EMPOWERING OUR HUMAN CAPITAL

Engineering & Construction // Drilling // Energy

ANNUAL REPORT 2016
GLOBAL PRESENCE

Our Locations
Engineering
Geotechnical/Geophysical Survey
Operations & Maintenances
Fabrication
Hook-up & Commissioning
Installation of Pipelines & Facilities
Marine, Diving & ROV Services
Drilling
Exploration & Production

ENGINEERING & CONSTRUCTION

DRILLING

ENERGY
OUR VALUE CHAIN

EXPLORATION

Production Sharing Contract Block Exploration

DEVELOPMENT

Engineering, Procurement, Construction, Installation, Commissioning, Drilling, Production Sharing Contract Block Development

PRODUCTION

Production Sharing Contract Block Production, Marginal Fields

REJUVENATION

Brownfield Rejuvenation

DECOMMISSIONING & ABANDONMENT

Decommissioning

STRATEGIC ASSETS SUPPORTING OPERATIONS*

ENGINEERING & CONSTRUCTION

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

DRILLING

- 9 Tender Barge Rigs
- 8 Semi-Tender Rigs

ENERGY

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

* Other assets include Turbine Maintenance Centre and 88-acre Shipyard in Labuan
Our Vision is to be the best entrepreneurially led, technically competent and most trusted global oil and gas company in the eyes of our customers, shareholders and most importantly, our empowered people.

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

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

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

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

Our strong experience in the oil and gas sector as well as our collaboration with industry and government stakeholders have led to the sharing and adopting of HSE best practices in our business. We consistently keep abreast of HSE developments in the industry and drive continuous improvement in our organisation.
We are honoured to have been accorded the following awards and milestone recognitions by our clients for our various HSE achievements:

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

ISO 9001:2008
- SapuraKencana TL Offshore Sdn Bhd
- SapuraKencana Allied Marine Sdn Bhd
- SapuraKencana Australia Pty Ltd
- Total Marine Technology Pty Ltd
- SapuraKencana GeoSciences Sdn Bhd
- SapuraKencana Technology Sdn Bhd
- SapuraAcergy Sdn Bhd

ISO 14001:2004
- SapuraKencana TL Offshore Sdn Bhd
- SapuraKencana Allied Marine Sdn Bhd
- SapuraKencana HL Sdn Bhd
- Total Marine Technology Pty Ltd
- SapuraAcergy Sdn Bhd
- NZ 4801
- SapuraKencana Allied Marine Sdn Bhd
- MS 1722
- SapuraKencana TL Offshore Sdn Bhd

OHSAS 18001:2007
- SapuraKencana TL Offshore Sdn Bhd
- SapuraKencana Allied Marine Sdn Bhd
- SapuraKencana HL Sdn Bhd
- Total Marine Technology Pty Ltd
- SapuraAcergy Sdn Bhd
FINANCIAL PERFORMANCE

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

### 2015

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<th>Date</th>
<th>Event</th>
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<tr>
<td>24 March</td>
<td>Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2015</td>
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<tr>
<td>15 April</td>
<td>Submission of Audited Financial Statements for the financial year ended 31 January 2015</td>
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<tr>
<td>15 June</td>
<td>Announcement of the unaudited consolidated results for the first quarter ended 30 April 2015</td>
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<td>16 June</td>
<td>Fourth Annual General Meeting</td>
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<tr>
<td>15 September</td>
<td>Announcement of the unaudited consolidated results for the second quarter ended 31 July 2015</td>
</tr>
<tr>
<td>22 December</td>
<td>Announcement of the unaudited consolidated results for the third quarter ended 31 October 2015</td>
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### 2016

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>25 March</td>
<td>Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2016</td>
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<tr>
<td>20 May</td>
<td>Submission of Audited Financial Statements for the financial year ended 31 January 2016</td>
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<tr>
<td>26 May</td>
<td>Notice of Annual General Meeting and issuance of Annual Report for the financial year ended 31 January 2016</td>
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<tr>
<td>26 July</td>
<td>Fifth Annual General Meeting</td>
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</table>
BOARD OF DIRECTORS

DATO’ HAMZAH BAKAR
Chairman
Non-Independent Non-Executive Director

TAN SRI DATO’ SERI SHAHRIL SHAMSUDDIN
President and Group Chief Executive Officer
Non-Independent Executive Director

