


**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON**

**SAPURA ENERGY BERHAD
(950894-T)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements
31 January 2018**

CERTIFIED TRUE COPY


.....
 **Ernst & Young (AF: 0039)**
Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim
Partner.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****Sapura Energy Berhad
(Incorporated in Malaysia)**

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**Sapura Energy Berhad
(Incorporated in Malaysia)**

Directors' report

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

Principal activities

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

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

Results

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

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

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

Dividends

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

The Board of Directors does not recommend any dividend in respect of the financial year ended 31 January 2018.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
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**Sapura Energy Berhad
(Incorporated in Malaysia)**

Directors

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

Dato' Hamzah bin Bakar *
Tan Sri Dato' Seri Shahril bin Shamsuddin *
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo *
Dato' Shahrizan bin Shamsuddin
Mohamed Rashdi bin Mohamed Ghazalli *
Gee Siew Yoong
Datuk Ramlan bin Abdul Malek
Datuk Muhamad Noor bin Hamid
Datuk Ramlan bin Abdul Rashid
Tunku Alizakri bin Raja Muhammad Alias (Resigned on 31 January 2018)

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)****Directors (cont'd.)**

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

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

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

Resigned during the year:

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

^ Alternate director of the subsidiaries

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 37 to the financial statements.

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**Sapura Energy Berhad
(Incorporated in Malaysia)**

Directors' interests

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

	Number of ordinary shares			As at 31.1.2018 '000
	As at 1.2.2017 '000	Acquired '000	Sold '000	
The Company				
Indirect interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	1,007,545	-	-	1,007,545
Dato' Shahriman bin Shamsuddin	1,007,545	-	-	1,007,545
Mohamed Rashdi bin Mohamed Ghazalli	49	-	-	49
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo	-	275	-	275
Direct interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	37,812	-	-	37,812
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo	256	-	-	256
Dato' Shahriman bin Shamsuddin	506	-	-	506
Mohamed Rashdi bin Mohamed Ghazalli	98	-	-	98
Datuk Ramlan bin Abdul Malek	485	-	-	485

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Sapura Energy Berhad
(Incorporated in Malaysia)****Shares held under trust**

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

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

Other statutory information

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment on receivables and satisfied themselves that there were no known bad debts and that adequate impairment had been made for receivables; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to their expected realisable values.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**Sapura Energy Berhad
(Incorporated in Malaysia)**

Other statutory information (cont'd.)

(e) At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant and subsequent events

Significant and subsequent events are disclosed in Note 44 to the financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**Sapura Energy Berhad
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Auditors and auditors' remuneration

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

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

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

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



Dato' Hamzah bin Bakar



Tan Sri Dato' Seri Shahril bin Shamsuddin

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

**Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016**

We, Dato' Hamzah bin Bakar and Tan Sri Dato' Seri Shahril bin Shamsuddin, being two of the directors of Sapura Energy Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 18 to 179 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2018 and of financial performance and cash flows for the year then ended.

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



Dato' Hamzah bin Bakar



Tan Sri Dato' Seri Shahril bin Shamsuddin

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

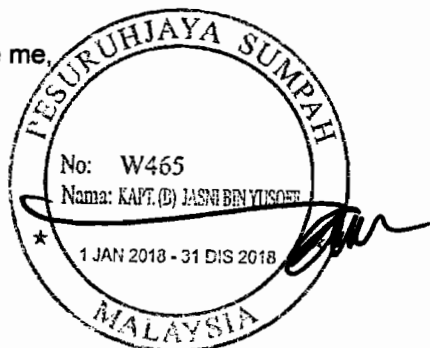
I, Reza bin Abdul Rahim, being the officer primarily responsible for the financial management of Sapura Energy Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 18 to 179 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Reza bin Abdul Rahim
at Kuala Lumpur in the Federal Territory
on 30 April 2018



Reza bin Abdul Rahim
MIA 22950

Before me,



Lot 1.08, Tingkat 1,
Bangunan KWSP, Jin Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6689745

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
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**Independent auditors' report to the members of
Sapura Energy Berhad
(Incorporated in Malaysia)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sapura Energy Berhad, which comprise the statements of financial position as at 31 January 2018 of the Group and of the Company, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 18 to 179.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 January 2018, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and other ethical responsibility

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**



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**Independent auditors' report to the members of
Sapura Energy Berhad (cont'd.)
(Incorporated in Malaysia)**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

The Group has goodwill on consolidation (Note 16 to the financial statements), OGP (Note 15 to the financial statements), vessels and drilling rigs (Note 14 to the financial statements) that represent approximately 31%, 16% and 43% of the Group's total non-current assets respectively.

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Independent auditors' report to the members of Sapura Energy Berhad (cont'd.)
(Incorporated in Malaysia)****Key Audit Matters (cont'd.)****(a) Impairment assessment of goodwill on consolidation, expenditure on oil and gas properties ("OGP"), vessels and drilling rigs (cont'd.)**

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

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

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

- (i) Obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs or groups of CGUs.
- (ii) Evaluated the key assumptions used by management in the cash flow projections, in particular, by comparing to past actual outcomes on whether the key assumptions made are reasonable.
- (iii) Corroborated the key assumptions with industry analysts' views, management's plans and existing contracts, where applicable.
- (iv) Evaluated the discount rates and the methodologies used to determine the present value of cash flows with the support of valuation specialist, in particular, specific inputs to the determination of the discount rate, including the risk-free rate and country risk rates, along with gearing and cost of debt. We benchmarked such inputs against international and domestic markets in which the Group operates.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



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Independent auditors' report to the members of Sapura Energy Berhad (cont'd.) (Incorporated in Malaysia)

Key Audit Matters (cont'd.)

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

In addressing the matter above, we have amongst others performed the following audit procedures: *(cont'd.)*

- (v) Compared the hydrocarbon reserve data used by management in the impairment assessment of OGP to the report provided by the external reservoir evaluation consultants. We also assessed the independence, competency and objectivity of the external reservoir evaluation consultant.
- (vi) Performed sensitivity analysis on the key inputs as to understand the impact that alternative assumptions would have on the overall carrying value.

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



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**Independent auditors' report to the members of Sapura Energy Berhad (cont'd.)
(Incorporated in Malaysia)****Key Audit Matters (cont'd.)****(b) Recognition of revenue and cost on contract based on percentage-of-completion method (cont'd.)**

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



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**Independent auditors' report to the members of
Sapura Energy Berhad (cont'd.)
(Incorporated in Malaysia)***Other Information*

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2018 Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of the directors for the financial statements

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



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**Independent auditors' report to the members of
Sapura Energy Berhad (cont'd.)
(Incorporated in Malaysia)**

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



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**Independent auditors' report to the members of
Sapura Energy Berhad (cont'd.)
(Incorporated in Malaysia)**

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

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

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



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**Independent auditors' report to the members of
Sapura Energy Berhad (cont'd.)
(Incorporated in Malaysia)**

Other Matters

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

A stylized signature of Ernst & Young, consisting of a horizontal line with a small loop at the end.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
30 April 2018

A handwritten signature in black ink, appearing to be 'Ahmad Zahirudin Bin Abdul Rahim'.

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**Sapura Energy Berhad
(Incorporated in Malaysia)**

**Consolidated and separate income statements
For the financial year ended 31 January 2018**

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

Consolidated and separate statements of comprehensive income
For the financial year ended 31 January 2018

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

Consolidated and separate statements of financial position
As at 31 January 2018

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

Consolidated and separate statements of financial position (cont'd.)
As at 31 January 2018

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

**Consolidated statement of changes in equity
For the financial year ended 31 January 2018**

	←----- Attributable to the owners of the Parent ----->		←----- Non-distributable ----->		Distributable		Total equity attributable to owners of the Parent		Total equity
	Share capital	Shares held under trust	Other reserves	Retained profits	Non-controlling interests	of the Parent	to owners	controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 February 2017	8,066,410	(93,304)	2,485,032	2,617,980	13,076,118	4,190	13,080,308		13,080,308
Total comprehensive loss	-	-	(1,041,413)	(2,503,473)	(3,544,886)	(3,791)	(3,548,677)		(3,548,677)
	8,066,410	(93,304)	1,443,619	114,507	9,531,232	399	9,531,631		9,531,631
Transactions with owners:									
Purchase of shares held under trust	-	(46,000)	-	-	(46,000)	-	(46,000)		(46,000)
Shares transferred during the year	-	24,362	-	-	24,362	-	24,362		24,362
Dividend on ordinary shares (Note 13)	-	-	-	(59,628)	(59,628)	-	(59,628)		(59,628)
Total transactions with owners	-	(21,638)	-	(59,628)	(81,266)	-	(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		9,450,365

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

**Consolidated statement of changes in equity (cont'd.)
For the financial year ended 31 January 2018**

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

**Company statement of changes in equity
For the financial year ended 31 January 2018**

	←----- Non-distributable -----→		Distributable		
	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Retained profits RM'000	Total equity RM'000
At 1 February 2017	8,066,410	-	(93,304)	1,107,367	9,080,473
Total comprehensive loss	-	-	-	(309,790)	(309,790)
	8,066,410	-	(93,304)	797,577	8,770,683
Transactions with owners:					
Purchase of shares held under trust	-	-	(46,000)	-	(46,000)
Shares transferred during the year	-	-	24,362	-	24,362
Dividend on ordinary shares (Note 13)	-	-	-	(59,628)	(59,628)
Total transactions with owners	-	-	(21,638)	(59,628)	(81,266)
	8,066,410	-	(114,942)	737,949	8,689,417
At 31 January 2018					
At 1 February 2016	5,992,155	2,074,255	(80,000)	831,317	8,817,727
Total comprehensive income	-	-	-	276,050	276,050
	5,992,155	2,074,255	(80,000)	1,107,367	9,093,777
Transactions with owners:					
Purchase of shares held under trust	-	-	(80,000)	-	(80,000)
Shares transferred during the year	-	-	66,696	-	66,696
Effect of implementation of Companies Act 2016	2,074,255	(2,074,255)	-	-	-
Total transactions with owners	2,074,255	(2,074,255)	(13,304)	-	(13,304)
	8,066,410	-	(93,304)	1,107,367	9,080,473

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

Consolidated statement of cash flows
For the financial year ended 31 January 2018

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**Sapura Energy Berhad
(Incorporated in Malaysia)**

**Consolidated statement of cash flows (cont'd.)
For the financial year ended 31 January 2018**

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

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**Sapura Energy Berhad
(Incorporated in Malaysia)**

**Company statement of cash flows
For the financial year ended 31 January 2018**

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 January 2018****1. Corporate information**

Sapura Energy Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at Sapura@Mines, No.7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan.

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are as described in Note 42 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 April 2018.

2. Summary of significant accounting policies**2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements have been prepared on the historical cost basis unless otherwise disclosed in the accounting policies below.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 February 2017, the Group and the Company adopted the following new and amended MFRSs:

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

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

MFRS 107: Disclosure Initiative (Amendments to MFRS 107)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 140: Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16: Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119: Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Sapura Energy Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.3 Standards issued but not yet effective (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:

MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During financial year ended 31 January 2018, the Group and the Company have performed an impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available when the Group and the Company adopts MFRS 9.

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

MFRS 15: Revenue from Contracts with Customers

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

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

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

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Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company plan to adopt the new standard on the stipulated effective date using the modified retrospective method and apply all the practical expedients available for modified retrospective method under MFRS 15.

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

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

MFRS 16: Leases

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

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

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2. Summary of significant accounting policies (cont'd.)

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

MFRS 16: Leases (cont'd.)

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

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in income statement.

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2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to income statement or where applicable, transferred directly to retained profit. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in income statement or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in income statement. The accounting policy for goodwill is set out in Note 2.11(a).

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2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

Business Combinations (cont'd.)

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

- (i) The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- (ii) No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- (iii) No additional goodwill is recognised as a result of the combination.
- (iv) Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- (v) The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

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

2.5 Subsidiaries

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

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2. Summary of significant accounting policies (cont'd.)

2.6 Investments in associates and joint ventures

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

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

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

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate or a joint venture after date of acquisition. When the Group's share of losses in an associate or joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits or losses resulting from transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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After application of the equity method, the Group applies MFRS 139: *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136: *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in the income statement. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

2.7 Investments in joint operations

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

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRS applicable to the particular assets, liabilities, revenues and expenses.

2.8 Transaction with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

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2. Summary of significant accounting policies (cont'd.)

2.9 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

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

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.9 Foreign currency (cont'd.)****(c) Foreign operations**

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income statement as incurred.

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

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2. Summary of significant accounting policies (cont'd.)

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

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

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

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

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

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

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

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

2.11 Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash-Generating Units ("CGU") that are expected to benefit from the synergies of the combination.

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2. Summary of significant accounting policies (cont'd.)

2.11 Intangible assets (cont'd.)

(a) Goodwill (cont'd.)

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed off and the portion of the CGU retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in income statement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

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2. Summary of significant accounting policies (cont'd.)

2.11 Intangible assets (cont'd.)

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

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

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

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

2.12 Expenditure on oil and gas properties

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

(a) Risk Service Contract ("RSC")

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

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

(b) Production Sharing Contract ("PSC")

(i) Oil and gas properties

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

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(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.12 Expenditure on oil and gas properties (cont'd.)****(b) Production Sharing Contract ("PSC") (cont'd.)****(i) Oil and gas properties (cont'd.)**

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

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

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

Changes in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in the accounting estimate.

Cost associated with production and general corporate activities are expensed in the period incurred.

(ii) Exploration and development expenditure

The Group follow the successful efforts method of accounting for the exploration and development expenditure.

(a) Exploration and evaluation expenditure

Costs directly associated with exploration wells, including acquisition costs and drilling costs, are initially capitalised until the results have been evaluated.

If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as exploration and evaluation assets. All such carried costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are written off.

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2. Summary of significant accounting policies (cont'd.)

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

(b) Production Sharing Contract ("PSC") (cont'd.)

(ii) Exploration and development expenditure (cont'd.)

(a) Exploration and evaluation expenditure (cont'd.)

When a development plan is commercially viable and approved by the relevant authorities, the related exploration and evaluation costs are transferred to development in progress in expenditures on oil and gas properties.

(b) Development expenditure

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

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

2.13 Impairment of non-financial assets

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

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

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

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2. Summary of significant accounting policies (cont'd.)

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

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

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

2.14 Financial assets

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

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

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

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) unless hedge accounting is adopted or financial assets acquired principally for the purpose of selling in the near term.

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**Sapura Energy Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.14 Financial assets (cont'd.)****(a) Financial assets at fair value through profit or loss (cont'd.)**

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in income statement. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in income statement as part of other expenses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has positive intention and ability to hold the investment to maturity.

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Sapura Energy Berhad
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2. Summary of significant accounting policies (cont'd.)

2.14 Financial assets (cont'd.)

(d) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

2.15 Impairment of financial assets carried at amortised cost

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets are impaired when there is objective evidence as a result of one or more events that the present value of estimated discounted future cash flows is lower than the carrying value. Any impairment losses are recognised immediately in the income statement.

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

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

2.16 Cash and cash equivalents

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

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(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.17 Construction contracts**

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

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

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is classified as amount due from customers on contract. When progress billings exceed costs incurred plus recognised profits (less recognised losses) the balance is classified as amount due to customers on contracts.

2.18 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first-in-first-out method. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

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

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**Sapura Energy Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.19 Provisions****(a) Provision for asset retirement obligations**

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

A corresponding item of expenditure on oil and gas properties of an amount equivalent to the provision is also created. The change in the present value of the provision for the expected costs due to the passage of time is included within finance costs.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment to the provision and the corresponding oil and gas properties.

(b) Other provisions

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

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

2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

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2. Summary of significant accounting policies (cont'd.)

2.20 Financial liabilities (cont'd.)

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Group and the Company do not have any financial liabilities at fair value through profit or loss.

(b) Other financial liabilities

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

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process.

(c) Financial guarantee contracts

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

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(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.20 Financial liabilities (cont'd.)**

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income statement.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in income statement in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.22 Employee benefits**(a) Short term benefit**

Wages, salaries and bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated leave. Short term non-accumulating compensated leave such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

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

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(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.22 Employee benefits (cont'd.)****(c) Long Term Incentive Plan**

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

2.23 Leases**(a) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income statement. Contingent rents, if any, are charged as expenses in the period in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

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Sapura Energy Berhad
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2. Summary of significant accounting policies (cont'd.)

2.24 Revenue

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

(a) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method, as described in Note 2.17.

(b) Offshore drilling services

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

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

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

(c) Sale of crude oil and gas, and oilfield development and production

(i) Sale of crude oil and gas and its related products

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

(ii) Revenue from petroleum cost reimbursement

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

(iii) Remuneration fees

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

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2. Summary of significant accounting policies (cont'd.)

2.24 Revenue (cont'd.)

(d) Revenue from other services

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

(e) Interest income

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

(f) Dividend income

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

(g) Intellectual property rights, trademarks and branding fees

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

2.25 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in income statement except to the extent that the tax relates to items recognised outside income statement, either in other comprehensive income or directly in equity.

(b) Deferred tax

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

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2. Summary of significant accounting policies (cont'd.)

2.25 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

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

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

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

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

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JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****Sapura Energy Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.25 Income taxes (cont'd.)****(b) Deferred tax (cont'd.)**

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

Deferred tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.26 Segment reporting

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

2.27 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.28 Shares held under trust**

When shares of the Company, that have not been cancelled, recognised as equity are purchased by the Company, the amount of consideration paid is recognised directly in equity. Purchased shares are classified as shares held under trust and presented as a deduction from total equity.

2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group or of the Company.

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

2.30 Hedge accounting

The Group uses derivatives to manage its exposure to foreign currency risk. The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationships are classified as:

- (a) Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- (b) Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- (c) Hedges of a net investment in a foreign operation.

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(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.30 Hedge accounting (cont'd.)**

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in income statement as other expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to income statement when the hedged transaction affects income statement, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects income statement.

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

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JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****Sapura Energy Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.31 Deferred mobilisation costs**

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

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

2.32 Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Judgements made in applying accounting policies

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Treatment of contract variation

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

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**Sapura Energy Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.32 Significant accounting judgements and estimates****(a) Judgements made in applying accounting policies (cont'd.)****(i) Treatment of contract variation (cont'd.)**

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

The management is of the opinion that the change orders recognised in the financial statements represents the best estimate, with justifiable grounds for the claims submitted and favourable progress of discussions with the customers.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment**(a) Goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 16.

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2. Summary of significant accounting policies (cont'd.)

2.32 Significant accounting judgements and estimates (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(i) Impairment (cont'd.)

(b) Expenditure on oil and gas properties

In assessing whether an impairment is required for the carrying value of a potentially impaired asset, its carrying value is compared against its recoverable amount. Assets are tested for impairment as part of a CGU. The recoverable amount is the higher of the asset's fair value less costs to sell and its value-in-use. Due to the nature of the Group's activities, information on the fair value of an oil and gas properties is usually difficult to obtain unless negotiations with potential purchasers are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the Group's impairment of oil and gas properties and exploration and evaluation assets is its value-in-use.

The future cash flows are subject to change as when new information become available the changes may eventually affect income statement through impairment charges or reversal of impairment. Further details are disclosed in Note 15.

(c) Property, plant and equipment

Impairment test has been carried out based on variety of estimations, including value-in-use of the CGU of which the specific property, plant and equipment is allocated or fair value less costs to sell. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows and also to determine the appropriate discount rate to calculate the present value of those cash flows.

