697	23,150
<i>Item that has been reclassified to income statements in current year:</i>				
Transfer of exchange differences arising upon dissolution of joint ventures	-	(136,508)	-	(189,265)
Total comprehensive income/(loss)	375,402	(2,803,403)	463,109	(3,548,677)
Attributable to:				
Owners of the Parent	378,371	(2,801,494)	467,332	(3,544,886)
Non-controlling interests	(2,969)	(1,909)	(4,223)	(3,791)
Total comprehensive income/(loss)	375,402	(2,803,403)	463,109	(3,548,677)

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2019

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial year 31/01/2019 RM'000	AUDITED As at end of preceding financial year 31/01/2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,024,809	11,454,733
Expenditure on oil and gas properties	-	3,938,046
Goodwill on consolidation	7,983,048	7,899,113
Other intangible assets	14,082	19,767
Investment in associates and joint ventures	4,023,794	1,557,506
Deferred tax assets	37,311	103,690
Derivative assets	174,507	262,563
Trade receivables	11,374	30,537
	<u>22,268,925</u>	<u>25,265,955</u>
Current assets		
Inventories	354,447	376,555
Trade and other receivables	2,789,568	2,530,111
Tax recoverable	84,772	103,913
Cash and cash equivalents	8,098,397	1,716,235
	<u>11,327,184</u>	<u>4,726,814</u>
TOTAL ASSETS	<u>33,596,109</u>	<u>29,992,769</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	10,872,078	8,066,410
Islamic redeemable convertible preference shares ("RCPS-i")	982,713	-
Shares held under trust	(115,556)	(114,942)
Warrants reserve	109,110	-
Other reserves	1,764,292	1,443,619
Retained profits	262,428	54,879
	<u>13,875,065</u>	<u>9,449,966</u>
Non-controlling interests	<u>(3,824)</u>	<u>399</u>
Total equity	<u>13,871,241</u>	<u>9,450,365</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2019
THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D.)

	UNAUDITED As at end of current financial year 31/01/2019 RM'000	AUDITED As at end of preceding financial year 31/01/2018 RM'000
Non-current liabilities		
Borrowings	11,146,926	14,692,954
Other payables	104,848	1,620
Provisions	-	196,118
Deferred tax liabilities	71,810	1,023,726
	<u>11,323,584</u>	<u>15,914,418</u>
Current liabilities		
Borrowings	5,838,910	1,722,201
Trade and other payables	2,401,363	2,797,114
Provisions	94,866	25,086
Income tax payable	66,145	83,585
	<u>8,401,284</u>	<u>4,627,986</u>
TOTAL LIABILITIES	<u>19,724,868</u>	<u>20,542,404</u>
TOTAL EQUITY AND LIABILITIES	<u>33,596,109</u>	<u>29,992,769</u>
Net assets per share (RM)	<u>0.87</u>	<u>1.59</u>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2019

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent						Non-controlling interests	Total equity		
	<----- Non-distributable ----->					Distributable			Total	RM'000
	Share capital	RCPS-i	Shares held under trust	Warrants reserve	Other reserves	Retained profits				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Twelve months to 31 January 2019 (Unaudited)										
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	
Transactions with owners:										
Issuance of rights issue	2,996,078	-	-	-	-	-	2,996,078	-	2,996,078	
Issuance of RCPS-i	-	982,713	-	-	-	-	982,713	-	982,713	
Share issuance expenses	(78,085)	-	-	(3,215)	-	-	(81,300)	-	(81,300)	
Allocated to warrants reserve	(112,325)	-	-	112,325	-	-	-	-	-	
Purchase of shares held under trust	-	-	(14,350)	-	-	-	(14,350)	-	(14,350)	
Shares transferred during the year	-	-	13,736	-	-	-	13,736	-	13,736	
Fair value of ESOS	-	-	-	-	60,890	-	60,890	-	60,890	
Total transactions with owners	2,805,668	982,713	(614)	109,110	60,890	-	3,957,767	-	3,957,767	
At 31 January 2019	10,872,078	982,713	(115,556)	109,110	1,764,292	262,428	13,875,065	(3,824)	13,871,241	

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2019

THE FIGURES HAVE NOT BEEN AUDITED

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

	Attributable to owners of the Parent				Non-controlling interests	Total equity	
	<----- Non-distributable ----->			Distributable			
	Share capital	Shares held under trust	Other reserves	Retained profits			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Twelve months to 31 January 2018 (Audited)							
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)
Transactions with owners:							
Purchase of shares held under trust	-	(46,000)	-	-	(46,000)	-	(46,000)
Shares transferred during the year	-	24,362	-	-	24,362	-	24,362
Dividend on ordinary shares	-	-	-	(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 condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2019