TAN SRI DATUK AMAR (DR) HAMID BUGO
Senior Independent Non-Executive Director

DATO’ SHAHRIMAN SHAMSUDDIN
Non-Independent Non-Executive Director

MOHAMED RASHDI MOHAMED GHAZALLI
Independent Non-Executive Director

GEE SIEW YOONG
Independent Non-Executive Director

RAMLAN ABDUL MALEK
Non-Independent Executive Director

DATUK MUHAMAD NOOR HAMID
Independent Non-Executive Director
NOMINATION COMMITTEE
Tan Sri Datuk Amar (Dr) Hamid Bugo
Chairman
Dato' Hamzah Bakar
Gee Siew Yoong

REMUNERATION COMMITTEE
Dato’ Hamzah Bakar
Chairman
Tan Sri Dato’ Seri Shahril Shamsuddin
Mohamed Rashdi Mohamed Ghazalli

LONG-TERM INCENTIVE PLAN COMMITTEE
Dato’ Hamzah Bakar
Chairman
Tan Sri Dato’ Seri Shahril Shamsuddin
Tan Sri Datuk Amar (Dr) Hamid Bugo

AUDIT COMMITTEE
Gee Siew Yoong
Chairman
Tan Sri Datuk Amar (Dr) Hamid Bugo
Mohamed Rashdi Mohamed Ghazalli

RISK COMMITTEE
Mohamed Rashdi Mohamed Ghazalli
Chairman
Dato’ Shahrirman Shamsuddin
Datuk Muhamad Noor Hamid

COMPANY SECRETARY
Jasmin Abdul Rashid
(LS 0009589)

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

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

REGISTERED OFFICE
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Solaris Dutamas
1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia
Tel : (6)03-6209 8000
Fax : (6)03-6209 5744

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

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

Dear Shareholders,

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

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

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

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

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

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

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

A key component of the Group’s agenda is investment in human capital. The Long-Term Incentive Plan has now been implemented as a means to retain key talents and capability for the Group. Other key initiatives such as succession planning and development in leadership and technical skills have been improved so that the Group will have the required expertise and agility when the industry recovers.
“The Board is in support of the proactive steps taken by the Management to ensure that the Group is able to deliver its strategy, to aggressively rebase its costs and ensure long-term sustainability of the business, fundamentally protecting and enhancing value for shareholders.”
The Board is committed to the highest standards of corporate governance and risk management practices across our operations. Continued emphasis is placed on implementing stringent and transparent governance controls to safeguard the reputation of SapuraKencana as well as to safeguard shareholder value.

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

ACKNOWLEDGEMENTS

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

I would also like to commend the President and Group Chief Executive Officer and his management team for their drive, commitment and personal sacrifices in their efforts to ensure the Group is able to emerge stronger in the face of current challenges. They had reconfigured the Group’s strategies and structure and successfully achieved higher efficiencies in all the Group activities, resulting in cost savings of approximately RM0.5 billion during the year. They led the Group by example. They showed their commitment to achieve cost savings by taking personal salary cuts during the year and continuing into the financial year ending 31 January 2017 (“FY2017”).
We have a strong Board, comprising members with vast expertise and experience as well as breadth and depth of vision. I wish to thank the directors for their good counsel and diligent oversight that had helped steer the Group forward. In support of the senior management, the directors had also voluntarily agreed to 10% fees reduction during the year and continuing into FY2017.

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

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

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

Dato’ Hamzah Bakar  
Chairman  
16 May 2016
Dear Shareholders,

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

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

Tan Sri Dato’ Seri Shahril Shamsuddin
President and Group Chief Executive Officer
Non-Independent Executive Director
The Group ends the year with a higher cash position of RM1.9 billion. The order book at the end of FY2016 is valued at RM21.3 billion, of which RM6.2 billion of new orders were secured during this financial year. Despite the challenging operating environment, SapuraKencana continues to deliver strong operational performance across all business segments.