The future cash flows are subject to change as new information become available and the changes may eventually affect income statement through impairment charges or reversal of impairment.

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

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2. Summary of significant accounting policies (cont'd.)

2.32 Significant accounting judgements and estimates (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Construction contracts

The Group recognises construction contracts revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction contracts costs incurred for work performed to date to the estimated total construction contracts costs.

Significant judgement is required in determining the stage of completion, the extent of the construction contracts costs incurred, the estimated total construction contracts revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience. Further details are disclosed in Note 24.

(iii) Estimation of oil and gas reserves

Estimates of recoverable quantities of reserves reported, assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs affect expected future cash flows.

The term "reserves" describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation present at the time of estimation.

Estimation of reserves are reviewed annually. These estimates are inherently imprecise, require the application of judgements and are subject to regular revision based on new information available such as new geological information gathered from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and change in economic factors, including product prices, contract terms and development plans.

Such revisions will impact the Group's future amortisation of expenditure on oil and gas properties ("OGP"). This correspondingly may impact the impairment assessment of OGP (Note 15), the provision for asset retirement obligations (Note 33) and carrying value of deferred tax assets/liabilities (Note 20).

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**Sapura Energy Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.32 Significant accounting judgements and estimates (cont'd.)****(b) Key sources of estimation uncertainty (cont'd.)****(iv) Provision for asset retirement obligations**

Provisions are made for the future decommissioning and restoration of certain oil and gas production facilities and pipelines at the end of their economic lives. Changes in the estimates of costs to be incurred, reserves or in the rate of production may impact income over the remaining economic life of the oil and gas properties.

Most of these decommissioning and restoration events are many years in the future and the precise requirements that will have to be met when the removal events actually occurs are uncertain. Because actual timing and net cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, the carrying amounts of provisions, together with the interest rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to take account of such changes. Further details are disclosed in Note 33.

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3. Revenue

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

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

* Includes revenue from construction contracts.

4. Cost of sales

Cost of sales comprise of costs related to construction contracts, services rendered, sale of crude oil and gas and other inventories sold.

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5. Other income

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

6. Provision for impairment

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

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7. Finance costs

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

8. (Loss)/profit before tax

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

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8. (Loss)/profit before tax (cont'd.)

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

^ In the previous financial year, included in amortisation of expenditure on oil and gas properties was the accelerated amortisation of expenditure on oil and gas properties of RM607.4 million due to the cessation of Berantai RSC. Further details are disclosed in Note 15(b)(ii).

9. Employee benefits expense

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

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9. Employee benefits expense (cont'd.)

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

10. Directors' remuneration

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

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

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

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11. Income tax expense

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

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

Income from petroleum operation in Malaysia is calculated at the Malaysian petroleum income tax rate of 38% (2017: 38%).

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

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11. Income tax expense (cont'd.)

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

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

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12. (Loss)/earnings per share

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

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

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

13. Dividends

	Group and Company	
	2018	2017
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
In respect of the financial year ended 31 January 2017		
Tax exempt (single-tier) interim dividend of 1.00 sen per ordinary share, on 5,962,751,337 ordinary shares, declared on 31 March 2017 and paid on 28 April 2017	<u>59,628</u>	<u>-</u>

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14. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs and vessels under construction RM'000	Total RM'000
At 31 January 2018								
Cost								
At 1 February 2017	4,568	514,002	5,380,666	13,231,708	29,349	352,361	1,475,005	20,987,659
Additions	-	1,343	552,993	204,491	71	27,923	45,784	832,605
Disposals	-	-	-	(248,509)	-	(3,889)	-	(252,398)
Write-off	-	-	(15,385)	(48,537)	-	(1,406)	-	(65,328)
Reclassification/transfer	-	-	102,960	-	-	-	(102,960)	-
Exchange differences	-	-	(603,073)	(1,593,181)	-	(40,421)	(134,396)	(2,371,071)
At 31 January 2018	4,568	515,345	5,418,161	11,545,972	29,420	334,568	1,283,433	19,131,467

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

	Freehold land RM'000	Leasehold land and buildings RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs and vessels under construction RM'000	Total RM'000
Group (cont'd.)								
At 31 January 2018 (cont'd.)								
Accumulated depreciation and impairment								
At 1 February 2017	-	82,601	1,394,194	3,929,026	21,853	259,055	160,898	5,847,627
Depreciation charge for the year (Note 8)	-	8,719	203,864	585,097	2,876	42,244	-	842,800
Impairment (Note 6)	-	-	70,121	1,672,595	-	-	389,577	2,132,293
Disposals	-	-	-	(248,509)	-	(3,889)	-	(252,398)
Write-off	-	-	(15,276)	(48,537)	-	(1,404)	-	(65,217)
Exchange differences	-	-	(198,971)	(602,361)	-	(27,039)	-	(828,371)
At 31 January 2018	-	91,320	1,453,932	5,287,311	24,729	268,967	550,475	7,676,734
Net carrying amount								
At 31 January 2018	4,568	424,025	3,964,229	6,258,661	4,691	65,601	732,958	11,454,733

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

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs and vessels under construction RM'000	Total RM'000
At 31 January 2017								
Cost								
At 1 February 2016	4,568	513,767	5,068,361	12,880,612	29,251	327,306	1,038,906	19,862,771
Additions	-	235	49,386	17,539	98	31,961	445,709	544,928
Disposals	-	-	(58,800)	(526,648)	-	(2,131)	-	(587,579)
Write-off	-	-	-	(471)	-	(6,970)	-	(7,441)
Reclassification/transfer	-	-	97,296	-	-	-	(97,296)	-
Exchange differences	-	-	224,423	860,676	-	2,195	87,686	1,174,980
At 31 January 2017	4,568	514,002	5,380,666	13,231,708	29,349	352,361	1,475,005	20,987,659

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

	Freehold land RM'000	Leasehold land and buildings RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Equipment, furniture and motor vehicles RM'000	Tender assisted drilling rigs and vessels under construction RM'000	Total RM'000
Group (cont'd.)								
At 31 January 2017 (cont'd.)								
Accumulated depreciation and impairment								
At 1 February 2016	-	74,021	1,110,492	3,539,469	18,863	214,268	-	4,957,113
Depreciation charge for the year (Note 8)	-	8,580	205,111	651,317	2,990	52,704	-	920,702
Impairment (Note 6)	-	-	122,983	-	-	-	160,898	283,881
Disposals	-	-	(58,800)	(523,890)	-	(2,108)	-	(584,798)
Write-off	-	-	-	(471)	-	(6,970)	-	(7,441)
Exchange differences	-	-	14,408	262,601	-	1,161	-	278,170
At 31 January 2017	-	82,601	1,394,194	3,929,026	21,853	259,055	160,898	5,847,627
Net carrying amount								
At 31 January 2017	4,568	431,401	3,986,472	9,302,682	7,496	93,306	1,314,107	15,140,032

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

Company	Equipment, furniture and motor vehicles RM'000
At 31 January 2018	
Cost	
At 1 February 2017	72,780
Additions	14,238
Disposal	(371)
At 31 January 2018	<u>86,647</u>
Accumulated depreciation	
At 1 February 2017	53,093
Depreciation charge for the year (Note 8)	12,227
Disposal	(371)
At 31 January 2018	<u>64,949</u>
Net carrying amount	
At 31 January 2018	<u>21,698</u>
At 31 January 2017	
Cost	
At 1 February 2016	64,943
Additions	7,994
Disposal	(157)
At 31 January 2017	<u>72,780</u>
Accumulated depreciation	
At 1 February 2016	37,914
Depreciation charge for the year (Note 8)	15,306
Disposal	(127)
At 31 January 2017	<u>53,093</u>
Net carrying amount	
At 31 January 2017	<u>19,687</u>

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

- (a) The Group has estimated the recoverable amount of its property, plant and equipment that are subject to impairment during the financial year. The assessment has led to the recognition of impairment losses of RM2,132.3 million (2017: RM283.9 million) as disclosed in Note 6 to the financial statements.

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

Included in the total impairment is an impairment loss of RM70.1 million on 6 vessels with recoverable amounts of RM559.1 million. The recoverable amounts are determined based on fair value less cost to sell. The valuation was performed by an independent valuer based on comparable vessels adjusted for the current condition of the assets. The fair value measurement is derived based on level 3 of the fair value hierarchy. Further details of fair value hierarchy are disclosed in Note 39(c).

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

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

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

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 30.

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

	Group	
	2018 RM'000	2017 RM'000
Borrowing costs capitalised (Note 7)	<u>4,980</u>	<u>12,727</u>

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

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

15. Expenditure on oil and gas properties

Group	Oil and Gas Properties RM'000	Exploration and Evaluation Assets⁺ RM'000	Total RM'000
At 31 January 2018			
Cost			
At 1 February 2017	4,336,002	4,013,362	8,349,364
Additions [^]	342,012	2,390	344,402
Change in decommissioning liabilities (Note 33)	(67,035)	-	(67,035)
Cessation of Berantai RSC [*]	(1,291,734)	-	(1,291,734)
Write-off (Note 8)	-	(2,195)	(2,195)
Reclassification	1,558,409	(1,558,409)	-
Exchange differences	(525,986)	(351,683)	(877,669)
At 31 January 2018	<u>4,351,668</u>	<u>2,103,465</u>	<u>6,455,133</u>
Accumulated depletion, depreciation and amortisation/ impairment			
At 1 February 2017	3,138,837	811,672	3,950,509
Charge for the year (Note 8)	203,695	-	203,695
Cessation of Berantai RSC [*]	(1,291,734)	-	(1,291,734)
Reclassification	438,863	(438,863)	-
Exchange differences	(284,866)	(60,517)	(345,383)
At 31 January 2018	<u>2,204,795</u>	<u>312,292</u>	<u>2,517,087</u>
Net carrying amount			
At 31 January 2018	<u>2,146,873</u>	<u>1,791,173</u>	<u>3,938,046</u>

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

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

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

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

Group	Oil and Gas Properties RM'000	Exploration and Evaluation Assets RM'000	Total RM'000
At 31 January 2017			
Cost			
At 1 February 2016	3,819,894	3,738,012	7,557,906
Additions	153,880	45,537	199,417
Change in decommissioning liabilities (Note 33)	83,626	-	83,626
Write-off (Note 8)	-	(25,644)	(25,644)
Exchange differences	278,602	255,457	534,059
At 31 January 2017	<u>4,336,002</u>	<u>4,013,362</u>	<u>8,349,364</u>
Accumulated depletion, depreciation and amortisation/ impairment			
At 1 February 2016	2,487,663	362,562	2,850,225
Charge for the year (Note 8)	843,253	-	843,253
(Reversal of impairment)/impairment during the year (Note 6)	(399,618)	398,420	(1,198)
Exchange differences	207,539	50,690	258,229
At 31 January 2017	<u>3,138,837</u>	<u>811,672</u>	<u>3,950,509</u>
Net carrying amount			
At 31 January 2017	<u>1,197,165</u>	<u>3,201,690</u>	<u>4,398,855</u>

Included in the accumulated depletion, depreciation and amortisation/impairment of expenditure on oil and gas properties are impairment losses carried forward of RM1,451.0 million (2017: RM1,451.0 million).

Included in oil and gas properties is cost related to development in progress.

(a) Production Sharing Contracts

The Group secures the rights to carry out exploitation of petroleum resource activities via various joint venture arrangements with Petroliaam Nasional Berhad ("PETRONAS").

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

(a) Production Sharing Contracts (cont'd.)

Under the terms of the various PSC that the Group as PSC contractor has entered into, the PSC contractors bear all costs. The PSC contractors fund the work outlined in the approved work programme and budget and may recover their costs in barrels of crude oil or gas equivalent, in accordance with the terms of the respective PSCs. Remaining unrecovered costs in any quarter can be carried forward for recovery against production of crude oil or gas equivalent in subsequent quarter(s). The contractors' share of production also includes an element of profit.

Title to all equipment and other assets purchased or acquired by PSC contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent are vested with the host authority. The contractors retain the right to use those assets for the duration of the relevant PSCs.

Impairment

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

The Group continues to carry out the impairment assessment on its expenditure on oil and gas properties given the uncertainty of the crude oil price.

In estimating future cash flows for value-in-use of the cash-generating units, the following factors are considered:

- remaining unexpired PSC period;
- crude oil prices;
- future capital and operating expenditures to be spent on the projects which meet the Group's investment criteria and their corresponding incremental reserves potentially to be recovered; and
- current and forecasted market conditions.

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

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

(b) Risk Service Contract

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

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

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

With the cessation of the RSC, which was effective on 30 September 2016, PETRONAS has reimbursed all outstanding capital and operational expenditures to the Contractors.

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16. Intangible assets

Group	Intellectual Property					Total RM'000
	Software Development Costs RM'000	Right and Patent RM'000	Development Costs RM'000	Other Costs RM'000	Customer Contracts RM'000	
At 31 January 2018						
Cost						
At 1 February 2017	38,455	2,053	24,180	117,317	8,443,539	8,625,544
Exchange differences	(3,667)	-	(3,059)	(11,885)	(544,425)	(563,036)
At 31 January 2018	<u>34,788</u>	<u>2,053</u>	<u>21,121</u>	<u>105,432</u>	<u>7,899,114</u>	<u>8,062,508</u>
Accumulated amortisation						
At 1 February 2017	37,082	1,913	7,507	95,512	-	142,014
Charge for the year (Note 8)	849	140	2,128	12,367	-	15,484
Exchange differences	(3,143)	-	(1,181)	(9,546)	-	(13,870)
At 31 January 2018	<u>34,788</u>	<u>2,053</u>	<u>8,454</u>	<u>98,333</u>	<u>-</u>	<u>143,628</u>
Net carrying amount						
At 31 January 2018	<u>-</u>	<u>-</u>	<u>12,667</u>	<u>7,099</u>	<u>7,899,114</u>	<u>7,918,880</u>

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16. Intangible assets (cont'd.)

Group (cont'd.)	Intellectual Property					Goodwill RM'000	Total RM'000
	Software Development Costs RM'000	Right and Patent RM'000	Development Costs RM'000	Customer Contracts RM'000	Other Costs RM'000		
At 31 January 2017							
Cost							
At 1 February 2016	36,292	1,965	22,345	111,493	8,176,803	8,348,898	
Additions	454	74	159	-	-	687	
Exchange differences	1,709	14	1,676	5,824	266,736	275,959	
At 31 January 2017	38,455	2,053	24,180	117,317	8,443,539	8,625,544	
Accumulated amortisation							
At 1 February 2016	30,906	1,834	4,639	70,037	-	107,416	
Charge for the year (Note 8)	4,564	67	2,394	21,092	-	28,117	
Exchange differences	1,612	12	474	4,383	-	6,481	
At 31 January 2017	37,082	1,913	7,507	95,512	-	142,014	
Net carrying amount							
At 31 January 2017	1,373	140	16,673	21,805	8,443,539	8,483,530	

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16. Intangible assets (cont'd.)

Impairment tests for goodwill

Allocation of goodwill

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

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

Key assumptions used in value-in-use calculations

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flow projections covering a 10-year period for drilling CGU which reflect the industry cycle and for the E&C CGU a 5-year period cash flow was used.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Revenue growth

Revenue year-on-year growth in the cash flow projections for Engineering and Construction is ranging from 3% to 32% and for Drilling is ranging from -36% to 49%.

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

(ii) Forecasted margin

Gross margins are based on forecast margins for order book, customer contract, management's expectation and past experience for new work.

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16. Intangible assets (cont'd.)

Impairment tests for goodwill (cont'd.)

Key assumptions used in value-in-use calculations (cont'd.)

(iii) Discount rate

The discount rate reflect specific risks relating to the relevant CGU. The post-tax discount rate used by the Group is 9.0% (2017: 9.0%).

(iv) Terminal growth rate

Cash flow beyond the terminal period is extrapolated using the growth rate of 3.0%.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values to materially exceed their recoverable amounts.

17. Investment in subsidiaries

	Company	
	2018	2017
	RM'000	RM'000
Cost of investment	10,309,415	9,119,415
Less: Accumulated impairment losses	(343,353)	(6,878)
	<u>9,966,062</u>	<u>9,112,537</u>

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

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

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

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18. Investment in associates

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

(i) Details of the associates are as follows:

	Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
				2018	2017
				%	%
(a)	Held through Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology Sdn. Bhd.)				
	Geowell Sdn. Bhd.	Malaysia	Wireline and well completion services	30	30
	Subang Properties Sdn. Bhd.	Malaysia	Dormant	36.2	36.2
(b)	Held through SapuraCrest Ventures Sdn. Bhd.				
	Labuan Shipyard & Engineering Sdn. Bhd.	Malaysia	Shipbuilding, ship repair, naval craft maintenance and oil and gas fabrication	50	50
(c)	Held through Sapura Engineering Sdn. Bhd. (formerly known as SapuraKencana Engineering Sdn. Bhd.)				
	Best Wide Engineering (M) Sdn. Bhd.	Malaysia	Engineering services and fabrication of oil and gas skids and modules	30	30
	Matrix Maintenance Sdn. Bhd.	Malaysia	Maintenance services for oil, gas, petrochemical and general industries	30	30

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18. Investment in associates (cont'd.)

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

The financial statements of the above associates that are not coterminous with those of the Company are as follows:

	Financial year end
(i) Geowell Sdn. Bhd. ("Geowell")	31 December
(ii) Labuan Shipyard & Engineering Sdn. Bhd. ("LSE")	31 December
(iii) Matrix Maintenance Sdn. Bhd. ("Matrix")	31 December
(iv) Best Wide Engineering (M) Sdn. Bhd. ("BWE")	30 November

For the purpose of applying the equity method of accounting, the financial statements of Geowell, LSE, Matrix and BWE have been used and appropriate adjustments have been made for the effects of significant transactions between the associates' respective financial year end and 31 January 2018.

Aggregate information of associates that are not individually material:

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

19. Investment in joint ventures

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

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

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19. Investment in joint ventures (cont'd.)

Details of the joint ventures are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(a) Held through Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.)				
Uzmal Oil Inc.	Uzbekistan	Oilfield production	50	50
(b) Held through Sapura Nautical Essence Sdn. Bhd. (formerly known as SapuraKencana Nautical Essence Sdn. Bhd.)				
SapuraAcergy Sdn. Bhd.	Malaysia	Management and operation of vessel and provision of offshore related works	50	50
SapuraAcergy Assets Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of vessels and operational equipment	49	49
(c) Held through SapuraAcergy Sdn. Bhd.				
# SapuraAcergy (Australia) Pty. Ltd.	Australia	Management and operation of vessel and provision of offshore related works	50	50
(d) Held through Sapura Nautical Power Pte. Ltd. (formerly known as SapuraKencana Nautical Power Pte. Ltd.)				
L&T Sapura Shipping Private Limited	India	Vessel owner and chartering	40	40
L&T Sapura Offshore Private Limited	India	Provision of engineering and installation services	40	40

In the process of voluntary liquidation

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19. Investment in joint ventures (cont'd.)