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Twelve months to 31/01/2019 RM'000	AUDITED Twelve months to 31/01/2018 RM'000
Operating activities:		
Loss before taxation from continuing operations	(2,574,900)	(2,550,378)
Profit before taxation from discontinued operations	2,976,261	226,790
Profit/(loss) before taxation	401,361	(2,323,588)
Adjustments	559,698	3,918,811
Operating profit before working capital changes	961,059	1,595,223
Changes in working capital ^	(446,537)	(304,687)
Cash generated from operations	514,522	1,290,536
Taxation paid	(151,915)	(123,931)
Net cash generated from operating activities	362,607	1,166,605
Cash flows from investing activities		
Proceeds from disposal of 50% equity stake in a subsidiary	3,582,595	-
Purchase of property, plant and equipment	(270,934)	(1,055,632)
Purchase of expenditure on oil and gas properties	(319,783)	(259,722)
Payment of deferred consideration ^	(303,614)	(255,518)
Repayment of advances from/(advances to) joint venture	131,174	(31,625)
Dividend received from a joint venture company	8,401	423,695
Other items	28,300	29,012
Net cash generated from/(used in) investing activities	2,856,139	(1,149,790)
Cash flows from financing activities		
Issuance of right issues and RCPS-i, net of issuance expenses	3,903,447	-
Finance costs paid	(850,985)	(743,139)
Dividend paid on ordinary shares	-	(59,628)
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	(5,312)	(8,700)
Net cash generated from/(used in) financing activities	3,032,800	(1,728,503)
Net increase/(decrease) in cash and cash equivalents	6,251,546	(1,711,688)
Effect of exchange rate translation	130,616	(91,586)
Cash and cash equivalents at beginning of year	1,716,235	3,519,509
Cash and cash equivalents at end of year	8,098,397	1,716,235

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

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the year ended 31 January 2019 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). These condensed consolidated interim financial statements also comply with International Auditing Standards ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial year ended 31 January 2019 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2018.

The accounting policies and methods of computation adopted by Sapura Energy Berhad ("the Company") ("SEB") and its subsidiaries ("the Group") in these condensed consolidated interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 January 2018 except for the following:

On 1 February 2018, the Group and the Company have adopted the following revised MFRSs and Amendments to MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB").

Effective for annual periods beginning on or after 1 January 2018:

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

MFRS 15: Revenue from Contracts with Customers: Clarifications to MFRS 15

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 140: Investment Property: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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

(i) MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During the financial year ended 31 January 2019, the Group and the Company have performed an impact assessment on MFRS 9 and concluded that the adoption of the new standard did not have a significant impact to the interim financial statements.

The Group and the Company applied the simplified approach and assessed the lifetime expected losses on all trade receivables, which did not have a material impact on the impairment allowance.

1. Basis of preparation (cont'd.)

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

(ii) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. MFRS 15 supersedes the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it became effective.

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

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

The Group and the Company have undertaken an assessment of the impact and have concluded that MFRS 15 did not have a significant impact on the results and financial position of the Group and the Company.

Standards issued but not yet effective

The adoption of the standard issued but not yet effective are not expected to have a material impact on the financial statements in the period of application except as discussed below:

(i) 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.

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 operating leases. MFRS 16 assessment is still on-going for the Group and the Company. It is therefore not practicable at this juncture to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of MFRS 16 and how this may affect the Group’s and Company’s profit or loss and classification of cash flows going forward. The Group and the Company plan to apply a modified retrospective approach.

2. Seasonality and cyclicity of operations

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial year, other than as disclosed in these condensed consolidated interim financial statements.

4. Changes in estimates

There were no changes in estimates that have a material effect in the current financial year, other than as disclosed in these condensed consolidated income statement.

5. Debt and equity securities

- (a) On 14 December 2018, the Company has made an offer of options to eligible person(s) of the Company and its subsidiaries to subscribe for the new ordinary shares in the Company under the executive share option scheme ("ESOS") with exercise price of RM0.31 and the number of options offered is 479,372,407.
- (b) In the quarter under review, the Company increased its:
 - i) share capital from RM8,066,410,305 to RM10,872,078,528 by way of issuance of 9,986,925,145 rights shares at an issue price of RM0.30 together with 998,692,020 free detachable warrants on the basis of five (5) rights shares for every three (3) SEB shares held and one (1) free warrant for every ten (10) rights shares subscribed; and
 - ii) RCPS-i to RM982,713,434 by way of issuance of 2,396,862,035 RCPS-i at an issue price of RM0.41 per RCPS-i on the basis of two (2) RCPS-i for every five (5) SEB shares held.
- (c) In the quarter under review, 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 shares held under trust and shares worth RM13.7 million were transferred to the eligible employees under the share bonus scheme.

There were no other issuance and repayment of debt securities, share buy-back, share cancellations, shares held under trust and resale of shares held under trust during the quarter ended 31 January 2019.

6. Subsequent events

There was no material event subsequent to 31 January 2019 which has not been reflected in these condensed consolidated interim financial statements.

7. Changes in the composition of the Group

On 9 November 2018, the Group entered into a Agreement with Austria's OMV Aktiengesellschaft ("OMV AG") to form a strategic partnership through SapuraOMV Sdn. Bhd. ("SapuraOMV") (formerly known as SEB Upstream Sdn. Bhd.), a joint venture company owned by the Group and OMV AG incorporated to hold the entire equity interest of Sapura Upstream Sdn. Bhd. and its subsidiaries (formerly known as Sapura Exploration and Production Sdn. Bhd.) ("Sapura Upstream Group"), which is reported under E&P segment.