DIVISIONAL PERFORMANCE & HIGHLIGHTS

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

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

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

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

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

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

CONFIDENCE IN A CHALLENGING ENVIRONMENT

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

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

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

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

ENGINEERING FOR THE FUTURE

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

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

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

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

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

LOOKAHEAD

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

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

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

ACKNOWLEDGEMENTS

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

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

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

Tan Sri Dato' Seri Shahril Shamsuddin
President and Group Chief Executive Officer
16 May 2016
Dato’ Hamzah Bakar, aged 72, was appointed to the Board of Directors (“Board”) of SapuraKencana Petroleum Berhad (“SapuraKencana”) on 9 December 2011 as the Chairman and an Independent Non-Executive Director. On 6 February 2013, Dato’ Hamzah was redesignated as the Non-Independent Non-Executive Chairman.

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

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

Dato’ Hamzah holds a Bachelor of Science (Honours) in Economics from Queen’s University Belfast, United Kingdom and a Master of Arts in Public Policy and Administration with Development Economics from the University of Wisconsin, United States of America (“USA”).
Tan Sri Dato’ Seri Shahril Shamsuddin, aged 55, is the President and Group Chief Executive Officer and Non-Independent Executive Director of SapuraKencana since 9 December 2011.

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

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

Tan Sri Dato’ Seri Shahril holds a Master of Science in Management of Technology from MIT Sloan School of Management and a Bachelor of Science in Industrial Technology from California Polytechnic State University.
Tan Sri Datuk Amar (Dr) Hamid Bugo, aged 70, was appointed to the Board of SapuraKencana on 27 February 2012 as an Independent Non-Executive Director and was subsequently appointed as the Senior Independent Non-Executive Director on 6 February 2013.

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

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

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

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

Tan Sri Datuk Amar (Dr) Hamid graduated from Canterbury University, New Zealand, with a Bachelor and a Master of Arts in Economics. He also holds a Postgraduate Diploma in Teaching and a Postgraduate Certificate in Business Studies from Harvard Institute of Development Studies, USA. He was honoured with a Ph.D (Commerce) by Lincoln University, New Zealand. Tan Sri Datuk Amar (Dr) Hamid is a recipient of an Excellent Award from the American Association of Conservation Biology.
Dato’ Shahriman Shamsuddin, aged 47, was appointed to the Board of SapuraKencana as a Non-Independent Non-Executive Director on 9 December 2011.

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

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

Dato’ Shahriman holds a Master of Science in Engineering Business Management from Warwick University, United Kingdom and a Bachelor of Science in Industrial Technology from Purdue University, USA.
Encik Mohamed Rashdi Mohamed Ghazalli, aged 59, was appointed to the Board of SapuraKencana on 9 September 2011 as an Independent Non-Executive Director.

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

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

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

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

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

Encik Mohamed Rashdi graduated from the University of Manchester Institute of Science and Technology, United Kingdom in 1979.
Ms Gee Siew Yoong, aged 66, was appointed to the Board of SapuraKencana on 5 July 2013 as an Independent Non-Executive Director.

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

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

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

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

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

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

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

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

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

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

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

He holds a Bachelor of Science (Honours) in Chemical Engineering from the University of Bath, United Kingdom. He completed his senior management training at INSEAD in France and at Cornell University, USA.
Datuk Muhamad Noor Hamid, aged 64, was appointed to the Board of SapuraKencana on 14 April 2015 as an Independent Non-Executive Director.

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

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

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

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

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

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

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

2. Conflict of Interest

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

3. Convictions for Offences

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

4. Attendance at Board Meetings

The attendance of the Directors at its meetings held during the financial year ended 31 January 2016 are set out on page 72 of this Annual Report.
A GLOBAL OIL AND GAS SERVICE PROVIDER AND OPERATOR
Ahmad Zakiruddin Mohamed
Senior Vice President
Engineering and Construction - Malaysia

Datuk Kris Azman Abdullah
Senior Vice President
Energy

Vivek Arora
Senior Vice President
Engineering and Construction - International

Raphael Siri
Senior Vice President
Drilling
OUR FABRICATION YARDS

- 273-acre Fabrication Yard in Lumut
- 20-acre Fabrication Yard in Teluk Kalong
ENGINEERING & CONSTRUCTION - MALAYSIA

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

MARKET STANDING

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

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

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

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

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

ECM will continue to leverage on its proven track record, its internal assets, experienced project management team and skilled technical personnel to continue delivering business excellence. The division’s well-recognised Health,
Safety and Environment ("HSE") benchmarks and initiatives will further strengthen its business proposition going forward.