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

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(e) Held through Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.) and Sapura Energy Ventures Sdn. Bhd.				
* Berantai Floating Production Limited	Federal Territory of Labuan, Malaysia	Provision of leasing of FPSO	-	49
(f) Held through Sapura Engineering Sdn. Bhd. (formerly known as SapuraKencana Engineering Sdn. Bhd.)				
[^] Best Wide M CCS Sdn. Bhd.	Malaysia	Dormant	-	50
(g) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.)				
Seabras Sapura Participações S.A.	Brazil	Investment holding	50	50
Seabras Sapura Holding, GmbH	Austria	Investment holding	50	50
(h) Held through Seabras Sapura Participações S.A.				
Sapura Navegação Maritima S.A.	Brazil	Vessel owner and chartering	50	50

* Dissolved on 14 May 2017

[^] Struck off with effect from 16 June 2017

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19. Investment in joint ventures (cont'd.)

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

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(i) Held through Seabras Sapura Holding, GmbH				
Seabras Sapura PLSV Holding GmbH	Austria	Investment holding	50	50
(j) Held through Seabras Sapura PLSV Holding GmbH				
Seabras Sapura Holdco Ltd.	Bermuda	Investment holding	50	50
Sapura Diamante GmbH	Austria	Vessel owner and chartering	50	50
Sapura Topazio GmbH	Austria	Vessel owner and chartering	50	50
Sapura Onix GmbH	Austria	Vessel owner and chartering	50	50
Sapura Jade GmbH	Austria	Vessel owner and chartering	50	50
Sapura Rubi GmbH	Austria	Vessel owner and chartering	50	50
(k) Held through Seabras Sapura Holdco Ltd.				
Seabras Sapura Talent Ltd.	Bermuda	Provision for manpower services	50	50
TL Offshore PLSV1 Ltd.	Bermuda	Dormant	50	50

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19. Investment in joint ventures (cont'd.)

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

Name of Company	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(k) Held through Seabras Sapura Holdco Ltd. (cont'd.)				
TL Offshore PLSV2 Ltd.	Bermuda	Dormant	50	50
TL Offshore PLSV3 Ltd.	Bermuda	Dormant	50	50
TL Offshore PLSV4 Ltd.	Bermuda	Dormant	50	50
TL Offshore PLSV5 Ltd.	Bermuda	Dormant	50	50
(l) Held through Sapura Navegação Maritima S.A.				
Let's Log Serviços Intergrados de Logística Ltda.	Brazil	Management of general warehouses and deposits	50	50
(m) Held through Sapura Services Sdn. Bhd. (formerly known as SapuraKencana Services Sdn. Bhd.)				
Sapura GE Oil & Gas Services Sdn. Bhd. (formerly known as SapuraKencana GE Oil & Gas Services Sdn. Bhd.)	Malaysia	Provision of repair and maintenance services & sales of parts to the energy sector	51	51

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19. Investment in joint ventures (cont'd.)

The annual financial statements of the above joint ventures that are not coterminous with those of the Company are as follows:

	Financial year end
(i) L&T Sapura Shipping Private Limited	31 March
(ii) L&T Sapura Offshore Private Limited	31 March
(iii) Berantai Floating Production Limited	31 December
(iv) Best Wide M CCS Sdn. Bhd.	31 December
(v) Seabras Sapura Holding, GmbH	31 December
(vi) Seabras Sapura Participações S.A.	31 December
(vii) Seabras Sapura Talent Ltd.	31 December
(viii) Sapura Navegação Marítima S.A.	31 December
(ix) Seabras Sapura PLSV Holding GmbH	31 December
(x) Sapura Diamante GmbH	31 December
(xi) Sapura Topazio GmbH	31 December
(xii) Seabras Sapura Holdco Ltd.	31 December
(xiii) Sapura Onix GmbH	31 December
(xiv) Sapura Jade GmbH	31 December
(xv) Sapura Rubi GmbH	31 December
(xvi) Let's Log Serviços Intergrados de Logística Ltda.	31 December

For the purpose of applying the equity method of accounting, the financial statements of the above joint ventures have been used, and appropriate adjustments have been made for the effects of significant transactions between the joint ventures' respective financial year end and 31 January 2018.

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19. Investment in joint ventures (cont'd.)

Information relating to the joint ventures:

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

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

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

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

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

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

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

- (c) Summarised financial information of the Group's material joint ventures by operating segments is set out below. Material joint ventures in the Engineering and Construction ("E&C") segment comprise of SapuraAcergy Sdn. Bhd. and its subsidiaries, SapuraAcergy Assets Pte. Ltd., Seabras Sapura Holding, GmbH and its subsidiary and Seabras Sapura Participações S.A. and its subsidiaries, whilst Exploration and Production ("E&P") (previously referred to as Energy segment) comprised of Berantai Floating Production Limited.

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19. Investment in joint ventures (cont'd.)

(c) (cont'd.)

(i) Summarised statements of financial position and reconciliation of the summarised financial information to the carrying amount of the Group's interest in joint ventures:

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

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19. Investment in joint ventures (cont'd.)

(c) (cont'd.)

(i) (cont'd.)

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

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

[#] The borrowings are secured by the joint ventures' vessels.

(ii) Summarised statements of comprehensive income:

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

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

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

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20. Deferred tax

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 February 2017/2016	1,061,113	1,058,142	(37,597)	(39,464)
Recognised in the income statement (Note 11)	(11,033)	(24,975)	-	1,867
Exchange differences	(130,044)	27,946	-	-
At 31 January	<u>920,036</u>	<u>1,061,113</u>	<u>(37,597)</u>	<u>(37,597)</u>

Presented after appropriate
offsetting as follows:

Deferred tax assets	(103,690)	(221,571)	(37,597)	(37,597)
Deferred tax liabilities	1,023,726	1,282,684	-	-
	<u>920,036</u>	<u>1,061,113</u>	<u>(37,597)</u>	<u>(37,597)</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances	Others	Total
	RM'000	RM'000	RM'000
At 1 February 2017	1,281,595	20,348	1,301,943
Recognised in the income statement	(56,516)	(13,260)	(69,776)
Exchange differences	(134,336)	(1,893)	(136,229)
At 31 January 2018	<u>1,090,743</u>	<u>5,195</u>	<u>1,095,938</u>
At 1 February 2016	1,256,722	43,122	1,299,844
Recognised in the income statement	(10,666)	(22,952)	(33,618)
Exchange differences	35,539	178	35,717
At 31 January 2017	<u>1,281,595</u>	<u>20,348</u>	<u>1,301,943</u>

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20. Deferred tax (cont'd.)

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Others RM'000	Total RM'000
At 1 February 2017	(209,497)	(25,697)	(5,636)	(240,830)
Recognised in the income statement	61,536	(1,039)	(1,754)	58,743
Exchange differences	4,129	1,850	206	6,185
At 31 January 2018	<u>(143,832)</u>	<u>(24,886)</u>	<u>(7,184)</u>	<u>(175,902)</u>
At 1 February 2016	(211,950)	(21,990)	(7,762)	(241,702)
Recognised in the income statement	9,937	(3,520)	2,226	8,643
Exchange differences	(7,484)	(187)	(100)	(7,771)
At 31 January 2017	<u>(209,497)</u>	<u>(25,697)</u>	<u>(5,636)</u>	<u>(240,830)</u>

Deferred tax liabilities of the Company:

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

Deferred tax assets of the Company:

	Tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Total RM'000
At 1 February 2017/31 January 2018	<u>(410)</u>	<u>(38,791)</u>	<u>(39,201)</u>

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20. Deferred tax (cont'd.)

Deferred tax assets of the Company: (cont'd.)

	Tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Total RM'000
At 1 February 2016	(5,008)	(38,666)	(43,674)
Recognised in the income statement	4,598	(125)	4,473
At 31 January 2017	<u>(410)</u>	<u>(38,791)</u>	<u>(39,201)</u>

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

Deferred tax assets have not been recognised in respect of these items due to uncertainty of its recoverability as they may not be used to offset against any future profits of other entities in the Group.

21. Inventories

	Group	
	2018 RM'000	2017 RM'000
At cost		
Consumable, materials and spares	361,164	438,702
Work-in-progress	1,764	2,013
Crude oil	13,627	17,768
	<u>376,555</u>	<u>458,483</u>

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

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

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22. Amount due from subsidiaries

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

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

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

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

Other information on financial risks are disclosed in Note 38.

23. Trade and other receivables

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

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23. Trade and other receivables (cont'd.)

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

(a) Trade receivables

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 120 days (2017: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by senior management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

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23. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

Ageing analysis of trade receivables
(excluding amount due from customer on contracts and deferred mobilisation cost)

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

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

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Most of the Group's trade receivables arise from customers with many years of experience with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Included in trade receivables of the Group are retention sums from contract customers of RM33.7 million (2017: RM46.9 million). These retention sums from contract customers are unsecured, interest free and are expected to be collected in accordance with the terms of the respective contract agreements.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM349.8 million (2017: RM1,067.5 million) that are past due at the reporting date but not impaired. Management periodically monitors the balances and is of the opinion that current provision is adequate.

The receivables that are past due but not impaired are unsecured in nature.

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23. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the provision accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2018	2017
	RM'000	RM'000
Trade receivables - nominal amounts	34,446	30,328
Less: Provision for impairment	(34,446)	(30,328)
	<u>-</u>	<u>-</u>

Movement in provision accounts:

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

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in dispute or debtors in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Sundry receivables

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

Included in previous financial year's sundry receivables was RM278.2 million representing balance outstanding arising from the cessation of Berantai RSC.

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23. Trade and other receivables (cont'd.)

(c) Amount due from joint ventures

Amount due from joint ventures are unsecured, interest free and repayable on demand, except for RM196.5 million (2017: RM126.8 million) provided to joint ventures, L&T Sapura Shipping Private Limited, Seabras Sapura Participações S.A. and its subsidiaries which is subject to interest rates ranging from 3.0% to 3.4% (2017: 3.4%) per annum.

(d) Amount due from joint venture partners

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

24. Due from customers on contracts

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

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

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

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25. Cash and cash equivalents

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

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

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

	Group	
	2018	2017
Interest rate (%)	0.40 - 5.32	0.40 - 4.92
Maturities (days)	<u>1 - 90</u>	<u>1 - 90</u>

26. Share capital

	Group and Company			
	Number of shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
Ordinary shares				
At 1 February 2017/2016	5,992,155	5,992,155	8,066,410	5,992,155
Effect of implementation of Companies Act 2016	-	-	-	2,074,255
At 31 January	<u>5,992,155</u>	<u>5,992,155</u>	<u>8,066,410</u>	<u>8,066,410</u>

The holders of ordinary shares (except for shares held under trust as disclosed in Note 27) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares have no par value. All ordinary shares rank equally with regard to the Company's assets.

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

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27. Shares held under trust

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

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

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

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

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

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

During the year, these shares of 16,028,000 units (2017: 39,937,250 units), at an average price of RM1.52 per share (2017: RM1.67 per share), were transferred to the eligible executive directors and employees. The value of these shares is equal to the weighted average price of the shares at the date of the grant.

The main features of the LTIP scheme are as follows:

- (a) The LTIP scheme is intended for eligible executive directors and employees of the Group of which annual grants may be made to attract, retain and incentivise such key employees and directors for the long-term success and growth of the Group as well as to enhance shareholders' value.
- (b) The selected employees must elect in writing to participate in the scheme.
- (c) The remaining vesting of the new shares is over a period of 2 years, provided that the recipient remains in the Group's employment.

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28. Other reserves

	Group	
	2018	2017
	RM'000	RM'000
Foreign currency translation reserve	1,434,149	2,448,715
Hedge reserve	(42,519)	(15,672)
Merger reserve	51,989	51,989
	<u>1,443,619</u>	<u>2,485,032</u>

The movements in the reserves are as follows:

Foreign currency translation reserve

At 1 February 2017/2016	2,448,715	1,805,251
Transfer of exchange differences arising upon dissolution of joint ventures to profit or loss	(189,265)	-
Exchange differences on translation of foreign subsidiaries, joint ventures and associates	(825,301)	643,464
At 31 January	<u>1,434,149</u>	<u>2,448,715</u>

Hedge reserve

At 1 February 2017/2016	(15,672)	(52,134)
Changes in fair value of derivatives held by a subsidiary and joint ventures	307,571	36,462
Foreign exchange loss on hedge items	(334,418)	-
At 31 January	<u>(42,519)</u>	<u>(15,672)</u>

The nature and purpose of each category of reserve are as follows:

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

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

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28. Other reserves (cont'd.)

(b) Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedge instruments related to hedged transactions. The hedge reserve includes the share of hedge reserve of a subsidiary and joint ventures.

(c) Merger reserve

The merger reserve relates to the excess of the consideration paid over the share capital and reserves of Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.) in previous years.

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

29. Borrowings

	Group	
	2018	2017
	RM'000	RM'000
Short term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 30)	6,134	8,740
Unsecured:		
Revolving credits	1,714,681	1,183,742
Term loans	1,386	1,845,122
Islamic Facility	-	468,135
Bank overdrafts	-	5,311
	<u>1,716,067</u>	<u>3,502,310</u>
	<u>1,722,201</u>	<u>3,511,050</u>
Long term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 30)	287	6,634
Unsecured:		
Term loans	6,820,682	8,473,926
Islamic Facility	3,403,489	5,600,300
Sukuk Programme	4,468,496	1,055,107
	<u>14,692,667</u>	<u>15,129,333</u>
	<u>14,692,954</u>	<u>15,135,967</u>

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29. Borrowings (cont'd.)

	Group	
	2018 RM'000	2017 RM'000
Total borrowings		
Term loans	6,822,068	10,319,048
Islamic Facility	3,403,489	6,068,435
Revolving credits	1,714,681	1,183,742
Sukuk Programme	4,468,496	1,055,107
Hire purchase and finance lease liabilities (Note 30)	6,421	15,374
Bank overdrafts	-	5,311
	<u>16,415,155</u>	<u>18,647,017</u>

Maturity of borrowings
(excluding hire purchase and finance lease liabilities):

Within one year	1,716,067	3,502,310
More than 1 year and less than 2 years	2,710,988	2,692,913
More than 2 years and less than 5 years	7,579,128	9,894,217
More than 5 years	4,402,551	2,542,203
	<u>16,408,734</u>	<u>18,631,643</u>

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

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

	Group	
	2018 %	2017 %
Term loans, Islamic Facility and Sukuk Programme	3.33 to 6.53	3.09 to 6.40
Revolving credits	<u>2.27 to 4.95</u>	<u>1.93 to 4.66</u>

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29. Borrowings (cont'd.)

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

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

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29. Borrowings (cont'd.)

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

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

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

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

[^] Charged to income statements

(d) Other information relating to borrowings:

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

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

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

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29. Borrowings (cont'd.)

(d) Other information relating to borrowings: (cont'd.)

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

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

Other information of financial risks are disclosed in Note 38.

30. Hire purchase and finance lease liabilities

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

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30. Hire purchase and finance lease liabilities (cont'd.)

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

31. Amount due to subsidiaries

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

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

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

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

32. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Deferred consideration (Note 32(a))	-	332,213	-	-
Other payables	1,620	14,830	-	-
	<u>1,620</u>	<u>347,043</u>	<u>-</u>	<u>-</u>

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32. Trade and other payables (cont'd.)

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

(a) Deferred consideration

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

(b) Trade payables - Third parties

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2017: 30 days to 90 days).

(c) Other payables - Sundry payables

Sundry payables are non-interest bearing and the normal credit terms granted to the Group range from 7 days to 90 days (2017: 7 days to 90 days).

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32. Trade and other payables (cont'd.)

(d) Amount due to joint ventures and related parties

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

(e) Amount due to joint venture partners

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

33. Provision for asset retirement obligations

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

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

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

During the year, the Group revised its estimated future cost of decommissioning of oil and gas properties resulting from changes in estimated cash flows.

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34. Derivatives

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

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

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

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

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

35. Commitments

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

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35. Commitments (cont'd.)

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

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

36. Corporate guarantees

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

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

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

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37. Related party disclosures

(a) Related party transactions

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

Group	(Income)/expense	
	2018	2017
	RM'000	RM'000
(i) Transactions with companies connected to directors, current and former substantial shareholders		
(a) Intellectual property rights, trademarks and branding fees (Note 8)		
Sapura Holdings Sdn. Bhd.	43,400	43,400
Kencana Capital Sdn. Bhd.	12,520	26,600
	55,920	70,000
(b) Rental of office premises		
Sapura Resources Berhad	10,259	9,807
Kencana Capital Assets Sdn. Bhd.	-	7,838
	10,259	17,645
Company		
(ii) Transactions with subsidiaries		
(a) Dividend income from subsidiaries	(423,695)	(400,000)
(b) Management fees from subsidiaries	(185,056)	(190,101)
(c) Intellectual property rights, trademarks and branding fees from subsidiaries	(57,613)	(71,309)
(d) Interest charged to subsidiaries	(11,025)	(45,758)
(e) Interest charged by a subsidiary	119,091	153,700
(iii) Transactions with companies connected to directors, current and former substantial shareholders		
(a) Intellectual property rights, trademarks and branding fees (Note 8)		
Sapura Holdings Sdn. Bhd.	43,400	43,400
Kencana Capital Sdn. Bhd.	12,520	26,600
	55,920	70,000
(b) Rental of office premises		
Sapura Resources Berhad	2,508	3,172
Kencana Capital Assets Sdn. Bhd.	-	2,954
	2,508	6,126

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37. Related party disclosures (cont'd.)

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

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and on a negotiated basis.

(b) Compensation of key management personnel

The remuneration of the key management personnel during the year are as follows:

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

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

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

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

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

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group will fluctuate because of changes in market interest rates.

The Group's earnings are affected by changes in interest rates due to the changes in interest bearing financial assets and liabilities. The Group's exposure to interest rate risk arises primarily from its borrowings, whereas the Company's exposure to interest rate arises mainly from its amount due to a subsidiary which is subject to floating rate interest.

At the reporting date, approximately 92% of the Group's borrowings are at floating interest rates. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

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38. Financial risk management objectives and policies (cont'd.)

(a) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of Group's and the Company's profit before tax (through the impact on interest expense on floating rate loans and borrowings).

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

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38. Financial risk management objectives and policies (cont'd.)

(b) Foreign currency risk

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

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

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and Company's profit before tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Profit before tax Group		Profit before tax Company	
	Increase/(decrease) 2018 RM'000	Increase/(decrease) 2017 RM'000	Increase/(decrease) 2018 RM'000	Increase/(decrease) 2017 RM'000
USD/RM - strengthened 5%	64,725	49,777	33,425	44,286
- weakened 5%	(64,725)	(49,777)	(33,425)	(44,286)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company may encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. The Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio.

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38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

At the reporting date, approximately 10% (2017: 19%) of the Group's borrowings (Note 29), excluding hire purchase and finance lease liabilities, will mature in less than one year based on the carrying amount reflected in the financial statements respectively.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
At 31 January 2018				
Financial liabilities:				
Trade and other payables	2,685,636	-	-	2,685,636
Borrowings	2,471,226	12,326,612	4,419,591	19,217,429
Corporate guarantees	178,043	208,878	429,883	816,804
Total undiscounted financial liabilities	5,334,905	12,535,490	4,849,474	22,719,869
At 31 January 2017				
Financial liabilities:				
Trade and other payables	3,564,084	341,161	-	3,905,245
Derivatives	-	21,859	-	21,859
Borrowings	4,020,813	13,914,716	2,569,162	20,504,691
Corporate guarantees	370,501	274,667	529,491	1,174,659
Total undiscounted financial liabilities	7,955,398	14,552,403	3,098,653	25,606,454

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38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

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

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

At the reporting date, the counterparty to the financial guarantees have no right to demand cash as no default has occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Credit approvals are performed in accordance to approved Limits of Authority. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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38. Financial risk management objectives and policies (cont'd.)