On 31 January 2019, the strategic partnership with OMV AG has been completed following the fulfilment of all agreed conditions required for the closing of the transaction.

7. Changes in the composition of the Group (cont'd.)

As at 31 January 2019, the Group recognised SapuraOMV as a 50% owned associate company by applying the equity accounting method. The Group recognised cost of investment in SapuraOMV as an asset based on 50% of the fair value of SapuraOMV.

7.1 Discontinued operations

Following the completion of strategic partnership with OMV AG, the financial results of the Sapura Upstream Group has been reclassified to 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.

In presenting the discontinued operations, the Group continues to apply MFRS 10 which requires the elimination of the intra-group transactions.

Unaudited statements of comprehensive income statement disclosures

The results of Sapura Upstream Group and its related eliminations for individual quarter and cumulative quarter are as follows:

	Individual Quarter		Cumulative Quarter	
	Three months to 31/01/2019	Three months to 31/01/2018	Twelve months to 31/01/2019	Twelve months to 31/01/2018
	RM'000	RM'000	RM'000	RM'000
Discontinued operations				
Revenue	202,529	286,548	936,038	844,356
Operating expenses	(82,986)	(138,416)	(425,373)	(354,140)
Profit from operations	119,543	148,132	510,665	490,216
Depreciation and amortisation	(68,213)	(63,106)	(242,158)	(209,636)
Finance income	129	1,104	1,474	2,109
Finance costs *	(5,456)	(2,748)	(22,482)	(30,043)
Net foreign exchange gain/(loss)	36,979	(26,101)	65,063	(25,859)
Profit before taxation from discontinued operations	82,982	57,281	312,562	226,787
Taxation	(16,230)	32,365	(55,246)	(5,729)
Profit from discontinued operations, net of tax	66,752	89,646	257,316	221,058
Represented by:				
Profit after taxation	66,752	89,646	257,316	221,058
Gain on disposal of 50% equity stake in a subsidiary	2,663,699	-	2,663,699	-
Profit from discontinued operations, net of tax	2,730,451	89,646	2,921,015	221,058

* Exclude intercompany interest expense

7. Changes in the composition of the Group (cont'd.)

7.1 Discontinued operations (cont'd.)

	Individual Quarter		Cumulative Quarter	
	Three months to 31/01/2019 RM'000	Three months to 31/01/2018 RM'000	Twelve months to 31/01/2019 RM'000	Twelve months to 31/01/2018 RM'000
Reconciliation against segment information (Note 16)				
Profit before taxation from discontinued operations - as above	82,982	57,281	312,562	226,787
Less: Intercompany elimination ^	(72,239)	(36,258)	(223,950)	(162,405)
Profit before taxation from discontinued operations - segment information	<u>10,743</u>	<u>21,023</u>	<u>88,612</u>	<u>64,382</u>

^ Include non operational foreign exchange

7.2 Disposal of 50% equity stake of a subsidiary

The disposal of 50% equity stake of a subsidiary had the following effects on the unaudited financial position and performance of the Group as at the end of the financial year:

	31/01/2019 RM'000
Gain on disposal of Sapura Upstream Group	
OMV Exploration & Production GmbH ("OMV E&P") cash subscription price	2,208,060
Add: Fair value of retained 50% equity in SapuraOMV	<u>2,208,060</u>
	4,416,120
Less: Sapura Upstream Group's total net assets as at 31 January 2019	<u>(1,711,530)</u>
Gain on disposal of Sapura Upstream Group	2,704,590
Less: Transaction expenses	<u>(40,891)</u>
Net gain on disposal of Sapura Upstream Group	<u>2,663,699</u>
Cash inflow arising from the disposal:	
OMV E&P cash subscription price	2,208,060
Settlement of debt for Sapura Upstream Group	<u>1,431,150</u>
Total cash proceeds	3,639,210
Cash and cash equivalent of subsidiary disposed	<u>(56,615)</u>
Net cash inflow on disposal	<u>3,582,595</u>

There was no other significant change in the composition of the Group during the current financial year.

8. Contingent liabilities

- (a) The Group has provided corporate guarantees given to financial institutions for credit facilities granted to joint ventures amounting to RM670.7 million (31 January 2018: RM816.8 million).
- (b) On 31 January 2019, SapuraOMV and OMV E&P entered into a facility agreement for the OMV financing amounting to USD350 million. As security for this, Sapura Upstream Assets Sdn. Bhd. has pledged shares of SapuraOMV with a value of USD175 million in favour of OMV E&P.
- (c) Tax positions for Sapura Energy Berhad and its subsidiaries 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 on-going discussion with tax authorities regarding the resolution of tax matters for previous years' tax assessments. SDBL has appointed a tax advisor to submit various documents and evidences to prove that all taxes have been settled correctly in the disputed years. SDBL, with the advice of the tax advisor, is of the opinion that there are strong defences over the disputed claims. Accordingly, no provision has been made in the financial statements.
- (d) Other than as described in above and Note 14 (b), there were no other changes in contingent liabilities in the current financial period.