**OPERATIONAL HIGHLIGHTS**

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

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

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

These efforts and others implemented throughout FY2016 enabled ECM to successfully sustain operating margins on various projects while also ensuring they remained viable for clients.
The division also successfully completed several key projects in FY2016. These included the Carigali-PTTEPI Operating Company (“CPOC”) for Brownfield works – Phase 3 Development within the Malaysia-Thailand Joint Development Area (“JDA”). Another key project highlight was for the Kebabangan Petroleum Operating Company (“KPOC”) for the Kebabangan Northern Hub Development under Sabah Operations Offshore (“SBO”).

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

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

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

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

FY2016 ACHIEVEMENTS

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

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

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

**MOVING FORWARD**

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

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

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

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

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

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

In addressing the needs of today’s market, Engineering & Construction - International will continue to closely track the present needs and requirements of clients, responding proactively to capitalise on opportunities as well as leverage on our assets and resources effectively.
We will continue to align ourselves closely with the needs of clients to effectively serve them as their one-stop, strategic business partner. Ultimately, we remain poised to provide answers to the increasingly complex and rapidly evolving requirements of the global oil and gas industry, more so in today’s challenging market conditions.

MARKET STANDING

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

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

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

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

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

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

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

Through these efforts in FY2016, the division recognised RM2.9 billion in revenue while successfully completing key projects.
Within the Malaysia-Thailand Joint Development Area (“JDA”), we completed four wellhead platforms (“WHP”) and 43.7km of pipeline for Blocks B-17 and B17-01.

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

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

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

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

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

In Australia, the division, via SapuraKencana Australia (“SKA”) undertook engineering, project management and offshore activities related to the installation of subsea structures, pipeline replacement and decommissioning for Quadrant Energy, Prelude and Ichty’s / Saipem for an aggregated value worth AUD70.6 million. Subsequent to the financial year end, SKA and Total Marine Technology (“TMT”), another of the Group’s Australian entities, were also involved in other subsea and Light Well Intervention activities in Asia Pacific for AUD10.1 million. TMT has also developed a patented market leading subsea torque tool and built two new heavy-work class ROVs, which are currently being deployed for Chevron and Quadrant Energy in Northwest Australia.
FY2016 also saw the expansion of our operations in Brazil with three of the six pipe-laying support vessels ("PLSVs") working on long-term contracts with Petróleo Brasileiro S.A ("Petrobras"), namely the Sapura Diamante, Sapura Topazio and Sapura Onix. Sapura Onix commenced operations in September 2015 ahead of contractual schedule. We took delivery of the fourth and fifth PLSVs, Sapura Jade and Sapura Esmeralda respectively in December 2015 and both vessels have commenced long-term charter contracts with Petrobras in 2016. Sapura Rubi, the final and sixth PLSV is scheduled for completion in 2016.

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

FY2016 ACHIEVEMENTS

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

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

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

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

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

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

Malaysia:
- Provision of Comprehensive Maintenance by Murphy Sarawak Oil Company Ltd for comprehensive maintenance of GE-supplied turbomachinery equipment under a long-term service agreement (“LTA”) for approximately 10 years
- Provision of Turbomachinery Maintenance Services by Petronas Floating LNG1 (L) Ltd. Facilities (“PFLNG1 and PFLNG2”) for comprehensive maintenance of GE supplied turbomachinery equipment under a LTA. This comprises the provision of maintenance services for GE-supplied aeroderivative gas turbines, centrifugal compressors and electric generators and electric motors. This LTA is for a period of 10 years with an option to extend for an additional five years

Asia Pacific
- Secured two projects from India – Mumbai High South Redevelopment Phase – III Project (“MHS-RD3”), the division’s first EPCI projects from the subcontinent and Vasai East project, an installation of structures, pipelines and subsea works
- Awarded HESS Exploration & Production Malaysia B.V EPC contract for Subsea Isolation Valve (SSIV) Systems for full field development, North Malay Basin. This SSIV project is the first of its kind in Malaysia’s oil and gas industry
- Awarded a long-term service contract for six Major Inspections (MI) in MLNG and two Engine Exchanges with one overhaul at Petronas Gas Berhad
- Awarded LTA for the PFLNG1, the first floating LNG facility built by PETRONAS. It is also the biggest contract secured by SapuraKencana GE Oil & Gas Services (“SKGE”) in terms of fleet size (PFLNG1 and PFLNG2) with 12 gas turbines, two electrical motors, six centrifugal compressors and eight electric generators