(d) Credit risk (cont'd.)

For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- Corporate guarantees provided by the Group and the Company of RM816.8 million (2017: RM1,174.7 million) and RM698.3 million (2017: RM1,339.6 million) respectively (Note 36).

Information regarding credit risk for trade and other receivables is disclosed in Note 23.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's net trade receivables (excluding amount due from customer on contracts and deferred mobilisation cost) at the reporting date are as follows:

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

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38. Financial risk management objectives and policies (cont'd.)

(d) Credit risk (cont'd.)

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

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

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 23. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 23.

39. Financial instruments

(a) Classification of financial instruments

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

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39. Financial instruments (cont'd.)

(a) Classification of financial instruments (cont'd.)

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

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
2018				
Group				
Assets				
Trade and other receivables		1,740,892	-	1,740,892
Cash and cash equivalents	25	1,716,235	-	1,716,235
Derivative assets*		-	262,563	262,563
Total financial assets		<u>3,457,127</u>	<u>262,563</u>	<u>3,719,690</u>
Total non-financial assets				<u>26,273,079</u>
Total assets				<u>29,992,769</u>
Liabilities				
Borrowings	29	-	16,415,155	16,415,155
Trade and other payables		-	2,653,389	2,653,389
Total financial liabilities		<u>-</u>	<u>19,068,544</u>	<u>19,068,544</u>
Total non-financial liabilities				<u>1,473,860</u>
Total liabilities				<u>20,542,404</u>
2017				
Group				
Assets				
Trade and other receivables		2,741,911	-	2,741,911
Cash and cash equivalents	25	3,519,509	-	3,519,509
Total financial assets		<u>6,261,420</u>	<u>-</u>	<u>6,261,420</u>
Total non-financial assets				<u>31,187,841</u>
Total assets				<u>37,449,261</u>
Liabilities				
Derivative liabilities*	34	-	21,859	21,859
Borrowings	29	-	18,647,017	18,647,017
Trade and other payables		-	3,836,294	3,836,294
Total financial liabilities		<u>-</u>	<u>22,505,170</u>	<u>22,505,170</u>
Total non-financial liabilities				<u>1,863,783</u>
Total liabilities				<u>24,368,953</u>

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

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39. Financial instruments (cont'd.)

(a) Classification of financial instruments (cont'd.)

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Total RM'000
2018				
Company				
Assets				
Amount due from subsidiaries	22	916,825	-	916,825
Other receivables		12,850	-	12,850
Cash and cash equivalents	25	31,626	-	31,626
Total financial assets		961,301	-	961,301
Total non-financial assets				10,049,473
Total assets				11,010,774
Liabilities				
Amount due to subsidiaries	31	-	2,020,366	2,020,366
Other payables	32	-	300,667	300,667
Total financial liabilities		-	2,321,033	2,321,033
Total non-financial liabilities				324
Total liabilities				2,321,357
2017				
Company				
Assets				
Amount due from subsidiaries	22	1,815,771	-	1,815,771
Other receivables		17,464	-	17,464
Cash and cash equivalents	25	25,800	-	25,800
Total financial assets		1,859,035	-	1,859,035
Total non-financial assets				9,188,490
Total assets				11,047,525
Liabilities				
Amount due to subsidiaries	31	-	1,579,624	1,579,624
Other payables	32	-	386,914	386,914
Total financial liabilities		-	1,966,538	1,966,538
Total non-financial liabilities				514
Total liabilities				1,967,052

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**Sapura Energy Berhad
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39. Financial instruments (cont'd.)

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	23
Trade and other payables	32
Borrowings	29
Amount due from subsidiaries	22
Amount due to subsidiaries	31

The carrying amounts of the current financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of the fixed rate borrowings are reasonable approximation of fair values due to the insignificant impact of incremental market rate.

(c) Fair value hierarchy

The Group and the Company's financial instruments are analysed in a three level fair value hierarchy based on the significance of inputs.

The three level of fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable input)

The fair value of all the financial instruments of the Group and of the Company are determined using Level 2 inputs.

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40. Capital management

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Sapura Energy Berhad
(Incorporated in Malaysia)****41. Segment information****(a) Operating segments**

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

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

Major activities of the E&C business segment are:

- Installation of offshore platforms, marine pipelines and subsea services;
- Engineering, procurement, construction and commissioning services; and
- Repairs and refurbishment of industrial gas turbines, supply, installation, commissioning and maintenance of point-of sale systems for petrol stations and asset management services for offshore installations.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Corporate assets, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on a negotiated basis in a manner similar to transactions with third parties.

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**Sapura Energy Berhad
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41. Segment information (cont'd.)

(a) Operating segments (cont'd.)

	Engineering and Construction		Drilling		Exploration and Production		Corporate	Eliminations *	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
31 January 2018									
Revenue									
External sales	3,899,050	1,145,540	850,408	-	-	-	-	-	5,894,998
Inter-segment sales	56,824	-	-	-	(723,188)	-	-	-	-
Total revenue	<u>3,955,874</u>	<u>1,145,540</u>	<u>850,408</u>	<u>850,408</u>	<u>(723,188)</u>	<u>666,364</u>	<u>666,364</u>	<u>(723,188)</u>	<u>5,894,998</u>
Results									
Segment profit/(loss)	96,908	(1,939,166)	281,017	281,017	(22,337)	(179,259)	(179,259)	(22,337)	(1,762,837)
Finance costs									(858,666)
Interest income									21,398
Share of profit from associates and joint ventures	274,569	-	1,947	1,947	-	-	-	-	276,516
Loss before tax									(2,323,589)
Income tax expense									(181,226)
Loss net of tax									(2,504,815)
Non-controlling interests									1,342
Loss for the year attributable to owners of the Parent									<u>(2,503,473)</u>

* Inter-segment revenue are eliminated on consolidation

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
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41. Segment information (cont'd.)

(a) Operating segments (cont'd.)

31 January 2018 (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations * RM'000	Consolidated RM'000
Assets						
Segment assets	7,514,991	7,315,924	4,691,869	958,282	(48,607)	20,432,459
Investment in associates and joint ventures	1,557,506	-	-	-	-	1,557,506
Goodwill	4,077,395	3,821,719	-	-	-	7,899,114
Deferred tax assets	-	200	66,743	37,597	(850)	103,690
Consolidated total assets						<u>29,992,769</u>
Liabilities						
Segment liabilities	1,304,354	897,330	599,662	374,233	(72,056)	3,103,523
Borrowings						16,415,155
Deferred tax liabilities	63,073	6,392	954,261	-	-	1,023,726
Consolidated total liabilities						<u>20,542,404</u>

* Intercompany transactions are eliminated on consolidation

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
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41. Segment information (cont'd.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations * RM'000	Consolidated RM'000
31 January 2018 (cont'd.)						
Other Information						
Capital expenditure	588,337	448,528	260,697	14,238	3,554	1,315,354
Depreciation of property, plant and equipment	290,857	531,956	6,007	12,227	1,753	842,800
Amortisation of intangible assets	2,273	13,211	-	-	-	15,484
Amortisation of expenditure on oil and gas properties	-	-	203,695	-	-	203,695
Provision for impairment on property, plant and equipment	62,503	2,062,171	-	-	7,619	2,132,293

* Intercompany transactions are eliminated on consolidation

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
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41. Segment information (cont'd.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations * RM'000	Consolidated RM'000
31 January 2017						
Revenue						
External sales	4,511,522	2,018,834	1,120,967	-	-	7,651,323
Inter-segment sales	32,123	-	-	661,410	(693,533)	-
Total revenue	<u>4,543,645</u>	<u>2,018,834</u>	<u>1,120,967</u>	<u>661,410</u>	<u>(693,533)</u>	<u>7,651,323</u>
Results						
Segment profit	281,296	375,769	200,323	402,737	(555,716)	704,409
Finance costs						(799,856)
Interest income						23,798
Share of profit from associates and joint ventures	328,601	-	128,296	-	-	456,897
Profit before tax						<u>385,248</u>
Income tax expense						<u>(179,084)</u>
Profit net of tax						<u>206,164</u>
Non-controlling interests						<u>2,152</u>
Profit for the year attributable to owners of the Parent						<u>208,316</u>

* Inter-segment revenue are eliminated on consolidation

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
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41. Segment information (cont'd.)

(a) Operating segments (cont'd.)

31 January 2017 (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations * RM'000	Consolidated RM'000
Assets						
Segment assets	7,854,556	11,131,155	5,817,209	2,114,596	8,026	26,925,542
Investment in associates and joint ventures	1,857,849	-	760	-	-	1,858,609
Goodwill	4,128,395	4,315,144	-	-	-	8,443,539
Deferred tax assets	25,289	52	158,046	37,597	587	221,571
Consolidated total assets						<u>37,449,261</u>
Liabilities						
Segment liabilities	1,795,927	1,466,357	787,197	444,502	(54,731)	4,439,252
Borrowings						18,647,017
Deferred tax liabilities	80,430	3,101	1,199,153	-	-	1,282,684
Consolidated total liabilities						<u>24,368,953</u>

* Intercompany transactions are eliminated on consolidation

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
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41. Segment information (cont'd.)

(a) Operating segments (cont'd.)

	Engineering and Construction RM'000	Drilling RM'000	Exploration and Production RM'000	Corporate RM'000	Eliminations * RM'000	Consolidated RM'000
31 January 2017 (cont'd.)						
Other Information						
Capital expenditure	105,692	480,679	200,370	7,994	(50,390)	744,345
Depreciation of property, plant and equipment	313,048	581,611	8,706	15,306	2,031	920,702
Amortisation of intangible assets	2,461	25,656	-	-	-	28,117
Amortisation of expenditure on oil and gas properties	-	-	895,633	-	(52,380)	843,253
Reversal of impairment on oil and gas properties	-	-	(1,198)	-	-	(1,198)
Provision for impairment on property, plant and equipment	122,983	160,898	-	-	-	283,881

* Intercompany transactions are eliminated on consolidation

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
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41. Segment information (cont'd.)

(b) Geographical information

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

The Group also operates in other countries/regions:

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

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41. Segment information (cont'd.)

(b) Geographical information (cont'd.)

- (vi) Others (comprise of United Kingdom and United Arab Emirates) - provision of advanced subsea and floating systems engineering and project management services to offshore projects.

The following table provides an analysis of the Group's revenue by geographical areas:

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

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

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**Sapura Energy Berhad
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42. Subsidiaries and activities

(i) Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(a) Subsidiaries of Sapura Energy Berhad				
Total Marine Technology (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100	100
Sapura Deepwater Pte. Ltd. (formerly known as SapuraKencana Deepwater Pte. Ltd.)	Bermuda	Chartering and hiring out of vessels and barges	100	100
Sapura GeoSciences Sdn. Bhd. (formerly known as SapuraKencana GeoSciences Sdn. Bhd.)	Malaysia	Provision of offshore geotechnical and geophysical services	100	100
Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology Sdn. Bhd.)	Malaysia	Investment holding, provision of operation and maintenance services, provision of management services and lease financing	100	100
Petcon (Malaysia) Sdn. Bhd.	Malaysia	Drilling of offshore oil wells	100	100
SapuraCrest Ventures Sdn. Bhd.	Malaysia	Investment holding	100	100

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**Sapura Energy Berhad
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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.)				
Crest Hidayat (L) Ltd.	Federal Territory of Labuan, Malaysia	Dormant	100	100
Sapura Perdana Sdn. Bhd. (formerly known as Sasaran Perdana Sdn. Bhd.)	Malaysia	Dormant	100	100
Sapura Dana SPV Pte. Ltd. (formerly known as SapuraKencana Dana SPV Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Chartering and hiring out of vessels and barges	100	100
SapuraCrest Petroleum Berhad	Malaysia	Dormant	100	100
Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.)	Malaysia	Investment holding	100	100
Sapura Management Services Sdn. Bhd. (formerly known as SapuraKencana Bayu Padu Sdn. Bhd.)	Malaysia	Dormant	100	100

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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.)				
Sapura Nautical Essence Sdn. Bhd. (formerly known as SapuraKencana Nautical Essence Sdn. Bhd.)	Malaysia	Investment holding	100	100
Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.)	Malaysia	Front-end engineering design (FEED), detailed design engineering (DDE), procurement, construction, offshore transportation and installation, hook-up, commissioning and maintenance of fixed and floating oil and gas facilities, diving and subsea services, flexible and rigid pipelay, installation of subsea umbilicals, risers and flowlines and decommissioning of offshore structures	100	100
Sapura Marine Engineering Sdn. Bhd. (formerly known as SapuraKencana Marine Engineering Sdn. Bhd.)	Malaysia	Provision of offshore construction and diving equipment	100	100

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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.)				
Geomark Sdn. Bhd.	Malaysia	Investment holding	100	100
Sapura Energy Ventures Sdn. Bhd.	Malaysia	Development and production of petroleum resources	100	100
Sapura Petroleum Sdn. Bhd.	Malaysia	Investment holding	100	100
Momentum Energy Sdn. Bhd.	Malaysia	Investment holding	100	100
Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn. Bhd.)	Malaysia	Provision of offshore and onshore engineering, procurement, construction (fabrication), transportation, installation, hook-up, commissioning and maintenance of fixed and floating oil and gas facilities, brownfield rejuvenation, marine construction, marine conversion marine repair and infrastructure construction	100	100

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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.)				
Sapura Onshore Sdn. Bhd. (formerly known as SapuraKencana Onshore Sdn. Bhd.)	Malaysia	Property investment and provision of engineering, fabrication and construction works	100	100
Sapura Engineering Sdn. Bhd. (formerly known as SapuraKencana Engineering Sdn. Bhd.)	Malaysia	Provision of front-end engineering design (FEED) and detailed design engineering (DDE)	100	100
SE Petroleum Berhad (formerly known as Kencana Petroleum Berhad)	Malaysia	Dormant	100	100
Sapura Pinewell Sdn. Bhd. (formerly known as SapuraKencana Pinewell Sdn. Bhd.)	Malaysia	Hook-up, commissioning, maintenance brownfield rejuvenation and onshore construction	100	100
Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.)	Malaysia	Investment holding	100	100
SEB Energy Sdn. Bhd. (formerly known as Kencana Energy Sdn. Bhd.)	Malaysia	Development and production of petroleum resources	100	100

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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.)				
Sapura Subsea Services Sdn. Bhd. (formerly known as SapuraKencana Subsea Services Sdn. Bhd.)	Malaysia	Provision of offshore diving and related services and the provision of diving equipment for rental	100	100
Sapura TMC Sdn. Bhd. (formerly known as SapuraKencana TMC Sdn. Bhd.)	Malaysia	Provision of treasury management services	100	100
Sapura Drilling Pte. Ltd. (Labuan) (formerly known as SapuraKencana Drilling Pte. Ltd. (Labuan))	Federal Territory of Labuan, Malaysia	Investment holding	100	100
Sapura 900 Pte. Ltd. (formerly known as SapuraKencana 900 Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	100	100
Sapura 1200 Pte. Ltd. (formerly known as SapuraKencana 1200 Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Dormant	100	100
Sapura 3000 Pte. Ltd. (formerly known as SapuraKencana 3500 Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	100	100

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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(a) Subsidiaries of Sapura Energy Berhad (cont'd.)				
Sapura FLB-1 Pte. Ltd. (formerly known as SapuraKencana FLB-1 Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Dormant	100	100
Sapura Exploration and Production Sdn. Bhd. (formerly known as SapuraKencana Energy Sdn. Bhd.)	Malaysia	Investment holding	100	100
[^] Sapura Energy Services Sdn. Bhd. (formerly known as Sapura Fabrication & HUC Sdn. Bhd.)	Malaysia	Investment holding	100	100
(b) Held through Sapura Probadi Sdn. Bhd. (formerly known as Probadi Sdn. Bhd.) and Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited)				
Sapura Drilling Asia Sdn. Bhd. (formerly known as SapuraKencana Drilling Tioman Sdn. Bhd.)	Malaysia	Provision of oil drilling services	100	100
Varia Perdana Sdn. Bhd.	Malaysia	Investment holding and oil drilling management	100	100

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

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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(c) Held through Varia Perdana Sdn. Bhd.				
Crest Tender Rigs Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing and chartering of offshore oil and gas rigs	100	100
(d) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.)				
* Total Marine Technology Pty. Ltd.	Australia	Development of marine technology and marine chartering, specialising on ROVs	-	94
SapuraKencana Talent Ltd.	Bermuda	Provision of manpower services	100	100
Sapura 1200 Ltd. (formerly known as SapuraKencana 1200 Ltd.)	Bermuda	Vessel owner and chartering	100	100
Sapura 3500 Ltd. (formerly known as SapuraKencana 3500 Ltd.)	Bermuda	Vessel owner and chartering	100	100
Sapura FLB-1 Ltd. (formerly known as SapuraKencana FLB-1 Ltd.)	Bermuda	Vessel owner and chartering	100	100

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

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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(d) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) (cont'd.)				
# Sapura Saudi Arabia Company	Saudi Arabia	Engineering, procurement, construction, installation and commissioning of offshore and onshore facilities pipelines, subsea flexible pipes and cables hook-up, commissioning, brownfield rejuvenation and subsea inspection, maintenance and repair services	100	-
[^] Sapura Energy DMCC (formerly known as SapuraKencana Oil & Gas DMCC)	Dubai, United Arab Emirates	Onshore and offshore oil and gas fields services	100	-

Incorporated on 22 October 2017

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(e) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) and Sapura Energy DMCC (formerly known as SapuraKencana Oil & Gas DMCC)				
~ Sapura Energy Do Brazil Ltda	Brazil	Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines	100	-
(f) Held through Total Marine Technology Pty. Ltd.				
Sapura Excersize Pty. Ltd. (formerly known as SapuraKencana Excersize Pty. Ltd.)	Australia	Owner and operator of ROVs for the offshore oil and gas industries	94	94
Sapura Babalon Pty. Ltd. (formerly known as SapuraKencana Babalon Pty. Ltd.)	Australia	Owner and operator of ROVs for the offshore oil and gas industries	94	94
(g) Held through Sapura GeoSciences Sdn. Bhd. (formerly known as SapuraKencana GeoSciences Sdn. Bhd.)				
Sapura Jaya Sdn. Bhd. (formerly known as SapuraKencana Jaya Sdn. Bhd.)	Malaysia	Chartering of vessels	100	100