9. Capital commitments

Capital expenditure for property, plant and equipment approved and not provided for in these condensed consolidated interim financial statements as at 31 January 2019 is as follows:

Approved and contracted for:	31/01/2019
	RM'000
Group	<u>437,839</u>

10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/01/2019 RM'000	Preceding year corresponding quarter 31/01/2018 RM'000	Twelve months to 31/01/2019 RM'000	Twelve months to 31/01/2018 RM'000
Continuing operations				
Current taxation:				
Malaysian taxation	(1,165)	41,790	61,172	68,058
Foreign taxation	19,659	25,422	78,336	89,468
Deferred taxation	16,714	(471)	3,240	17,969
	<u>35,208</u>	<u>66,741</u>	<u>142,748</u>	<u>175,495</u>
Discontinued operations				
Malaysian taxation	25,294	15,525	56,348	34,733
Deferred taxation	(9,064)	(47,890)	(1,102)	(29,004)
	<u>16,230</u>	<u>(32,365)</u>	<u>55,246</u>	<u>5,729</u>
	<u>51,438</u>	<u>34,376</u>	<u>197,994</u>	<u>181,224</u>

10. Taxation (cont'd.)

Domestic income tax is calculated at the Malaysian statutory corporate tax rate of 24% of the estimated assessable profit for the year.

Income from petroleum operation in Malaysia is calculated at the Malaysian petroleum income tax rate of 38%.

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

11. (a) Status of corporate proposals announced

There was no corporate proposal announced but not completed as at the date of this announcement.

(b) Status of utilisation of proceeds

In the current quarter, the Company successfully raised a total of approximately RM4.0 billion from the right issues of shares with warrants and rights issue of RCPS-i, which was completed on 29 January 2019. The Company also concluded the strategic partnership agreement with OMV on 31 January 2019 with total cash proceeds of USD890 million equivalent to approximately RM3.6 billion. The utilisation of the proceeds from these corporate exercises to the date of this report were as follows:

Issuance of rights Issue and RCPS-i	Proposed utilisation RM'000	Actual utilisation RM'000	Exchange differences ^ RM'000	Balance RM'000	Intended timeframe for utilisation from completion date within
Part repayment of the bank borrowings of our Group	3,897,491	(3,837,193)	(60,298)	-	1 month
Defray estimated expenses relating to the corporate exercise	81,300	(80,383)	-	917	1 month
	<u>3,978,791</u>	<u>(3,917,576)</u>	<u>(60,298)</u>	<u>917</u>	
Strategic partnership with OMV					
Part repayment of the bank borrowings of our Group	2,937,903	(2,936,520)	(1,383)	-	2 months
Working capital of our Group	652,867	(550,978)	-	101,889	24 months
Defray estimated expenses relating to the corporate exercise	40,804	(13,023)	(19)	27,762	2 months
	<u>3,631,574</u>	<u>(3,500,521)</u>	<u>(1,402)</u>	<u>129,651</u>	

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

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 drawdown for working capital in the future.

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

12. Borrowings

	Short term borrowings		Long term borrowings		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 January 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
	<u>4,885,751</u>	<u>953,159</u>	<u>5,853,826</u>	<u>5,293,100</u>	<u>10,739,577</u>	<u>6,246,259</u>
Total		<u>5,838,910</u>		<u>11,146,926</u>		<u>16,985,836</u>
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
	<u>765,022</u>	<u>957,179</u>	<u>9,421,454</u>	<u>5,271,500</u>	<u>10,186,476</u>	<u>6,228,679</u>
Total		<u>1,722,201</u>		<u>14,692,954</u>		<u>16,415,155</u>

13. Derivative financial instruments

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 derivative outstanding at the reporting date are as follows:

	As at 31 January 2019		As at 31 January 2018	
	Notional Value	Assets Fair Value	Notional Value	Assets Fair Value
	RM'000	RM'000	RM'000	RM'000
5 years Islamic Cross-Currency Swap	<u>2,704,606</u>	<u>174,507</u>	<u>2,704,606</u>	<u>262,563</u>

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

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

14. Material litigation

(a) 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.

Further examination in chief took place in January 2014 whereby revised list of documents were exchanged and has been taken on record.

The cross examination of ONGC's witness were on 22 to 23 December 2014 and 5 to 7 January 2015.

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.

Thereafter, ONGC counsel commenced their arguments in defence on 6 February 2018 and continued on the 2 to 4 May 2018. They have concluded their arguments in the said sittings and have 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 the 12 and 13 of February 2019. Final written submission will now be submitted to arbitrators before 15 April 2019. Thereafter, the arbitrators will review the submissions and prepare 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 claim against ONGC.

(b) 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.

14. Material litigation (cont'd.)

(b) Sapura Fabrication Sdn. Bhd. (cont'd.)