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

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

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

We understand that with oil and gas majors looking to minimise cost and risk exposure, they would prefer turnkey solutions from industry players. As such, we continue to drive and market our EPCI capabilities to undertake turnkey projects.
projects and provide them with end-to-end solutions. This includes providing “fit for purpose solutions” by first understanding the unique challenges facing each client and then providing answers that best meet their requirements.

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

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

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

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

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

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

- 9 Tender Barge Rigs
- 8 Semi-Tender Rigs
SapuraKencana Drilling is the world’s leading tender rig owner and operator with around 50% share of the global market with a globally-recognised track record for cost-efficiency and the safest tender assist drilling solutions for operators.
Tender assist drilling remains a very cost-effective method of developing oil and gas production and provides opportunities for oil and gas companies to reduce their capital expenditure requirements in this challenging market. Leveraging on this advantage and its reputation in the industry, SapuraKencana Drilling (“SKD”) continues to proactively seek out opportunities to add value to existing and potential clients by showcasing how our unique value proposition empowers them to achieve sustainability and improve productivity in their development drilling operations.

**MARKET STANDING**

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

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

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

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

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

**OPERATIONAL HIGHLIGHTS**

In FY2016, operating conditions were indeed challenging as oil and gas companies reduced their capital expenditure (“capex”) given the low price of crude oil. SKD adapted quickly to these new market conditions to effectively address client’s challenges and concerns in a capital-constrained and low oil price environment. This exemplifies the Group’s core value of agility.
Drawing from our extensive expertise and experience, we worked closely with clients and our efforts yielded positive results, successfully helping to reduce their overall project cost structure while ensuring that most of their drilling campaigns remained sustainable.

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

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

Our unique ability to achieve such close working relationships is made possible through the trust and confidence we have earned from our clients, underpinned by a long-standing track record of excellent performance and strong working relationships cultivated with oil and gas majors and national oil companies ("NOCs") for over 40 years.
FY2016 ACHIEVEMENTS

SKD registered its best operational year in FY2016, clearly reflected in the various awards and accolades received from oil and gas majors and NOCs. We successfully maintained a high technical utilisation rate among all established offshore drilling contractors with an average of 98.6% across the worldwide fleet, with the vast majority of units reaching in excess of 99%. The exemplary performance levels exhibited in the servicing of these contracts have further distinguished the good name of SapuraKencana going forward.

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

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

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

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

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

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

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

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

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

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

• Participation in 9 Production Sharing Contracts
• Participation in 1 Risk Service Contract
• Operatorship in 6 Production Sharing Contracts
Over the past 10 years, SapuraKencana Energy has established itself as a key Exploration and Production player recognised for its cost effectiveness and excellent safety standards.

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

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

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

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

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

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

OPERATIONAL HIGHLIGHTS

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

This was achieved on the back of an efficient operational production uptime exceeding 95% while controllable production cost was pared down by as much as 15% across our operated assets. Rigorous rationalisation of operational philosophy, lower logistics utilisation and re-prioritisation of essential capital projects were the main drivers in this regard. Our HSE performance remains exemplary, with no lost time incidents recorded during the year.
The major highlight for the year was receiving FDP approval from PETRONAS for the SK310 B15 gas project in November 2015. This development is a culmination of the efforts initiated by the SK310 block exploration campaign, offshore East Malaysia, with the B15 discovery made in December 2010. The development will comprise a central processing platform with a 35km gas evacuation pipeline to be tied into the existing infrastructure. The B15 field is expected to produce 100.0 million standard cubic feet per day (“MMSCFD”) of gas for the PETRONAS’ Liquefied Natural Gas (“LNG”) complex in Bintulu, Sarawak.

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

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

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

**FY2016 ACHIEVEMENTS**

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

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

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

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

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

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

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