~ Incorporated on 11 September 2017

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(h) Held through Sapura Jaya Sdn. Bhd. (formerly known as SapuraKencana Jaya Sdn. Bhd.)				
Sapura GeoSurvey Sdn. Bhd. (formerly known as SapuraKencana GeoSurvey Sdn. Bhd.)	Malaysia	Hydrographic surveys and related services	100	100
Sapura GeoTechnics Sdn. Bhd. (formerly known as SapuraKencana GeoTechnics Sdn. Bhd.)	Malaysia	Soil investigation and geotechnical services	100	100
(i) Held through Sapura GeoTechnics Sdn. Bhd. (formerly known as SapuraKencana GeoTechnics Sdn. Bhd.)				
Sapura GeoTechnics (S) Pte. Ltd. (formerly known as SapuraKencana GeoTechnics (S) Pte. Ltd.)	Singapore	Soil investigation and geotechnical services	100	100
Sapura Oilserve Sdn. Bhd. (formerly known as SapuraKencana Oilserve Sdn. Bhd.)	Malaysia	Provision of marine vessel transportation services	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(II) Held through Sapura Technology Solutions Sdn. Bhd. (formerly known as SapuraKencana Technology Sdn. Bhd.) (cont'd.)				
Sapura Project Services Sdn. Bhd. (formerly known as SapuraKencana Project Services Sdn. Bhd.)	Malaysia	Systems integration, software development, general engineering, maintenance and related activities	100	100
Sapura Power Services Sdn. Bhd. (formerly known as SapuraKencana Power Services Sdn. Bhd.)	Malaysia	Provision of maintenance services to the power utility and oil and gas industries	94.4	94.4
Sapura Diving Services Sdn. Bhd. (formerly known as SapuraKencana Diving Services Sdn. Bhd.)	Malaysia	Provision of rental equipment	100	100
Sapura Maintenance Services Sdn. Bhd. (formerly known as SapuraKencana Maintenance Services Sdn. Bhd.)	Malaysia	Provision of maintenance services to the oil and gas industry	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(m) Held through Sapura Energy Infinite Sdn. Bhd. (formerly known as SapuraKencana Energy Unlimited Sdn. Bhd.)				
Sapura Energy Resources Sdn. Bhd. (formerly known as SapuraKencana Resources Sdn. Bhd.)	Malaysia	Investment holding	100	100
(n) Held through Sapura Energy Resources Sdn. Bhd. (formerly known as SapuraKencana Resources Sdn. Bhd.)				
Sarku Engineering Services Sdn. Bhd.	Malaysia	Provision of offshore engineering and marine support and logistic assistance for the oil and gas industry	100	100
[^] Sarku Semantan Sdn. Bhd.	Malaysia	Dormant	100	100
Sapura Marine Ventures Sdn. Bhd. (formerly known as SapuraKencana Marine Ventures Sdn. Bhd.)	Malaysia	Provision of crew, chartering and hiring out of barges	100	100
[^] Sarku Samudera Sdn. Bhd.	Malaysia	Dormant	100	100
[^] Sarku Utama Sdn. Bhd.	Malaysia	Dormant	100	100
[^] In the process of striking off				

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(n) Held through Sapura Energy Resources Sdn. Bhd. (formerly known as SapuraKencana Resources Sdn. Bhd.) (cont'd.)				
Sapura Engineering (Offshore) Sdn. Bhd. (formerly known as SapuraKencana Engineering Offshore Sdn. Bhd.)	Malaysia	Chartering and hiring out of barges, vessels and operational equipment including provision of crew	100	100
Sapura Prominent Energy Sdn. Bhd. (formerly known as SapuraKencana Prominent Energy Sdn. Bhd.)	Malaysia	Dormant	100	100
[^] Sarku 2000 Sdn. Bhd.	Malaysia	Dormant	100	100
(o) Held through Sapura Petroleum Sdn. Bhd.				
Sapura Nautical Bay Pte. Ltd. (formerly known as SapuraKencana Nautical Bay Pte. Ltd.)	Singapore	Dormant	100	100
Sapura Petroleum Inc. (formerly known as SapuraKencana Petroleum Inc.)	The State of Texas, United States of America	Regional Office for business development and marketing	100	100

[^] In the process of striking off

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(o) Held through Sapura Petroleum Sdn. Bhd. (cont'd.)				
# Sapura Energy DMCC (formerly known as SapuraKencana Oil & Gas DMCC)	Dubai, United Arab Emirates	Onshore and offshore oil and gas fields services	-	100
SapuraMex Pte. Ltd.	Singapore	Investment holding	100	100
Sapura Energy B.V. (formerly known as SapuraKencana Engineering & Construction B.V)	The Netherlands	Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines	100	100
SapuraKencana Enerji Çözümleri Anonim Şirketi	Turkey	Engineering, procurement, construction, installation and commissioning of offshore facilities and cables	100	100

(p) Held through Sapura Nautical Bay Pte. Ltd. (formerly known as SapuraKencana Nautical Bay Pte. Ltd.)

Sapura Nautical Power Pte. Ltd. (formerly known as SapuraKencana Nautical Power Pte. Ltd.)	Singapore	Investment holding	100	100
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Transferred to Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) on 15 August 2017

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(q) Held through Sapura Offshore Sdn. Bhd. (formerly known as SapuraKencana TL Offshore Sdn. Bhd.) and SapuraMex Pte. Ltd.				
SapuraKencana Mexicana, S.A.P.I. de C.V.	Mexico	Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines	100	100
(r) Held through SapuraMex Pte. Ltd.				
Sapura 3500 (S) Pte. Ltd. (formerly known as SapuraKencana 3500 Pte. Ltd.)	Singapore	Chartering and hiring out of vessel	100	100
(s) Held through Momentum Energy Sdn. Bhd.				
Sapura Australia (Holdings) Pty. Ltd. (formerly known as SapuraKencana Australia (Holdings) Pty. Ltd.)	Australia	Investment holding	100	100
(t) Held through Sapura Australia (Holdings) Pty. Ltd. (formerly known as SapuraKencana Australia (Holdings) Pty. Ltd.)				
Sapura USA Holdings Incorporated (formerly known as SapuraKencana USA Holdings Incorporated)	State of Delaware, United States of America	Investment holding	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(t) Held through Sapura Australia (Holdings) Pty. Ltd. (formerly known as SapuraKencana Australia (Holdings) Pty. Ltd.) (cont'd.)				
Sapura Australia Pty. Ltd. (formerly known as SapuraKencana Australia Pty. Ltd.)	Australia	Investment holding	100	100
Peritus International Limited	United Kingdom	Provision of advanced subsea and floating systems engineering and project management services to offshore projects	100	100
Peritus International Pty. Ltd.	Australia	Provision of advanced subsea and floating systems engineering and project management services to offshore projects	100	100
(u) Held through Sapura Australia Pty. Ltd. (formerly known as SapuraKencana Australia Pty. Ltd.)				
Sapura Petroleum (Australia) Pty. Ltd. (formerly known as SapuraKencana Petroleum (Australia) Pty. Ltd.)	Australia	Investment holding	100	100
Sapura Projects Pty. Ltd. (formerly known as SapuraKencana Projects Pty. Ltd.)	Australia	Investment holding	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(u) Held through Sapura Australia Pty. Ltd. (formerly known as SapuraKencana Australia Pty. Ltd.) (cont'd.)				
SC Projects Australia Pty. Ltd.	Australia	Investment holding	100	100
Sapura Constructor Pte. Ltd. (formerly known as SapuraKencana Constructor Pte. Ltd.)	Singapore	Vessel owner and chartering	100	100
Sapura Assets Pty. Ltd. (formerly known as SapuraKencana Assets Pty. Ltd.)	Australia	Owner and operator of marine assets	100	100
(v) Held through Sapura USA Holdings Incorporated (formerly known as SapuraKencana USA Holdings Incorporated)				
Ocean Flow International LLC	The State of Texas, United States of America	Provision of technical consulting and advising to oil and gas companies	100	100
[^] Peritus International Incorporated	The State of Texas, United States of America	Provision of advanced subsea and floating systems engineering and project management services to offshore projects	100	-

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(aa) Held through Geomark Sdn. Bhd.				
Quippo Prakash Pte. Ltd.	Singapore	Dormant	100	100
(ab) Held through Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn. Bhd.)				
Sapura Marine Sdn. Bhd. (formerly known as SapuraKencana Marine Sdn. Bhd.)	Malaysia	Operation and management of fabrication yard	100	100
Sapura Infrastructure Sdn. Bhd. (formerly known as Kencana Infrastructure Sdn. Bhd.)	Malaysia	Dormant	100	100
Sapura Metering Sdn. Bhd. (formerly known as Kencana Metering Sdn. Bhd.)	Malaysia	Dormant	100	100
Sapura Steelworks Sdn. Bhd. (formerly known as Kencana Steelworks Sdn. Bhd.)	Malaysia	Dormant	70	70

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(ac) Held through Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn. Bhd.) and Sapura Petroleum Sdn. Bhd.				
Sapura Engineering & Construction (India) Private Limited (formerly known as SapuraKencana Engineering & Construction (India) Pvt. Ltd.)	India	Engineering, procurement, construction, installation and commissioning of offshore facilities and pipelines	100	100
(ad) Held through Sapura Energy Services Sdn. Bhd. (formerly known as Sapura Fabrication & HUC Sdn. Bhd.)				
Sapura HUC Sdn. Bhd. (formerly known as SapuraKencana HUC Sdn. Bhd.)	Malaysia	Investment holding	100	100
Sapura Fabricators Sdn. Bhd. (formerly known as SapuraKencana Fabricators Sdn. Bhd.)	Malaysia	Investment holding	100	100
* Total Marine Technology Pty. Ltd.	Australia	Development of marine technology and marine chartering, specialising on ROVs	94	-

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(ae) Held through Sapura Fabrication Sdn. Bhd. (formerly known as SapuraKencana HL Sdn. Bhd.) and Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.)				
Sapura Energy (B) Sdn. Bhd. (formerly known as SapuraKencana (B) Sdn. Bhd.)	Brunei	Investment holding	100	100
(af) Held through Sapura Energy (B) Sdn. Bhd. (formerly known as SapuraKencana (B) Sdn. Bhd.)				
RSK Petroleum Sdn. Bhd.	Brunei	To act as service provider for oil and gas industry	70	70
(ag) Held through Sapura Onshore Sdn. Bhd. (formerly known as SapuraKencana Onshore Sdn. Bhd.)				
Sapura Subsea Sdn. Bhd. (formerly known as SapuraKencana Subsea Sdn. Bhd.)	Malaysia	Provision of engineering, fabrication and construction works	100	100
Sapura Assets Sdn. Bhd. (formerly known as SapuraKencana Assets Sdn. Bhd.)	Malaysia	Property investment	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(ag) Held through Sapura Onshore Sdn. Bhd. (formerly known as SapuraKencana Onshore Sdn. Bhd.) (cont'd.)				
Sapura Torsco (Hong Kong) Private Limited (formerly known as Kencana Torsco (Hong Kong) Private Limited)	Hong Kong	Dormant	100	100
(ah) Held through Sapura Petroleum Ventures Sdn. Bhd. (formerly known as SapuraKencana Petroleum Ventures Sdn. Bhd.)				
Sapura Marine Drilling Sdn. Bhd. (formerly known as Kencana Marine Drilling Sdn. Bhd.)	Malaysia	Dormant	100	100
Sapura Marine Rig 1 Pte. Ltd. (formerly known as Kencana Marine Rig 1 Pte. Ltd.)	Singapore	Dormant	100	100
Sapura Nautilus Sdn. Bhd. (formerly known as SapuraKencana Nautilus Sdn. Bhd.)	Malaysia	Service provider for offshore support vessels	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(ai) Held through Sapura Nautilus Sdn. Bhd. (formerly known as SapuraKencana Nautilus Sdn. Bhd.)				
Sapura Gemia (Labuan) Pte. Ltd. (formerly known as SapuraKencana Gemia (Labuan) Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Provision of offshore support vessels	100	100
Sapura Teras Ventures Sdn. Bhd. (formerly known as SapuraKencana Teras Ventures Sdn. Bhd.)	Malaysia	Provision of offshore support vessels	100	100
Sapura Redang (Labuan) Pte. Ltd. (formerly known as SapuraKencana Redang (Labuan) Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Provision of offshore support vessels	100	100
* Dhow Offshore Sdn. Bhd.	Malaysia	Dormant	-	100
^ SapuraKencana Marine Assets (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	100	100

* Struck off with effect from 19 October 2017

^ In the process of voluntary liquidation

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
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42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(aj) Held through Sapura Subsea Services Sdn. Bhd. (formerly known as SapuraKencana Subsea Services Sdn. Bhd.)				
Sapura Marine Services Sdn. Bhd. (formerly known as SapuraKencana Marine Services Sdn. Bhd.)	Malaysia	Provision of vessel related management services	100	100
Sapura Subsea Corporation (formerly known as SapuraKencana Allied Corporation)	Federal Territory of Labuan, Malaysia	Leasing of vessels and related equipment	100	100
Maju Hydro Sdn. Bhd.	Malaysia	Dormant	100	100
Sapura SS Corporation (formerly known as SapuraKencana AME Corporation)	Federal Territory of Labuan, Malaysia	Dormant	100	100
Sapura Subsea Robotics Corporation (formerly known as SapuraKencana Allied Robotics Corporation)	Federal Territory of Labuan, Malaysia	Leasing of ROV and Hyperbaric	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(ak) Held through Sapura Subsea Services Sdn. Bhd. (formerly known as SapuraKencana Subsea Services Sdn. Bhd.), Sapura Marine Services Sdn. Bhd. (formerly known as SapuraKencana Marine Services Sdn. Bhd.) and Sapura SS Corporation (formerly known as SapuraKencana AME Corporation)				
Sapura Energy (Thailand) Limited (formerly known as SapuraKencana Petroleum (Thailand) Ltd.)	Thailand	Provision of offshore diving and related services	100	100
(al) Held through Sapura Drilling Pte. Ltd. (Labuan) (formerly known as SapuraKencana Drilling Pte. Ltd. (Labuan))				
Sapura Drilling (S) Pte. Ltd. (formerly known as SapuraKencana Drilling Pte. Ltd.)	Singapore	Leasing of offshore oil and gas drilling rigs and providing management services	100	100
Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.)	Bermuda	Investment holding	100	100
Sapura Drilling Resources Ltd. (formerly known as SapuraKencana Drilling Resources Ltd.)	Bermuda	Provision of crew services	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(al) Held through Sapura Drilling Pte. Ltd. (Labuan) (formerly known as SapuraKencana Drilling Pte. Ltd. (Labuan)) (cont'd.)				
Sapura Drilling Labuan Leasing Ltd. (formerly known as SapuraKencana Drilling Labuan Leasing Ltd.)	Federal Territory of Labuan, Malaysia	Hire and charter of the oil drilling rigs	100	100
(am) Held through Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.)				
Sapura Drilling T-10 Ltd. (formerly known as SapuraKencana Drilling T- 4 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling T-19 Ltd. (formerly known as SapuraKencana Drilling T-19 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling T-7 Ltd. (formerly known as SapuraKencana Drilling T-7 Ltd.)	Bermuda	Dormant	100	100
Sapura Drilling T-9 Ltd. (formerly known as SapuraKencana Drilling T-9 Ltd.)	Bermuda	Dormant	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(am) Held through Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.) (cont'd.)				
Sapura Drilling T-20 Ltd. (formerly known as SapuraKencana Drilling T-20 Ltd.)	Bermuda	Dormant	100	100
Sapura Drilling T-11 Ltd. (formerly known as SapuraKencana Drilling T-11 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling T-12 Ltd. (formerly known as SapuraKencana Drilling T-12 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling T-17 Ltd. (formerly known as SapuraKencana Drilling T-17 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling T-18 Ltd. (formerly known as SapuraKencana Drilling T-18 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling Menang Ltd. (formerly known as SapuraKencana Drilling Menang Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(am) Held through Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.) (cont'd.)				
Sapura Drilling Berani Ltd. (formerly known as SapuraKencana Drilling Berani Ltd.)	Bermuda/ Indonesia	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling Alliance Ltd. (formerly known as SapuraKencana Drilling Alliance Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling Pelaut Ltd. (formerly known as SapuraKencana Drilling Pelaut Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling Setia Ltd. (formerly known as SapuraKencana Drilling Setia Ltd.)	Bermuda	Leasing of drilling rig and providing drilling service to offshore oil and gas industry	100	100
Sapura Drilling Esperanza Ltd. (formerly known as SapuraKencana Drilling Esperanza Ltd.)	Bermuda	Leasing of drilling rig and providing drilling services to offshore oil and gas industry	100	100
Sapura Drilling Jaya Ltd. (formerly known as SapuraKencana Drilling Jaya Ltd.)	Bermuda/ Republic of Trinidad & Tobago	Leasing of drilling rig and providing drilling services to offshore oil and gas industry	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(am) Held through Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.) (cont'd.)				
Sapura Drilling Raiqa Ltd. (formerly known as SapuraKencana Drilling Raiqa Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited)	Hong Kong/ Thailand	Provision of oil drilling services	100	100
Sapura Drilling Services Sdn. Bhd. (formerly known as SapuraKencana Drilling Services Sdn. Bhd.)	Malaysia	Provision of management services for tender rig business	100	100
Sapura Drilling Holdings (Panama) Inc. (formerly known as SapuraKencana Drilling Holdings (Panama) Inc.)	Panama	Investment holding	100	100
Sapura Drilling T-19 Pte. Ltd. (formerly known as SapuraKencana Drilling T-19 Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(am) Held through Sapura Drilling (Bermuda) Ltd. (formerly known as SapuraKencana Drilling (Bermuda) Ltd.) (cont'd.)				
Sapura Drilling T-20 Pte. Ltd. (formerly known as SapuraKencana Drilling T-20 Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Leasing of offshore oil and gas drilling rig	100	100
Sapura Drilling Kinabalu Pte. Ltd. (formerly known as SapuraKencana Drilling Kinabalu Pte. Ltd.)	Federal Territory of Labuan, Malaysia	Dormant	100	100
Sapura Drilling Teknik Berkat Ltd. (formerly known as SapuraKencana Drilling Teknik Berkat Ltd.)	Bermuda	Dormant	100	100
(an) Held through Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited)				
Sapura Drilling Holdings Limited (formerly known as SapuraKencana Drilling Holdings Limited)	Hong Kong/ Ivory Coast	Provision of oil drilling services	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(ao) Held through SapuraKencana Drilling Holdings (Panama) Inc. and Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited)				
Sapura Drilling Sdn. Bhd. (formerly known as SapuraKencana Drilling Sdn. Bhd.)	Brunei	Offshore drilling, workover and development of oil and gas wells	100	100
(ap) Held through Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited) and Sapura Drilling Holdings Limited (formerly known as SapuraKencana Drilling Holdings Limited)				
SapuraKencana Drilling Angola, LDA	Republic of Angola	Dormant	100	100
(aq) Held through Sapura Drilling Pte. Ltd. (Labuan) (formerly known as SapuraKencana Drilling Pte. Ltd. (Labuan)) and Sapura Drilling Asia Limited (formerly known as SapuraKencana Drilling Asia Limited)				
PT Sapura Nordril Indonesia (formerly known as PT SapuraKencana Nordril Indonesia)	Indonesia	Offshore oil and gas construction and drilling services	95	95
(ar) Held through Sapura Exploration and Production Sdn. Bhd. (formerly known as SapuraKencana Energy Sdn. Bhd.)				
Sapura Exploration and Production Inc. (formerly known as SapuraKencana Energy Inc.)	Bahamas	Investment holding	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(ar) Held through Sapura Exploration and Production Sdn. Bhd. (formerly known as SapuraKencana Energy Sdn. Bhd.) (cont'd)				
# SapuraKencana Energy Resources Ltd.	Bermuda	Employment of manpowers	100	100
^ Sapura Exploration and Production (NZ) Sdn. Bhd. (formerly known as Sapura Exploration and Production (JV) Sdn. Bhd.)	Malaysia/ New Zealand	Investment holding	100	100
Sapura Exploration and Production (RSC) Sdn. Bhd. (formerly known as SapuraKencana Energy (RSC) Sdn. Bhd.)	Malaysia	Investment holding	100	100
* Sapura Exploration and Production (Oceania) Sdn. Bhd.	Malaysia	Investment holding	100	-
~ Sapura Exploration and Production (Americas) Sdn. Bhd.	Malaysia	Investment holding	100	-