On 26 April 2018, SFSB responded to PML's claim and made a counter claim for a total amount of RM11,023,719.56.

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 is on 1 April 2019. Thereafter, any request for discovery/disclosure is to be filed by 22 April 2019. The tentative hearing date have 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.

15. Review of Group Performance

15.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter		Changes %
	31/01/2019 RM'000	31/01/2018 RM'000	
Revenue from continuing operations	1,485,071	902,697	64.5
(Loss)/profit from operations continuing operations	(189,678)	200,790	(>100.0)
Loss before taxation and after impairments from continuing operations	(2,197,729)	(2,309,301)	4.8
(Loss)/profit after taxation			
- Continuing operations	(2,232,937)	(2,376,042)	6.0
- Discontinued operations	2,730,451	89,646	>100.0
(Loss)/profit attributable to owners of the Parent			
- Continuing operations	(2,230,025)	(2,375,177)	6.1
- Discontinued operations	2,730,451	89,646	>100.0

15. Review of Group Performance (cont'd.)

15.1 Current quarter vs. corresponding quarter of the preceding year (cont'd.)

The Group revenue from continuing operations of RM1,485.1 million was 64.5% higher than RM902.7 million in the corresponding quarter of the preceding year ("Q4 FY2018"), mainly attributable to the higher revenue from Engineering and Construction business segment.

In the current quarter, the Group recorded a loss before taxation and after impairments from continuing operations of RM2,197.7 million which was lower by 4.8% compared to the loss before taxation and after impairments from continuing operations of RM2,309.3 million in Q4 FY2018.

In the current quarter, the Group has made a provision for impairment on goodwill on consolidation of RM108.4 million (Q4 FY2018: Nil) and a provision for impairment on property, plant and equipment of RM1,411.9 million (Q4 FY2018: RM2,132.3 million).

Included in the current quarter profit before tax after impairment from discontinued operations is the gain on disposal of 50% equity stake in a subsidiary of RM2,663.7 million.

15.2 Current year vs. corresponding preceding year

	Cumulative Quarter		Changes %
	31/01/2019 RM'000	31/01/2018 RM'000	
Revenue from continuing operations	4,568,439	5,050,642	(9.5)
Profit from operations continuing operations	290,878	966,511	(69.9)
Loss before taxation and after impairments from continuing operations	(2,574,900)	(2,550,378)	(1.0)
(Loss)/profit after taxation			
- Continuing operations	(2,717,648)	(2,725,873)	0.3
- Discontinued operations	2,921,015	221,058	>100.0
(Loss)/profit attributable to owners of the Parent			
- Continuing operations	(2,713,466)	(2,724,531)	0.4
- Discontinued operations	2,921,015	221,058	>100.0

The Group revenue from continuing operations of RM4,568.4 million was 9.5% lower than the corresponding preceding year ("corresponding year") of RM5,050.6 million, primarily due to the lower revenue from the Engineering and Construction and Drilling business segments.

In the current year under review, the Group recorded a loss before taxation and after impairments from continuing operations of RM2,574.9 million which was higher by RM24.5 million compared to the loss before taxation and after impairments from continuing operations of RM2,550.4 million in the corresponding year.

In the current year, the Group has made a provision for impairment on goodwill on consolidation of RM108.4 million (Corresponding year: Nil) and a provision for impairment on property, plant and equipment of RM1,411.9 million (Corresponding year: RM2,132.3 million).

Included in the current year profit after taxation from discontinued operations is the gain on disposal of 50% equity stake in a subsidiary of RM2,663.7 million.

15. Review of Group Performance (cont'd.)

15.3 Current quarter vs. immediate preceding quarter

	Individual Quarter 3 months to		Changes %
	31/01/2019 RM'000	31/10/2019 RM'000	
Revenue from continuing operations	1,485,071	1,206,079	23.1
(Loss)/profit from operations continuing operations	(189,678)	252,180	>100.0
Loss before taxation and after impairments from continuing operations	(2,197,729)	(52,185)	(>100.0)
(Loss)/profit after taxation			
- Continuing operations	(2,232,937)	(100,972)	(>100.0)
- Discontinued operations	2,730,451	69,319	>100.0
(Loss)/profit attributable to owners of the Parent			
- Continuing operations	(2,230,025)	(100,409)	(>100.0)
- Discontinued operations	2,730,451	69,319	>100.0

The Group revenue from continuing operations of RM1,485.1 million was 23.1% higher than the immediate preceding quarter ("Q3 FY2019") of RM1,206.1 million, primarily due to the higher revenue from Engineering and Construction business segment.

In the current quarter, the Group recorded a loss before taxation and after impairments from continuing operations of RM2,197.7 million which was higher by RM2,145.5 million compared to the loss before taxation and after impairments from continuing operations of RM52.2 million in Q3 FY2019.

In the current quarter, the Group has made a provision for impairment on goodwill on consolidation of RM108.4 million (Q3 FY2019: Nil) and a provision for impairment on property, plant and equipment of RM1,411.9 million (Q3 FY2019: Nil).

Included in the current quarter profit after taxation from discontinued operations is the gain on disposal of 50% equity stake in a subsidiary of RM2,663.7 million.

16. Segment information

The Group organises 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

	3 months to 31/01/2019	
	Revenue	Operating profit/(loss)
	RM'000	RM'000
<u>Continuing operations</u>		
E&C	1,259,981	(624,444)
Drilling	250,016	(1,092,387)
E&P	-	(1,068)
	<u>1,509,997</u>	<u>(1,717,899)</u>
Corporate expenses and eliminations	(24,926)	(407,591)
Group revenue / loss before taxation	<u>1,485,071</u>	<u>(2,125,490)</u>
<u>Discontinued operations</u>		
E&P	202,529	10,743
Gain on disposal of 50% equity stake in a subsidiary	-	2,663,699
	<u>202,529</u>	<u>2,674,442</u>
	<u>1,687,600</u>	<u>548,952</u>

Reconciliation between condensed consolidated income statement and segment operating loss for continuing operation

	Individual Quarter		Cumulative Quarter	
	Three months to 31/01/2019 RM'000	Three months to 31/01/2018 RM'000	Twelve months to 31/01/2019 RM'000	Twelve months to 31/01/2018 RM'000
Loss before taxation and after impairments from continuing operations	(2,197,729)	(2,309,301)	(2,574,900)	(2,550,378)
Add: Intercompany elimination	72,239	36,258	223,950	162,405
Operating loss (as per Note 16.1 and Note 16.2)	<u>(2,125,490)</u>	<u>(2,273,043)</u>	<u>(2,350,950)</u>	<u>(2,387,973)</u>

16. Segment information (cont'd.)

16.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue			Operating profit/(loss)		
	3 months to			3 months to		
	31/01/2019	31/01/2018	Changes	31/01/2019	31/01/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Continuing operations						
Business Segments:						
E&C	1,259,981	670,313	88.0	(624,444)	(84,241)	(>100.0)
Drilling	250,016	230,369	8.5	(1,092,387)	(2,114,474)	48.3
E&P	-	(90)	(>100.0)	(1,068)	5,422	(>100.0)
	<u>1,509,997</u>	<u>900,592</u>		<u>(1,717,899)</u>	<u>(2,193,293)</u>	
Corporate expenses and eliminations	(24,926)	2,105	(>100.0)	(407,591)	(79,750)	(>100.0)
	<u>(24,926)</u>	<u>2,105</u>		<u>(407,591)</u>	<u>(79,750)</u>	
Group revenue/loss before taxation, after impairments	<u>1,485,071</u>	<u>902,697</u>	64.5	<u>(2,125,490)</u>	<u>(2,273,043)</u>	6.5
Discontinued operations						
E&P	202,529	286,548	(29.3)	10,743	21,023	(48.9)
Gain on disposal of 50% equity stake in a subsidiary	-	-	-	2,663,699	-	>100.0
	<u>202,529</u>	<u>286,548</u>		<u>2,674,442</u>	<u>21,023</u>	
	<u>1,687,600</u>	<u>1,189,245</u>	41.9	<u>548,952</u>	<u>(2,252,020)</u>	>100.0

Note: Sapura Exploration & Production (Sabah) Inc. remains in continuing E&P segment. Going forward in financial year ending 31 January 2020, the share of profit from SapuraOMV will be recorded under continuing E&P segment.

Continuing operations

Business Segments:

Engineering and Construction

The segment recorded revenue of RM1,260.0 million, which was 88.0% higher than the revenue of RM670.3 million in Q4 FY2018, in line with the higher activities during the current quarter.

The segment recorded a loss before taxation after impairments for the current quarter of RM624.4 million which was higher by RM540.2 million compared to loss before taxation of RM84.2 million in Q4 FY2018. Included in the current quarter is a provision for impairment on goodwill of consolidation of RM54.3 million (Q4 FY2018: Nil) and a provision for impairment on property, plant and equipment of RM394.1 million (Q4 FY2018: RM62.5 million). Excluding these items, the segment recorded loss before taxation of RM176.0 million, which was higher by RM154.3 million compared to loss before taxation of RM21.7 million in Q4 FY2018.

The segment recorded higher loss before taxation in the current quarter, after impairment is mainly due to provision for impairment of assets and goodwill on consolidation and lower project margins.

16. Segment information (cont'd.)

16.1 Current quarter vs. corresponding quarter of the preceding year (cont'd.)

Continuing operations (cont'd.)

Business Segments (cont'd.):

Drilling

The segment revenue for the current quarter of RM250.0 million was 8.5% higher than the revenue of RM230.4 million in Q4 FY2018 due to higher number of working rigs compared to Q4 FY2018.

The segment recorded a loss before taxation, after impairments of RM1,092.4 million, which was lower by 48.3% compared to the loss before taxation, after impairments of RM2,114.5 million in Q4 FY2018.

Included in the current quarter segment loss before taxation, after impairments is a provision for impairment on property, plant and equipment of RM1,017.8 million (Q4 FY2018: RM2,062.2 million). Excluding this item, the segment recorded loss before taxation of RM74.6 million, which was higher by RM22.3 million compared to loss before taxation of RM52.3 million in Q4 FY2018.