In the process of voluntary liquidation

^ SapuraKencana Energy (JV) Sdn. Bhd. changed its name to Sapura Exploration and Production (JV) Sdn. Bhd. on 21 June 2017 and thereafter to Sapura Exploration and Production (NZ) Sdn. Bhd. on 17 January 2018

~ Incorporated on 18 April 2018

* Incorporated on 19 April 2018

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
(Incorporated in Malaysia)**

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(as) Held through Sapura Exploration and Production (NZ) Sdn. Bhd. (formerly known as Sapura Exploration and Production (JV) Sdn. Bhd.)				
[^] Sapura Exploration and Production OMV JV Sdn. Bhd.	Malaysia	Production of crude gaseous hydrocarbon (natural gas), draining and separation of liquid hydrocarbon fractions and mining of hydrocarbon liquids, obtain through liquefaction or pyrolysis	100	-
(at) Held through Sapura Exploration and Production Inc. (formerly known as SapuraKencana Energy Inc.)				
Sapura Exploration and Production (Malaysia) Inc. (formerly known as SapuraKencana Energy Malaysia Inc.)	Bahamas	Investment holding	100	100
Sapura Exploration and Production (Vietnam) Inc. (formerly known as SapuraKencana Energy Vietnam Inc.)	Bahamas	Investment holding	100	100

[^] Incorporated on 19 April 2018

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**Sapura Energy Berhad
(Incorporated in Malaysia)**

42. Subsidiaries and activities (cont'd.)

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

Name of Subsidiaries	Country of Incorporation/ Principal Place of Business	Principal Activities	Proportion of Ownership Interest	
			2018 %	2017 %
(au) Held through Sapura Exploration and Production (Malaysia) Inc. (formerly known as SapuraKencana Energy Malaysia Inc.)				
Sapura Exploration and Production (PM) Inc. (formerly known as SapuraKencana Energy Peninsula Malaysia Inc.)	Bahamas/ Malaysia	Exploration, development and production of crude oil and natural gas	100	100
Sapura Exploration and Production (Sabah) Inc. (formerly known as SapuraKencana Energy Sabah Inc.)	Bahamas/ Malaysia	Exploration, development and production of crude oil and natural gas	100	100
Sapura Exploration and Production (Sarawak) Inc. (formerly known as SapuraKencana Energy Sarawak Inc.)	Bahamas/ Malaysia	Exploration, development and production of crude oil and natural gas	100	100
(av) Held through Sapura Exploration and Production (RSC) Sdn. Bhd. (formerly known as SapuraKencana Energy (RSC) Sdn. Bhd.)				
Sapura Sambang Sdn. Bhd. (formerly known as Sarku Sambang Sdn. Bhd.)	Malaysia	Dormant	100	100
(aw) Held through Sapura Exploration and Production (Americas) Sdn. Bhd.				
[^] Sapura Exploration and Production (Mexico) Sdn. Bhd.	Malaysia	Investment holding	100	-

[^] Incorporated on 23 April 2018

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

43. Joint operation arrangements

Details of the joint operation arrangements are as follows:

i) Production Sharing Contracts:	Participating Interest	
	2018 %	2017 %
(a) Peninsular Malaysia		
PM329	70	70
PM323	60	60
PM318	50	50
Abu, Abu Kecil, Bubu, North Lukut and Penara Oil Fields	50	50
(b) Sarawak		
SK408 ^	40	40
SK310	30	30
SK319 *	-	25
(c) Sabah		
SB331 ^	70	70
SB332 ^	70	70

^ Participating interest obtained upon the completion of Minimum Work Commitment

* The Group has exited this joint operation arrangement in the current financial year

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**Sapura Energy Berhad
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44. Significant and subsequent events

In addition to the significant and subsequent events disclosed elsewhere in the financial statements, the other subsequent events are as follows:

- (a) On 26 March 2018, a wholly-owned subsidiary of the Company, Sapura Exploration and Production (NZ) Sdn. Bhd. (formerly known as Sapura Exploration and Production (JV) Sdn. Bhd.) ("Sapura E&P NZ"), has made inroads into New Zealand with a series of farm-in agreements to five offshore exploration permits within the Taranaki Basin, a prolific oil and gas region.

The farm-in agreements, which has secured the New Zealand government approval, are with OMV New Zealand Limited ("OMV") and Mitsui E&P Australia Pty Limited ("Mitsui").

The offshore exploration permits comprise PEP 57075, PEP 51906, PEP 60091, PEP 60092 and PEP 60093.

Sapura E&P NZ has a 30% interest in all five exploration permits, which will be operated by OMV. The participating interests of PEP 57075 and PEP 51906 are held by Sapura E&P NZ (30%) and OMV (70%) whilst participating interests of PEP 60091, PEP 60092 and PEP 60093 are held by Sapura E&P NZ (30%), OMV (40%) and Mitsui (30%).

- (b) On 29 March 2018, a wholly-owned subsidiary of the Company, Sapura Exploration and Production Sdn. Bhd. (formerly known as SapuraKencana Energy Sdn. Bhd.) ("Sapura E&P"), together with its joint venture partners DEA Deutsche Erdoel Mexico ("DEA") and Premier Oil Plc ("Premier") have been awarded Block 30 in Sureste Basin, a proven and prolific hydrocarbon province in the Gulf of Mexico.

Block 30, which is located in shallow waters at about 70 metres, directly to the South West of Premier's world-class Zama discovery and to the north of the Amoca oil field, was the most contested block in the bid. The consortium outbid six other bidders for the block.

Sapura E&P had earlier entered into the bidding agreement with DEA and Premier based on an equity split of DEA 40%, Sapura E&P 30% and Premier 30%.

- (c) On 11 April 2018, a wholly-owned subsidiary, Sapura Exploration and Production (Sarawak) Inc. (formerly known as SapuraKencana Energy Sarawak Inc.) ("Sapura E&P Sarawak") and its partners, PETRONAS Carigali Sdn Bhd and Sarawak Shell Berhad, have taken Final Investment Decision ("FID") to develop the Gorek, Larak and Bakong fields as phase 1 in the SK408 Production Sharing Contract.

The FID follows the Field Development Plan approval from Petroliaam Nasional Berhad and concurrently, the signing of the key terms to the gas sales agreement for phase 1 of the SK408 gas field development.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31
JANUARY 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Sapura Energy Berhad
(Incorporated in Malaysia)

44. Significant and subsequent events (cont'd.)

(c) (cont'd.)

The fields under the SK408 gas field development project are part of the discoveries made by Sapura E&P Sarawak in its 2014 drilling campaign.

The fields will be developed as three separate wellhead platforms tied back to the existing processing facility and to the MLNG complex. The SK408 gas fields will be Sapura E&P Sarawak's second major upstream gas development project in East Malaysia, after the successful development and commencement of production from the SK310 B15 gas field.

Sapura E&P Sarawak is the development and production operator of the Larak and Bakong fields while Sarawak Shell Berhad is the development and production operator of the Gorek field. Sapura E&P Sarawak has working interest with partners PETRONAS Carigali Sdn Bhd and Sarawak Shell Berhad.

45. Material litigation

On 20 February 2006, Sarku Engineering Services Sdn. Bhd. ("SESSB"), a wholly-owned subsidiary of the Company entered into a contract with Oil and Natural Gas Corporation Limited ("ONGC") for the performance of works by SESSB to revamp 26 well platforms located in Mumbai High South field offshore site ("Contract").

On 21 September 2012, SESSB commenced arbitration proceedings by filing a statement of claim against ONGC in relation to disputes pursuant to the Contract for a sum of Indian Rupee ("INR") 1,063,759,201 and USD123,819,632 (including interest, costs, losses and damages).

On 17 December 2012, ONGC has filed their reply to the Statement of Claim. No counter claims have been filed by ONGC. Documents and witness statements have been filed.

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


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

The recent dates of hearing fixed by the tribunal were from 8 to 10 January 2018 and continued on 5 to 6 February 2018. ONGC's counsel started submission on 6 February 2018 and shall continue on 2 to 4 May 2018. Tribunal fixed rejoinder arguments for SESSB on 6 to 7 August 2018.

SESSB has been advised by its solicitors, that SESSB has a reasonable basis for its claims against ONGC.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON

CERTIFIED TRUE COPY


Muhammad Azim Bin Che Mokhtar
 Peguambela dan Peguamcara
 Advocate and Solicitor
 Kuala Lumpur
 No. BC/M/297f



SAPURA ENERGY BERHAD
 (Company No : 950894-T)
 Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2018

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2018 RM'000	Preceding year corresponding quarter 31/10/2017 RM'000	Nine months to 31/10/2018 RM'000	Nine months to 31/10/2017 RM'000
1. Revenue	1,502,229	1,279,973	3,816,877	4,705,752
Other operating income	6,905	13,072	13,541	51,531
Operating expenses	(1,104,220)	(1,018,067)	(2,958,740)	(3,649,479)
Profit from operations	404,914	274,978	871,678	1,107,804
Depreciation and amortisation	(242,364)	(270,735)	(685,436)	(818,113)
Finance income	9,341	8,019	23,071	16,009
Finance costs	(265,337)	(227,464)	(740,365)	(648,343)
Net foreign exchange gain/(loss)	56,159	(22,212)	103,910	45,914
Gain on disposal of property, plant and equipment	-	-	-	5,583
Share of profit from associates and joint ventures	77,542	27,698	279,550	219,574
Profit/(loss) before taxation	40,255	(209,716)	(147,592)	(71,572)
Taxation	(71,908)	(65,505)	(146,557)	(146,850)
Loss after taxation	(31,653)	(275,221)	(294,149)	(218,422)
Attributable to:				
Owners of the Parent	(31,090)	(274,406)	(292,879)	(217,945)
Non-controlling interests	(563)	(815)	(1,270)	(477)
	(31,653)	(275,221)	(294,149)	(218,422)
2. Earnings per share (sen)				
Basic/Diluted	(0.52)	(4.62)	(4.92)	(3.66)

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

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE
(9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON
(Cont'd)

SAPURA ENERGY BERHAD
(Company No : 950894-T)
Incorporated in Malaysia



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2018

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2018 RM'000	Preceding year corresponding quarter 31/10/2017 RM'000	Nine months to 31/10/2018 RM'000	Nine months to 31/10/2017 RM'000
Loss after taxation	(31,653)	(275,221)	(294,149)	(218,422)
Other comprehensive income:				
<i>Items that may be reclassified to income statements in subsequent periods:</i>				
Foreign currency translation differences	105,560	(87,113)	236,461	(354,885)
Cash flow hedge:				
- Changes in fair value of derivatives	(85,043)	35,429	(149,023)	77,300
- Foreign exchange gain/(loss) on hedged items	74,579	(29,516)	186,577	(129,928)
Share of other comprehensive income/(loss) of associates and joint ventures:				
- Foreign currency translation differences	56,218	(25,558)	75,561	(66,333)
- Changes in fair value of derivatives	6,874	13,350	32,278	(252)
<i>Item that has been reclassified to income statements in current year:</i>				
Transfer of exchange differences arising upon dissolution of joint ventures	-	-	-	(52,757)
Total comprehensive income/(loss)	126,535	(368,629)	87,705	(745,277)
Attributable to:				
Owners of the Parent	127,022	(367,690)	88,959	(743,747)
Non-controlling interests	(487)	(939)	(1,254)	(1,530)
Total comprehensive income/(loss)	126,535	(368,629)	87,705	(745,277)

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

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)

SAPURA ENERGY BERHAD
(Company No : 950894-T)
Incorporated in Malaysia



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2018
THE FIGURES HAVE NOT BEEN AUDITED**

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial period 31/10/2018 RM'000	AUDITED As at end of preceding financial year 31/01/2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	11,753,512	11,454,733
Expenditure on oil and gas properties	4,287,516	3,938,046
Goodwill on consolidation	8,181,735	7,899,113
Other intangible assets	13,927	19,767
Investment in associates and joint ventures	1,943,256	1,557,506
Deferred tax assets	133,127	103,690
Derivative assets	113,540	262,563
Trade receivables	32,469	30,537
	<u>26,459,082</u>	<u>25,265,955</u>
Current assets		
Inventories	480,811	376,555
Trade and other receivables	3,290,222	2,530,111
Tax recoverable	76,570	103,913
Cash and cash equivalents	689,544	1,716,235
	<u>4,537,147</u>	<u>4,726,814</u>
TOTAL ASSETS	<u>30,996,229</u>	<u>29,992,769</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	8,066,410	8,066,410
Shares held under trust	(114,942)	(114,942)
Other reserves	1,825,457	1,443,619
(Accumulated losses)/Retained profits	(238,000)	54,879
	<u>9,538,925</u>	<u>9,449,966</u>
Non-controlling interests	(855)	399
Total equity	<u>9,538,070</u>	<u>9,450,365</u>
Non-current liabilities		
Borrowings	11,267,611	14,692,954
Other payables	105,426	1,620
Provision for assets retirement obligation	216,903	196,118
Deferred tax liabilities	1,112,241	1,023,726
	<u>12,702,181</u>	<u>15,914,418</u>
Current liabilities		
Borrowings	5,939,300	1,722,201
Trade and other payables	2,669,909	2,797,114
Provision for assets retirement obligation	19,805	25,086
Income tax payable	126,964	83,585
	<u>8,755,978</u>	<u>4,627,986</u>
TOTAL LIABILITIES	<u>21,458,159</u>	<u>20,542,404</u>
TOTAL EQUITY AND LIABILITIES	<u>30,996,229</u>	<u>29,992,769</u>
Net assets per share (RM)	<u>1.60</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.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)



SAPURA ENERGY BERHAD
(Company No : 950894-T)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2018

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
	Share capital RM'000	Shares held under trust RM'000	Other reserves RM'000	Retained profits/ (Accumulated losses) RM'000		
Five months to 31 October 2018 (Unaudited)						
At 1 February 2018	8,066,410	(114,942)	1,443,619	54,879	399	9,450,365
Total comprehensive income/(loss)	-	-	381,838	(292,879)	(1,254)	87,705
At 31 October 2018	8,066,410	(114,942)	1,825,457	(238,000)	(855)	9,538,070
Five months to 31 October 2017 (Unaudited)						
At 1 February 2017	8,066,410	(93,304)	2,485,032	2,617,980	4,190	13,080,308
Total comprehensive loss	-	-	(525,802)	(217,945)	(1,530)	(745,277)
Transactions with owners:						
Purchase of shares held under trust	-	(46,000)	-	-	-	(46,000)
Dividend on ordinary shares	-	-	-	(59,628)	-	(59,628)
Total transactions with owners	-	(46,000)	-	(59,628)	-	(105,628)
At 31 October 2017	8,066,410	(139,304)	1,959,230	2,340,407	2,660	12,229,403

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

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE
(9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON
(Cont'd)

SAPURA ENERGY BERHAD
(Company No : 950894-T)
Incorporated in Malaysia



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2018

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Nine months to 31/10/2018 RM'000	UNAUDITED Nine months to 31/10/2017 RM'000
Loss before taxation	(147,592)	(71,572)
Adjustments	1,009,373	1,194,114
Operating profit before working capital changes	861,781	1,122,542
Changes in working capital ^	(481,125)	(284,030)
Cash generated from operations	380,656	838,512
Taxation paid	(78,615)	(58,523)
Net cash generated from operating activities	302,041	779,989
Cash flows from investing activities		
Purchase of property, plant and equipment	(201,652)	(909,432)
Purchase of expenditure on oil and gas properties	(226,310)	(191,553)
Payment of deferred consideration ^	(300,854)	(194,477)
Advances to joint venture	-	42,400
Dividend received from a joint venture company	1,561	423,695
Other items	21,545	20,536
Net cash used in investing activities	(705,710)	(808,831)
Cash flows from financing activities		
Finance costs paid	(639,194)	(561,527)
Dividend paid on ordinary shares	-	(59,628)
Purchase of shares held under trust	-	(46,000)
Net repayment of revolving credit, term loans, Islamic Facility and Sukuk Programme	-	(880,541)
Net repayment of hire purchase and finance lease creditors	(4,974)	(7,027)
Net cash used in financing activities	(644,168)	(1,554,723)
Net decrease in cash and cash equivalents	(1,047,837)	(1,583,565)
Effect of exchange rate translation	21,146	(43,211)
Cash and cash equivalents at beginning of year	1,716,235	3,519,509
Cash and cash equivalents at end of period	689,544	1,892,733

^ The comparatives have been changed to conform with the current period'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.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON
(Cont'd)



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the period ended 31 October 2018 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. 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 period ended 31 October 2018 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 period ended 31 October 2018, 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.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON
(Cont'd)



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.

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 period, 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 period, other than as disclosed in these condensed consolidated income statement.

5. Debt and equity securities

There were no 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 October 2018.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON
(Cont'd)



6. Subsequent events

On 12 September 2018, the Group has entered into a Heads of Agreement with Austria's OMV Aktiengesellschaft ("OMV AG") to continue negotiations on an exclusive basis to form a strategic partnership through the proposed acquisition by OMV AG of a 50% equity stake in the Company's wholly-owned subsidiary, Sapura Upstream Sdn. Bhd. ("SUSB") (formerly known as Sapura Exploration and Production Sdn. Bhd.) ("Proposed OMV Transaction"). The Proposed OMV Transaction is based on an enterprise value of USD 1.6 billion.

On 9 November 2018, in relation to the Proposed OMV Transaction, the following definitive agreements have been entered into:

- (a) subscription agreement between SEB, Sapura Upstream Assets Sdn. Bhd. ("SUA"), a wholly-owned subsidiary of SEB, OMV Exploration & Production GmbH ("OMV E&P") and SEB Upstream Sdn. Bhd. ("SUP") for the purposes of the proposed subscription by OMV E&P of such number of new ordinary shares in SUP representing 50% of the enlarged issued share capital of SUP; and
- (b) shareholders' agreement between SEB, OMV E&P, SUA, SUP and SUSB for purposes of regulating the joint management of SUP.

On 4 December 2018, the Group has entered into a warranty and indemnity deed in relation to certain warranties, covenants and indemnities in connection with the Proposed OMV Transaction.

There was no other material event subsequent to 31 October 2018 which has not been reflected in these condensed consolidated interim financial statements.