Discontinued operations

Exploration and Production

The segment recorded revenue of RM202.5 million, which was 29.3% lower than the revenue of RM286.5 million in Q4 FY2018. The decrease was due to the lower oil liftings and the effect of the lower average realised oil price achieved in the current quarter compared to Q4 FY2018.

The segment recorded a profit before taxation of RM10.7 million which was RM10.3 million lower compared to Q4 FY2018.

Included in the current quarter segment profit before tax is the gain on disposal of 50% equity stake in a subsidiary of RM2,663.7 million.

16. Segment information (cont'd.)

16.2 Current year vs. corresponding preceding year

	Revenue 12 months to			Operating profit/(loss) 12 months to		
	31/01/2019 RM'000	31/01/2018 RM'000	Changes %	31/01/2019 RM'000	31/01/2018 RM'000	Changes %
Continuing operations						
Business Segments:						
E&C	3,664,951	3,955,874	(7.4)	(568,895)	194,513	(>100.0)
Drilling	933,456	1,145,540	(18.5)	(1,231,028)	(2,271,827)	45.8
E&P	-	6,052	(>100.0)	(5,066)	17,689	(>100.0)
	<u>4,598,407</u>	<u>5,107,466</u>		<u>(1,804,989)</u>	<u>(2,059,625)</u>	
Corporate expenses and eliminations	<u>(29,968)</u>	<u>(56,824)</u>	47.3	<u>(545,961)</u>	<u>(328,348)</u>	(66.3)
Group revenue/loss before taxation, after impairments	<u>4,568,439</u>	<u>5,050,642</u>	(9.5)	<u>(2,350,950)</u>	<u>(2,387,973)</u>	(1.6)
Discontinued operations						
E&P	936,038	844,356	10.9	88,612	64,382	37.6
Gain on disposal of 50% equity stake in a subsidiary	-	-	-	2,663,699	-	>100.0
	<u>936,038</u>	<u>844,356</u>		<u>2,752,311</u>	<u>64,382</u>	
	<u>5,504,477</u>	<u>5,894,998</u>	(6.6)	<u>401,361</u>	<u>(2,323,591)</u>	>100.0

Note: Sapura Exploration & Production (Sabah) Inc. remains in continuing E&P segment. Going forward in financial year ending 31 January 2020, the share of profit from SapuraOMV will be recorded under continuing E&P segment.

Continuing operations

Business Segments:

Engineering and Construction

The segment revenue for the current year of RM3,665.0 million was 7.4% lower compared to the corresponding year, in line with the lower activities during the year.

The segment recorded a loss before taxation, after impairments for the current year of RM568.9 million which was lower by RM763.4 million compared to profit before taxation, after impairments of RM194.5 million in the corresponding year.

Included in the current year segment loss before taxation, after impairments is a provision for impairment on goodwill on consolidation of RM54.3 million (Corresponding year: Nil), provision for impairment on property, plant and equipment of RM394.1 million (Corresponding year: RM62.5 million) and share of loss on disposal of vessels by SapuraAcergy of RM46.1 million in the corresponding year. Excluding these items, the segment recorded loss before taxation of RM120.5 million, which was lower by RM423.6 million compared to profit before taxation of RM303.1 million in corresponding year, in line with the lower revenue.

16. Segment information (cont'd.)

16.2 Current year vs. corresponding preceding year (cont'd.)

Continuing operations (cont'd.)

Business Segments (cont'd.):

Drilling

The segment revenue for the current year of RM933.5 million was lower by 18.5% compared to the corresponding year, mainly due to the unfavourable effect of US Dollar weakening against Ringgit Malaysia and the lower number of rigs fully in operation during the current year.

The segment recorded a loss before taxation, after impairments for the current year of RM1,231.0 million which was lower by 45.8% compared to loss before taxation, after impairments of RM2,271.8 million in the corresponding year.

Included in the current year segment loss before taxation, after impairments is a provision for impairment on property, plant and equipment of RM1,017.8 million (Corresponding year: RM2,062.2 million). Excluding this item, the segment recorded loss before taxation of RM213.2 million, which was marginally higher by RM3.6 million compared to loss before taxation of RM209.7 million in the corresponding year.

Discontinued operations

Exploration and Production

The segment recorded revenue of RM936.0 million, which was 10.9% higher than the revenue of RM844.4 million in the corresponding year. The increase was due to the higher liftings and the effect of the higher average realised oil and gas price achieved in the current year.

The segment recorded a profit before taxation for the current year of RM88.6 million which was higher by RM24.2 million compared to profit before taxation of RM64.4 million in the corresponding year, in line with the higher revenue.

Included in the current year profit before tax is the gain on disposal of 50% equity stake in a subsidiary of RM2,663.7 million.