7. Changes in the composition of the Group

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

8. Contingent liabilities

- (a) The Group has provided corporate guarantees given to financial institutions for credit facilities granted to joint ventures amounting to RM758.8 million (31 January 2018: RM816.8 million).
- (b) Other than as described in Note 8 (a) 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 and expenditure on oil and gas properties approved and not provided for in these condensed consolidated interim financial statements as at 31 October 2018 is as follows:

Approved and contracted for:	31/10/2018
	RM'000
Group	<u>559,317</u>

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)



10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2018 RM'000	Preceding year corresponding quarter 31/10/2017 RM'000	Nine months to 31/10/2018 RM'000	Nine months to 31/10/2017 RM'000
Current taxation:				
Malaysian taxation	83,772	22,163	93,390	45,476
Foreign taxation	20,184	31,300	58,678	64,046
Deferred taxation	(32,048)	12,042	(5,511)	37,328
	<u>71,908</u>	<u>65,505</u>	<u>146,557</u>	<u>146,850</u>

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. Status of corporate proposals announced

On 24 August 2018, the Company announced that it proposes to undertake the following:

- (i) Proposed renounceable rights issue of up to 9,986,925,145 new ordinary shares in the Company ("Shares") ("Rights Shares") at an issue price of RM0.30 per Rights Share together with up to 998,692,515 free detachable warrants in the Company ("Warrants") on the basis of five Rights Shares for every three Shares held at an entitlement date to be determined later and one free Warrant for every ten Rights Shares subscribed ("Proposed Rights Issue of Shares with Warrants");
- (ii) Proposed renounceable rights issue of up to 2,396,862,035 new Islamic redeemable convertible preference shares in the Company ("RCPS-i") at an issue price of RM0.41 per RCPS-i on the basis of two RCPS-i for every five Shares held at an entitlement date to be determined later ("Proposed Rights Issue of RCPS-i"); and
- (iii) Proposed amendments to the constitution of the Company ("Proposed Amendments").

Proposed Rights Issue of Shares with Warrants and Proposed Rights Issue of RCPS-i are collectively referred to as the "Proposed Rights Issue".

On 25 September 2018, the Company announced that it proposes to establish an executive share option scheme of up to 10% of the total number of issued Shares (excluding treasury shares, if any) at any point in time ("Proposed ESOS") to the senior management and Executive Director(s) of the Company and its subsidiary companies (excluding dormant subsidiaries). It was also announced that in conjunction with the Proposed Rights Issue, an exemption from the Securities Commission Malaysia ("SC") will be sought by Permodalan Nasional Berhad ("PNB"), Amanah Saham Bumiputera ("ASB") and persons connected with PNB and ASB under the Rules on Take-overs, Mergers and Compulsory Acquisitions from the obligation to undertake the mandatory take-over offer as a result of the Proposed Rights Issue ("Proposed Exemption").

On 16 October 2018, the Company announced that Bank Negara Malaysia has approved the issuance of the RCPS-i to the non-resident shareholders of the Company pursuant to the Proposed Rights Issue of RCPS-i based on the key terms of the RCPS-i.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)



11. Status of corporate proposals announced (cont'd.)

On 5 November 2018, the Company announced that the Shariah Advisory Council of the SC had informed that it has no objection to the Proposed Rights Issue of RCPS-i.

On 5 November 2018, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had approved the following:

- (i) admission of up to 998,692,515 Warrants and 2,396,862,035 RCPS-i to the Official List of Bursa Securities;
- (ii) listing of the following on the Main Market of Bursa Securities:
 - (a) up to 9,986,925,145 Rights Shares;
 - (b) up to 998,692,515 Warrants;
 - (c) up to 998,692,515 new Shares to be issued upon exercise of the Warrants;
 - (d) up to 2,396,862,035 RCPS-i;
 - (e) up to 2,396,862,035 new Shares to be issued upon conversion of the RCPS-i; and
 - (f) such number of new Shares to be issued pursuant to the Proposed ESOS, representing up to ten percent (10%) of the total issued Shares (excluding treasury shares, if any) at any point in time,

On 29 November 2018, the Company held an Extraordinary General Meeting and all resolutions related to the Proposed Rights Issue, Proposed Exemption, Proposed ESOS and Proposed Amendments were duly passed by the shareholders of the Company.

On 6 December 2018, the Company announced that the SC had approved the Proposed Exemption.

Subsequent to 31 October 2018, the Company has entered into definitive agreements with OMV AG to form a strategic partnership as described in Note 6.

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 October 2018						
Secured						
Hire purchase	-	1,102	-	178	-	1,280
Unsecured						
Revolving credits	823,058	952,100	-	-	823,058	952,100
Term loans	4,163,040	-	3,186,406	-	7,349,446	-
Islamic Facility	-	-	1,648,891	1,872,481	1,648,891	1,872,481
Sukuk Programme	-	-	1,145,359	3,414,296	1,145,359	3,414,296
	<u>4,986,098</u>	<u>953,202</u>	<u>5,980,656</u>	<u>5,286,955</u>	<u>10,966,754</u>	<u>6,240,157</u>
Total		<u>5,939,300</u>		<u>11,267,611</u>		<u>17,206,911</u>

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)



12. Borrowings (cont'd.)

	Short term borrowings		Long term borrowings		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 January 2018						
Secured						
Hire purchase	1,055	5,079	110	177	1,165	5,256
Unsecured						
Revolving credits	762,581	952,100	-	-	762,581	952,100
Term loans	1,386	-	6,820,682	-	6,822,068	-
Islamic Facility	-	-	1,534,595	1,868,894	1,534,595	1,868,894
Sukuk Programme	-	-	1,066,067	3,402,429	1,066,067	3,402,429
	<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 October 2018		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>113,540</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).

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)**14. Material litigation (cont'd.)****(a) Sarku Engineering Services Sdn. Bhd. (cont'd.)**

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 has fixed further hearing dates on the 12, 13 and 14 of February 2019 to allow ONGC's counsel to present their submissions.

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.

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. 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.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON
(Cont'd)



15. Review of Group Performance

15.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter		Changes
	31/10/2018	31/10/2017	
	RM'000	RM'000	%
Revenue	1,502,229	1,279,973	17.4
Profit from operations	404,914	274,978	47.3
Profit/(loss) before taxation	40,255	(209,716)	>100.0
Loss after taxation	(31,653)	(275,221)	88.5
Loss attributable to owners of the Parent	(31,090)	(274,406)	88.7

The Group revenue of RM1,502.2 million was 17.4% higher than RM1,280.0 million in the corresponding quarter of the preceding year ("Q3 FY2018"), mainly attributable to the higher revenue from Engineering and Construction and Exploration and Production business segments.

In the current quarter, the Group recorded a profit before taxation of RM40.3 million. The Group financial performance was higher by RM250.0 million compared to the loss before taxation of RM209.7 million in Q3 FY2018, in line with the higher revenue.

15.2 Current period vs. corresponding period of the preceding year

	Cumulative Quarter		Changes
	31/10/2018	31/10/2017	
	RM'000	RM'000	%
Revenue	3,816,877	4,705,752	(18.9)
Profit from operations	871,678	1,107,804	(21.3)
Loss before taxation	(147,592)	(71,572)	(>100.0)
Loss after taxation	(294,149)	(218,422)	(34.7)
Loss attributable to owners of the Parent	(292,879)	(217,945)	(34.4)

The Group revenue of RM3,816.9 million was 18.9% lower than the corresponding period of the preceding year ("corresponding period") of RM4,705.8 million, primarily due to the lower revenue from the Engineering and Construction and Drilling business segments.

In the current period, the Group recorded a loss before taxation of RM147.6 million. The Group financial performance was lower by RM76.0 million compared to the loss before taxation of RM71.6 million in the corresponding period, in line with the lower revenue.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON
(Cont'd)



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

15.3 Current quarter vs. immediate preceding quarter

	Individual Quarter		Changes
	31/10/2018	31/07/2018	
	RM'000	RM'000	%
Revenue	1,502,229	1,259,703	19.3
Profit from operations	404,914	249,967	62.0
Profit/(loss) before taxation	40,255	(79,668)	>100.0
Loss after taxation	(31,653)	(125,952)	74.9
Loss attributable to owners of the Parent	(31,090)	(126,055)	75.3

The Group revenue of RM1,502.2 million was 19.3% higher than the immediate preceding quarter ("Q2 FY2019") of RM1,259.7 million, primarily due to the higher revenue from Engineering and Construction and Exploration and Production business segments.

In the current quarter, the Group recorded a profit before taxation of RM40.3 million. The Group financial performance was higher by RM119.9 million compared to the loss before taxation of RM79.7 million in Q2 FY2019, in line with the higher revenue.

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

	<u>3 months to 31/10/2018</u>	
	Revenue	Operating
	RM'000	profit/(loss)
		RM'000
E&C	959,831	39,582
Drilling	246,520	(11,664)
E&P	296,150	37,093
	1,502,501	65,011
Corporate expenses and eliminations	(272)	(24,756)
Group revenue / profit before taxation	1,502,229	40,255

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)



17. Review of Segment Performance

17.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue			Operating profit/(loss)		
	3 months to			3 months to		
	31/10/2018	31/10/2017	Changes	31/10/2018	31/10/2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Business Segments:						
E&C	959,831	822,291	16.7	39,582	(29,324)	>100.0
Drilling	246,520	251,205	(1.9)	(11,664)	(93,144)	87.5
E&P	296,150	207,695	42.6	37,093	8,663	>100.0
	<u>1,502,501</u>	<u>1,281,191</u>		<u>65,011</u>	<u>(113,805)</u>	
Corporate expenses and eliminations	(272)	(1,218)	77.7	(24,756)	(95,911)	74.2
Group revenue/profit/(loss) before taxation	<u>1,502,229</u>	<u>1,279,973</u>	17.4	<u>40,255</u>	<u>(209,716)</u>	>100.0

Business Segments:

Engineering and Construction

The segment recorded revenue of RM959.8 million, which was 16.7% higher than the revenue of RM822.3 million in Q3 FY2018, in line with the higher activities during the current quarter.

The segment recorded a profit before taxation for the current quarter of RM39.6 million which was higher by RM68.9 million compared to loss before taxation of RM29.3 million in Q3 FY2018, in line with the higher revenue and higher contribution from share of profit from associates and joint ventures in the current quarter. Included in Q3 FY2018 was the share of loss on disposal of vessel from SapuraAcergy amounting to RM46.1 million.

Drilling

The segment revenue for the current quarter of RM246.5 million was 1.9% lower than the revenue of RM251.2 million in Q3 FY2018.

The segment recorded a loss before taxation of RM11.7 million, which was lower by RM81.5 million compared to the loss before taxation of RM93.1 million in Q3 FY2018 due to the favourable impact from the lower depreciation costs in the current quarter as a result of asset impairment exercise in Q4 FY2018.

Exploration and Production

The segment recorded revenue of RM296.2 million, which was 42.6% higher than the revenue of RM207.7 million in Q3 FY2018. The increase was due to the higher liftings and the effect of the higher average realised oil and gas price achieved in the current quarter compared to Q3 FY2018.

The segment recorded a profit before taxation of RM37.1 million which was RM28.4 million higher compared to Q3 FY2018, in line with the higher revenue.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE NINE (9) - MONTH FPE 31 OCTOBER 2018 TOGETHER WITH THE EXPLANATORY NOTES THEREON
(Cont'd)



17. Review of Segment Performance (cont'd.)

17.2 Current period vs. corresponding preceding period

	Revenue			Operating profit/(loss)		
	9 months to		Changes	9 months to		Changes
	31/10/2018	31/10/2017		31/10/2018	31/10/2017	
	RM'000	RM'000	%	RM'000	RM'000	%
Business Segments:						
E&C	2,404,969	3,285,561	(26.8)	55,549	278,754	(80.1)
Drilling	683,440	915,170	(25.3)	(138,641)	(157,353)	11.9
E&P	733,509	563,950	30.1	73,871	55,625	32.8
	<u>3,821,918</u>	<u>4,764,681</u>		<u>(9,221)</u>	<u>177,026</u>	
Corporate expenses and eliminations	<u>(5,041)</u>	<u>(58,929)</u>	91.4	<u>(138,371)</u>	<u>(248,598)</u>	44.3
Group revenue/ loss before taxation	<u>3,816,877</u>	<u>4,705,752</u>	(18.9)	<u>(147,592)</u>	<u>(71,572)</u>	(>100.0)

Business Segments:

Engineering and Construction

The segment revenue for the current period of RM2,405.0 million was 26.8% lower compared to the corresponding period, in line with the lower activities during the current period.

The segment recorded a profit before taxation for the current period of RM55.5 million which was lower by RM223.2 million compared to profit before taxation of RM278.8 million in the corresponding period, in line with the lower revenue in the current period. Included in corresponding period was the share of loss on disposal of vessel from SapuraAcergy amounting to RM46.1 million.

Drilling

The segment revenue for the current period of RM683.4 million was lower by 25.3% compared to the corresponding period, mainly due to the unfavourable effect of US Dollar weakening against Ringgit Malaysia.

The segment recorded a loss before taxation for the current period of RM138.6 million which was lower by 11.9% compared to loss before taxation of RM157.4 million in the corresponding period, due to favourable impact from the lower depreciation cost in the current period as a result of asset impairment exercise in Q4 FY2018.

Exploration and Production

The segment recorded revenue of RM733.5 million, which was 30.1% higher than the revenue of RM564.0 million in the corresponding period. The increase was due to the higher liftings and the effect of the higher average realised oil and gas price achieved in the current period.

The segment recorded a profit before taxation for the current period of RM73.9 million which was higher by 32.8% compared to profit before taxation of RM55.6 million in the corresponding period, in line with the higher revenue.

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(Cont'd)



18. Additional disclosure information

18.1 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.

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.

18.2 Trade and other receivables

	As at 31/10/2018	As at 31/01/2018
	RM'000	RM'000
Non-current		
Trade receivables, representing total non-current trade receivables	<u>32,469</u>	<u>30,537</u>
Current		
Trade receivables	2,111,378	1,576,527
Less: Provision for impairment	<u>(34,446)</u>	<u>(34,446)</u>
	<u>2,076,932</u>	<u>1,542,081</u>
Other receivables	<u>1,213,290</u>	<u>988,030</u>
Total current trade and other receivables	<u>3,290,222</u>	<u>2,530,111</u>
Total trade and other receivables	<u>3,322,691</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.

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19. (a) Commentary on prospects

The industry has seen an increase in capital spend and resurgence in activities. The encouraging industry outlook has continued to fuel the Group's growth and is expected to contribute positively in the foreseeable future.

The Group has been successful in expanding its global footprint and has secured significant contract wins since the start of 2018. The cumulative value of contract wins to-date for the Group is RM8.5 billion across its E&C and Drilling businesses resulting in the Group's orderbook increasing to RM18.6 billion. The Group has seen a significant increase in bidding activities for an enlarged customer base and for larger contracts in multiple geographies. The Group's recent entry into Saudi Aramco's long-term agreement ("LTA") programme will open up new engineering, procurement, construction and installation ("EPCI") opportunities with Saudi Aramco and deepen our presence in the Middle East.

Given the Group has global operating centres in key countries/regions such as Australia, Southeast Asia, India, the Middle East, Africa, the United Kingdom, Brazil, Mexico and the USA, the Group is poised to leverage on growth opportunities as the market recovers. The growing orderbook provides the platform for increasing revenue and higher utilisation of the Group's assets in the future.

The E&P business has successfully acquired prospective exploration acreage in highly prolific regions in the Sureste basin in Mexico, the Taranaki basin in New Zealand, and the Carnarvon basin and Vulcan sub-basin in Western Australia in 2018. It has also commenced the construction of the facilities for the development of the Gorek, Larak and Bakong fields within block SK408 which is expected to begin production in late 2019.

On 24 August 2018, the Group announced a rights issue exercise and it was approved by shareholders at the extraordinary general meeting held on 29 November 2018. The rights issue would raise gross proceeds of approximately RM4.0 billion to reduce the borrowings of the Group and strengthen the Group's balance sheet. A stronger balance sheet will provide the Group with greater financial flexibility in pursuing and executing projects in conjunction with the improving prospects of the industry. The exercise is expected to be completed in January 2019.

On 9 November 2018, the Group announced that it had entered into the subscription agreement and the shareholders' agreement pursuant to the strategic partnership with OMV AG for the Group's E&P business. The transaction is expected to result in the Group receiving up to USD975 million to be utilised for repayment of borrowings and for working capital purposes. The partnership will enhance the sharing of technology and knowledge, concurrently enabling development of local talent in-country. The combined capabilities and shared financial commitment of the Group and OMV AG will also provide risk mitigation in exploration and development activities. Furthermore, this gives certainty of valuation in unlocking the value of the E&P business. Upon completion of the sale, the Group expects a positive impact to the earnings and net assets of the Group.

The completion of the two corporate exercises above will significantly strengthen the financial position of the Group.

The Group's third quarter results is a further improvement from the previous two quarters and the Board views this to be a reflection of the Group being in positive transition. With the increasing activities, stronger balance sheet and encouraging potential growth prospects, the Board is optimistic that the Group will continue to improve its performance.

(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.

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20. Dividend

The Board of Directors does not recommend any payment of dividend for the current quarter under review.

21. Earnings per share

Basic/Diluted	Individual Quarter		Cumulative Quarter	
	3 months to 31/10/2018	31/10/2017	9 months to 31/10/2018	31/10/2017
Loss attributable to owners of the Parent (RM'000)	(31,090)	(274,406)	(292,879)	(217,945)
Weighted average number of ordinary shares in issue excluding shares held under trust ('000)	5,952,277	5,936,249	5,952,277	5,947,136
Basic/diluted earnings per share (sen)	<u>(0.52)</u>	<u>(4.62)</u>	<u>(4.92)</u>	<u>(3.66)</u>

By Order of the Board

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

Seri Kembangan, Selangor Darul Ehsan
6 December 2018

SHARIAH PRONOUNCEMENT LETTER

Sapura Energy Berhad
Shariah Pronouncement

**SHARIAH PRONOUNCEMENT****CERTIFIED TRUE COPY**

*In the name of Allah, the Most Gracious, the Most Merciful
All praise is due to Allah, the Cherisher of the world, and peace and blessing upon
The Prophet of Allah, on his family and all his companions*

Muhammad Azim Bin Che Mokhtar
Peguambela dan Peguamcara
Advocate and Solicitor
Kuala Lumpur
No. BC/M/2971

**SAPURA ENERGY BERHAD
("COMPANY" OR "SEB")**

**PROPOSED ISSUANCE OF ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE
SHARES ("RCPS-i")**

Maybank Islamic Berhad as the Shariah adviser (the "**Shariah Adviser**") has reviewed the structure and mechanism in respect of the RCPS-i to be issued by the Company as described in the terms and conditions of the RCPS-i. The Shariah Adviser acknowledges the commercial motivation of the RCPS-i allows the Company flexibility in managing its share base such that dilutive effects are mitigated, while ensuring that the requisite sum is raised.

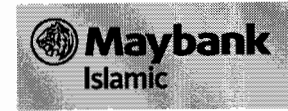
The defined terms used in this Shariah Pronouncement have the same meanings appearing in the terms and conditions of the RCPS-i.

1. STRUCTURE DESCRIPTION

- a) The RCPS-i holders shall invest directly into the Business through the subscription of the RCPS-i to be issued by the Company.
- b) The Company will issue the RCPS-i to the subscribers of the RCPS-i. The RCPS-i shall represent the undivided proportionate interest of the respective RCPS-i holders in the Business.
- c) Profits, subject to item (e) below, shall be distributed as preferential dividends to the RCPS-i holders in proportion to the respective capital contribution of the RCPS-i holders in the Business.
- d) The Expected Preferential Dividend Amount that can be declared and paid on each Preferential Dividend Entitlement Date shall be capped at the Expected Preferential Dividend Rate, unless otherwise decided by the Board pursuant to paragraph (f)(ii) below. In the event that the Profit as at such Preferential Dividend Entitlement Date is less than the Expected Preferential Dividend Amount, the Company may, at its discretion, declare and distribute preferential dividends up to the amount of such Profits.
- e) In the event that dividends are declared, and subject to the Board approving such declaration, the ordinary shareholders shall waive their right to dividend payment unless and until the Company has paid any preferential dividends declared but unpaid or Deferred Dividends to the RCPS-i holders. For avoidance of doubt, it is agreed that the passing of a resolution at an EGM of the ordinary shareholders to amend the Constitution (embedding the rights of the RCPS-i holders), shall represent their agreement (in and for

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
Shariah Pronouncement



compliance with Shariah) for the priority of distribution (of dividends) to be decided by the Board at the point of distribution on their behalf.