17. Additional disclosure information

17.1 Foreign exchange exposure/Hedging policy

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

17. Additional disclosure information (cont'd.)

17.1 Foreign exchange exposure/Hedging policy (cont'd.)

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's entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly in USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the assets or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments. Where possible, the strategy is to match the payments for foreign currency payables against receivables denominated in the same foreign currency.

The Group has entered into ICRCs contracts with various banks to hedge part of the Group's borrowings. Further details on derivative financial instruments are disclosed in Note 13.

17.2 Trade and other receivables

	As at 31/01/2019	As at 31/01/2018
	RM'000	RM'000
Non-current		
Trade receivables, representing total non-current trade receivables	<u>11,374</u>	<u>30,537</u>
Current		
Trade receivables, including contract assets	1,977,837	1,576,527
Less: Provision for impairment	<u>(34,446)</u>	<u>(34,446)</u>
	<u>1,943,391</u>	<u>1,542,081</u>
Other receivables	<u>846,177</u>	<u>988,030</u>
Total current trade and other receivables	<u>2,789,568</u>	<u>2,530,111</u>
Total trade and other receivables	<u>2,800,942</u>	<u>2,560,648</u>

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 120 days (as at 31 January 2018: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by the management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

18. (a) Commentary on prospects

In FY2019, the Group successfully delivered on its strategic plans to strengthen its financial position with the completion of the rights issue and the strategic partnership with OMV for its E&P business. Through both exercises, the Group raised approximately RM7.6 billion to repay its borrowings and for working capital. As a result, the Group has deleveraged and positioned itself on a stronger financial footing to capitalise on the emerging opportunities in an improving market.

The Group has made a further provision of impairment of RM1.5 billion primarily on drilling and certain marine assets to reflect the current value of these assets. Moving forward, this should enable the Group to be more competitive operationally and economically.

18. (a) Commentary on prospects (cont'd.)

The Group's current orderbook of RM17.2 billion is at its highest in two years and continues to grow as the Group bids for larger and higher-value projects globally. The value of cumulative new contract wins in FY2019 stood at RM9.3 billion, with notable EPCIC awards in our core markets, including the Pegaga gas development by Mubalada Petroleum, KG-DWN 98/2 NELP block by ONGC and Hokchi Field Development in the Gulf of Mexico. The Group marked significant milestones in its growth strategy with new entries in the Middle East and Africa. Being one of the eight qualified service companies under Saudi Aramco's long-term agreement ("LTA") programme will open up new engineering, procurement, construction and installation opportunities, and deepen our presence in the Middle East. Our African presence has been further strengthened by the recent award for a pipeline project in Nigeria operated by Shell Petroleum and a long-term drilling contract in Angola with Chevron Corporation.

In FY2020, the Group will remain focused on growing and executing the orderbook as well as delivering strong operational performance. The Group is aggressively pursuing new opportunities in the Middle East, Africa, Asia Pacific, Europe, the Caspian and the Americas. The expanding orderbook is expected to further boost asset utilisation, thus contributing to improving the financial performance. With the increasing activities, stronger balance sheet and encouraging potential growth prospects, the Board is confident that the Group is strongly positioned to grow and increase shareholder value.

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

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

19. Dividend

In respect of the financial year ended 31 January 2019, the Board of Directors has declared a tax exempt single tier special dividend of 0.5 sen per share (in respect of financial year ended 31 January 2018: no dividend was declared).

The special dividend will be paid on 24 June 2019 to shareholders registered at the close of business on 31 May 2019. A depositor shall qualify for entitlement only in respect of:

- (i) shares transferred into the Depositor's Securities Account before 4:00 pm on 31 May 2019 in respect of transfers;
- (ii) shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

20. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months to		12 months to	
Basic/Diluted	31/01/2019	31/01/2018	31/01/2019	31/01/2018
Profit/(loss) attributable to owners of the Parent (RM'000)				
- Continuing operations	(2,230,025)	(2,375,177)	(2,713,466)	(2,724,531)
- Discontinued operations	2,730,451	89,646	2,921,015	221,058
	<u>500,426</u>	<u>(2,285,531)</u>	<u>207,549</u>	<u>(2,503,473)</u>
Weighted average number of ordinary shares in issue excluding shares held under trust ('000):				
- Basic	6,294,091	5,945,238	6,042,519	5,946,662
Effects of dilution:				
ESOS	54,463	-	13,728	-
- Diluted	<u>6,348,554</u>	<u>5,945,238</u>	<u>6,056,247</u>	<u>5,946,662</u>
Earning per shares from continuing operations (sen)				
- Basic	(35.43)	(39.95)	(44.91)	(45.82)
- Diluted	<u>(35.13)</u>	<u>(39.95)</u>	<u>(44.80)</u>	<u>(45.82)</u>
Earning per shares from discontinued operations (sen)				
- Basic	43.38	1.51	48.34	3.72
- Diluted	<u>43.01</u>	<u>1.51</u>	<u>48.23</u>	<u>3.72</u>

By Order of the Board

Lew Sue Li (MIA 42700)
Wong Lay See (MAICSA 7018684)
Company Secretaries

Seri Kembangan, Selangor Darul Ehsan
25 March 2019