- f) On each Preferential Dividend Entitlement Date, the Company:
- (i) may, at its discretion, declare and distribute preferential dividend up to the Expected Preferential Dividend Amount to the RCPS-i holders, subject to the availability of the Profits. By subscribing to the RCPS-i, the RCPS-i holders shall (in and for compliance with Shariah) waive their right to receive any Profits over and above the Expected Preferential Dividend Amount that the Board may have declared; and
 - (ii) may utilise any Profit in excess of (i) above, for the Business or such other purpose as the Board deems fit, including to declare and distribute Additional Preferential Dividend.
- g) Subject to the approval of the Board for the distribution, the RCPS-i holders shall have the right to receive cash payment in full which shall be equivalent to all the capital paid up on the RCPS-i by the respective holder, and any preferential dividends declared but unpaid upon the dissolution, winding-up or liquidation of the Company out of the proceeds of liquidation of the assets of the Company. The holders of the ordinary shares and all other classes of shares (if any) in the Company shall waive their right to receive proceeds from liquidation, dissolution or winding up in favour of the RCPS-i holders until the RCPS-i holders have received their payment in full on all the capital paid up on the RCPS-i by the respective holder, and any preferential dividends declared but unpaid. For avoidance of doubt, it is agreed that the passing of a resolution at an EGM of the ordinary shareholders to amend the Constitution (embedding the rights of the RCPS-i holders), shall represent their agreement (in and for compliance with Shariah) for the priority of distribution (of assets upon the liquidation, dissolution or winding up of the Company) to be decided by the Board at the point of distribution on their behalf.
- h) By subscribing to the RCPS-i, the RCPS-i holders agree (in and for compliance with Shariah) to waive their rights to receive (i) any remaining preferential dividends declared but is unpaid or cannot be paid if the available amount of proceeds from the liquidation, dissolution or winding up of the assets of the Company is insufficient to pay in full the preferential dividends that have been declared but remains unpaid and (ii) any Deferred Dividends that have not been declared by the Company, with such waiver to be decided by the Board at the relevant time on their behalf.
- i) The RCPS-i holders undertake to sell the undivided proportionate interest of the respective RCPS-i holders in the Business on the Redemption Date at the Redemption Price which sale shall be concluded by way of conduct upon payment of the Redemption Price by the Company.
- j) On the Maturity Date, any outstanding RCPS-i shall be converted into fully paid ordinary shares in accordance with the Conversion Ratio, without payment of any consideration.

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
Shariah Pronouncement

**2. KEY SHARIAH HIGHLIGHTS**

The Shariah Adviser wishes to highlight the following:

2.1 Preferential Dividend

At its 20th meeting on 14 July 1999 (“**Meeting**”), the Shariah Advisory Council (“**SAC**”) of the Securities Commission (“**SC**”) (“**SAC of SC**”) resolved that the basic preference share (non-cumulative) is permissible based on *tanazul*. In the context of preference shares, *tanazul* means surrendering the rights to a share of the profits based on partnership, by giving priority to preference shareholders. It is also known as *isqat haq* in Islamic jurisprudence.

From the Shariah point of view, the contracting parties are allowed to agree to give certain priority to other parties including the distribution of dividends provided that the arrangement is done when the profit is realised and consent is obtained from the contracting parties. This mutual agreement is based on the concept of mutual consent (*al-Taraadhi*) as mentioned in the following Quranic verse (4:29):

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِنْكُمْ

‘O you who have believed, do not consume one another’s wealth (unjustly) except that it be trading by your mutual consent...’

At its 193rd meeting on 19 January 2017, the SAC of SC resolved that preference shares are classified as Shariah-compliant securities provided that:

- (i) The underlying shares are classified as Shariah-compliant securities; and
- (ii) The preference shares are non-cumulative in accordance with the existing resolution on the permissibility of basic preference shares which are non-cumulative based on *tanazul*, which was resolved in its Meeting.

Dividend

The RCPS-i shall carry the right to receive preferential dividends, out of the Profits when declared and approved by the Board. Any declaration of preferential dividends shall be subject to the Company complying with any covenants that may be applicable from time to time and the approval of the Board.

Subject to compliance with Section 2.3 below, the Company shall utilize and exhaust the Pre-Issue Retained Earnings for the payment of dividends to the ordinary shareholders, and if such Pre-Issue Retained Earnings are insufficient for the payment of dividends to the ordinary shareholders, the Company may also utilize the Profits (less any preferential dividends declared but unpaid and any Deferred Dividends) for such payment.

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
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Profits shall be distributed as preferential dividends to the RCPS-i holders in proportion to the respective capital contribution of the RCPS-i holders in the Business.

The expected preferential dividend rate per annum shall be 5.0% per annum. The Expected Preferential Dividend Amount shall be capped at such Expected Preferential Dividend Rate. The Company may declare additional dividends in the circumstances set out in paragraph "Excess of Profits" and "Special Dividend" below respectively.

By the holders subscribing to the RCPS-i, they have agreed upfront that their expected preferential dividend rate per annum is 5.0%, thus any Profits over and above this rate shall be waived, automatically effective upon realisation of Profits.

Since the waiver is made upfront, the issue of ownership of such excess profits prior to the waiver is not relevant to the RCPS-i holders. Upon the realisation of Profits, all the profits in excess of the Expected Preferential Dividend Amount belongs to the Company due to the upfront waiver given by the RCPS-i holders.

Effectively, this same treatment apply to conventional preference shares, wherein the holders of conventional RCPS have no claim to dividends over and above the expected preferential dividend rate.

Deferred Dividends/ Non-Payment of Preferential Dividends

On any Preferential Dividend Entitlement Date,

- (i) in the event that the Profits are lower than the Expected Preferential Dividend Amount and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount (in whole or in part):
 - a. the Company may, at its discretion, declare and pay any amount of preferential dividends up to an amount equal to the Profits as at such Preferential Dividend Entitlement Date (the amount of Profits declared as preferential dividends by the Company on a particular Preferential Dividend Entitlement Date, if any, shall be referred to as "**Declared Sum**"); and
 - b. the amount equivalent to the difference between: (A) the Profits as at such Preferential Dividend Entitlement Date; and (B) Declared Sum, shall be cumulative ("**Deferred Dividends 1**"), so long as the RCPS-i remains unredeemed. In this instance, the amount equivalent to the difference between: (A) the Expected Preferential Dividend Amount; and (B) the Profits as at such Preferential Dividend Entitlement Date, shall not be cumulative.
- (ii) in the event that the Profits are more than the Expected Preferential Dividend Amount and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount (in whole or in part),

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

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- a. the amount equivalent to the difference between: (A) the Expected Preferential Dividend Amount; and (B) the Declared Sum, shall be cumulative ("**Deferred Dividends 2**"), so long as the RCPS-i remains unredeemed.

Deferred Dividends 1 and Deferred Dividends 2 (as the case may be) ("**Deferred Dividends**") may be declared and/or paid, at the discretion of the Company, on any subsequent Preferential Dividend Entitlement Date, provided that the Cumulative Condition is fulfilled on such Preferential Dividend Entitlement Date.

"**Cumulative Condition**" of the RCPS-i means on any particular Preferential Dividend Entitlement Date, the Company:

- (i) has sufficient Profits that is at least equivalent to the aggregate of: (A) the Declared Sum; and (B) any Deferred Dividends accumulated as at and on such Preferential Dividend Entitlement Date;
- (ii) has maintained books and records that evidence the Company having Profits that is at least equivalent to the aggregate of: (A) the Declared Sum; and (B) any Deferred Dividends accumulated as at and on such Preferential Dividend Entitlement Date; and
- (iii) makes an announcement on the Main Market of Bursa Malaysia Securities Berhad that such amount of Deferred Dividends on such Preferential Dividend Entitlement Date shall be cumulative.

Where there are no Profits available for the declaration and payment of dividends (in accordance with the Constitution and the Companies Act (or such applicable legislation for the time being), the Company shall have no obligation to declare or distribute any preferential dividends on the relevant Preferential Dividend Entitlement Date. Such preferential dividend shall not be cumulative.

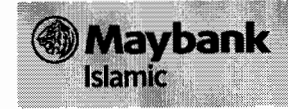
Excess of Profits

On any Preferential Dividend Entitlement Date, in the event that the Profits are more than the Expected Preferential Dividend Amount and the Company declares and distributes preferential dividends up to the Expected Preferential Dividend Amount, any excess of the Profits after such declaration may be utilized by the Company for the Business or such other purpose as the Board at its sole discretion deems fit and in the interest of the Company, including to declare and distribute Additional Preferential Dividend. From Shariah perspective, the Additional Preferential Dividend declared and distributed at the discretion of the Board shall be recognised as hibah (gift).

At the Preferential Dividend Entitlement Date immediately preceding the Maturity Date prior to conversion of the RCPS-i, the Company may, at its discretion, declare, to the extent there are Profits available for distribution, to the RCPS-i holders:

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

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- a. Expected Preferential Dividend Amount;
- b. Deferred Dividends; and/or
- c. incremental preferential dividend (subject a maximum effective return of ten percent (10%) per annum) computed based on the internal rate of return formula ("**Effective Return**"), from the Issue Date and up to the Maturity Date, and after taking into account all:
 - i. Expected Preferential Dividend Amount
 - ii. Deferred Dividends;
 - iii. Additional Preferential Dividend; and
 - iv. Special Preferential Dividend,

(items i. to iv. above are collectively referred to as "**Preferential Dividend**") declared and paid up to the Maturity Date and the difference between the Issue Price and the 30-day volume weighted average market price of SEB ordinary shares prior to the said Preferential Dividend Entitlement Date).

Post-Conversion

Each RCPS-i holder will cease to receive any preferential dividends from and including the date the RCPS-i is converted into New Ordinary Shares of the Company save for preferential dividends declared but unpaid (including Deferred Dividends) up to the date of the conversion.

Special Dividend

The Company may utilize the Pre-Issue Retained Earnings at its sole discretion if it deems fit and in the interest of the Company, to declare and distribute Special Preferential Dividend. From Shariah perspective, any Special Dividend declared and distributed at the discretion of the Board shall be recognised as hibah (gift).

Rationale of Deferred Dividends

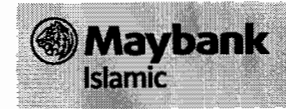
The cumulative feature of the preferential dividend is effected by way of deferring the distributable profits (or part thereof) of the Company earned from the Issue Date which are not declared as dividends based on the mutual consent of the parties. This mutual agreement is based on the concept of mutual consent (al-Taraadhi) as mentioned in the following Quranic verse (4:29):

إِلَّا أَنْ تَكُونَ بِحَكْرَةٍ عَنْ تَرَاضٍ مِنْكُمْ

"...but let there be amongst you traffic and trade by mutual good-will..."

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

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It should be noted that the dividend cannot be deferred and accumulated if there are no profits realized i.e. if the Company generated no profits for that year, then there is no accumulation of the undeclared dividend to any subsequent Preferential Dividend Entitlement Dates. Hence it can be concluded that there is no guarantee of expected preferential dividend to the RCPS-i holders. Therefore, as long as the parties agree to the deferment of their entitlement to the realised Profits, there shall be no Shariah objection on that, based on mutual consent of the contracting parties. For avoidance of doubt, the Deferred Dividends shall not accrue any additional dividends and shall not be compounded.

The Deferred Dividends shall not be payable to the RCPS-i holders if the Company has not declared it as a preferential dividend. For clarity, the Deferred Dividends that are not declared will not be payable in the following circumstances:

- (i) upon the winding-up, liquidation or dissolution of the Company. Accordingly, the RCPS-i holders shall (in and for compliance with Shariah, and by the decision of the Board at the relevant time on their behalf) waive all Deferred Dividends that the Company has not declared; and
- (ii) upon the RCPS-i holders converting the RCPS-i to ordinary shares. Accordingly, the RCPS-i holders shall (in and for compliance with Shariah) waive all Deferred Dividends that the Company has not declared.

From Shariah point of view, in light of such waiver, the RCPS-i holders shall cease to be entitled to the Deferred Dividends that the Company has not declared as preferential dividend.

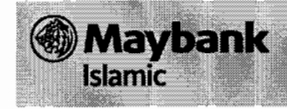
Rationale of incremental preferential dividend

The permissibility of incremental preferential dividend payable at the Preferential Dividend Entitlement Date immediately preceding the Maturity Date prior to conversion of the RCPS-i would be based on the following justifications:

- (a) The RCPS-i holders' entitlement to the incremental preferential dividend shall be payable subject to the performance of the Business (i.e. availability of profit distribution) and the Company's decision to declare such amount, therefore there is no guarantee of returns to the RCPS-i holders;
- (b) Both parties (i.e. Company and the RCPS-i holders) are agreeing to adopt a certain formula for calculation of such incremental preferential dividend based on the concept of mutual consent (al-Taraadhi). The agreed formula is determined so as to avoid any future dispute or uncertainty in the computation.
- (c) It should be noted that there is no obligation on the Company to pay this incremental preferential dividend. It is entirely at the discretion of the Company to pay the incremental preferential dividend. From Shariah point of view, it is the right of the

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

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parties to agree on the methodology to distribute the profit as long as the distribution of the profit does not exclude any of the parties from sharing the profit.

Based on these justifications, the Shariah Adviser believes that the practice of incremental preferential dividend in this issuance, shall be allowed from Shariah point of view.

2.2 Use of Proceeds

The proceeds to be raised from the issuance of RCPS-i will be used in Shariah-compliant manner and primarily to partly repay the borrowings of the SEB group of companies and defray estimates expenses in relation to the Company's proposed fundraising exercise.

If the proceeds are channeled to the other entities in the SEB group of companies, then such transfer shall be made in a Shariah-compliant manner, either via *Qardh* or Shariah-compliant financing under principle of *Mudharabah*, *Murabahah* (via *Tawarruq* arrangement) or other principles acceptable to the Shariah Adviser.

2.3 Restrictions on Payment of Dividends to Ordinary Shares

So long as any RCPS-i remains unredeemed, and in the event that dividends are declared and the preferential treatment is approved by the Board on the day of the dividend declaration, the Company shall not pay or distribute any dividend on its ordinary shares, unless the preferential dividend payable on the RCPS-i for the period immediately preceding such ordinary share dividend and any preferential dividends declared but unpaid or Deferred Dividends, has been paid or otherwise provided for in full.

In the event that dividends are declared, and subject to the Board approving the payment and affirming the priority of payment to the holders of the RCPS-i (as described in Section 2.4 below), the ordinary shareholders shall waive their right to dividend payment, unless and until the Company has paid such preferential dividends declared but unpaid or Deferred Dividend to the RCPS-i holders. For avoidance of doubt, it is agreed that the passing of the resolution at the EGM of the ordinary shareholders to amend the Constitution (embedding the rights of the RCPS-i holders), shall represent their agreement in and for compliance with Shariah, for the priority of distribution (of dividends) to be decided by the Board at the point of distribution on their behalf.

Since the waiver of rights to the ordinary shareholders' share of dividends is effective upon realization of distributable Profits (by virtue of approval from the Board at the time of declaration), the ordinary shareholders have the right to give priority to other parties, including holders of the RCPS-i.

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
Shariah Pronouncement

**2.4 Ranking of RCPS-I**

- (a) Ranked equally amongst the RCPS-i and with other preference shares issued by the Company (if any) without discrimination, preference or priority amongst themselves in all respects.
- (b) Ranked ahead in point of priority to the holders of the ordinary shares and all other classes of shares (if any) in the Company, in respect of payment of dividends and payment out of assets of the Company upon any liquidation, dissolution, or winding up of the Company, provided always that the Board approves such payment of dividends and payment out of assets of the Company on this basis, and further affirms the priority of payment to the RCPS-i holders. For avoidance of doubt, it is agreed that the passing of the resolution at the EGM of the ordinary shareholders to amend the Constitution (embedding the rights of the RCPS-i holders), shall represent their agreement in and for compliance with Shariah, for the priority of distribution dividends and payment out of assets to be decided by the Board at the point of distribution, on their behalf.
- (c) Subordinated to all the Company's creditors in respect of payment of debt and payments out of assets of the Company upon any liquidation, dissolution, or winding up of the Company.
- (d) The Board shall not issue any preference shares which rank equally with or in priority to, the RCPS-i, unless the issue of such preference shares has first been approved by the holders of the RCPS-i by way of an ordinary resolution of such holders.

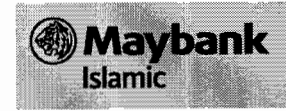
The Company shall pay in cash in full which shall be equivalent to all the capital paid up on the RCPS-i by the respective holder, and any preferential dividends declared but unpaid upon liquidation, dissolution or winding-up of the Company out of the proceeds of liquidation of the assets of the Company.

From Shariah point of view, the permissibility of such predetermined formula of the proceeds on the dissolution, winding-up or liquidation of the Company as mentioned above would be based on the following justifications:

- (a) Both parties (i.e. Company and the holders of the RCPS-i) have agreed to adopt a certain formula based on the concept of mutual consent (al-Taraadhi) which have taken into consideration the performance of the Business (i.e. availability of Profits distribution). The agreed formula is determined so as to avoid any future dispute or uncertainty in the computation of the proceeds payable to the holders of the RCPS-i upon the dissolution, winding-up or liquidation of the Company. The actual amount will only be calculated and agreed upon the dissolution, winding-up or liquidation of the Company; and
- (b) The holders of the RCPS-i are not devoid of all risks as the performance of the RCPS-i is still subject to the operation and performance of the Business, as such there are possibilities that there are not enough Profits, or even assets to pay the original invested amount.

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
Shariah Pronouncement



Furthermore, notwithstanding that the waiver of rights to receive proceeds from liquidation, dissolution or winding up for the benefit of the holders of the RCPS-i by the holders of the ordinary shares is indicated in the terms of the RCPS-i, such waiver shall only take effect upon occurrence of liquidation, dissolution or winding up if the Board approves on such basis and further affirms the priority of payment to the holders of the RCPS-i. Such arrangement is acceptable from Shariah perspective as the waiver of such rights only take effect upon the occurrence of the relevant events as approved by the Board. As the waiver of rights to the ordinary shareholders' share of dividends and capital paid up is effective upon realization of distributable proceeds (pursuant to liquidation of assets of the Company), the ordinary shareholders have the right to give priority to other parties including holders of the RCPS-i.

The Shariah Adviser is of the opinion that there is no Shariah objection to the above arrangement as long as the parties agreed to such terms and conditions.

2.5 Waiver on the Profits by the RCPS-i Holders

In this structure, the RCPS-i holders shall (in and for compliance with Shariah) waive their right to receive the Deferred Dividends if the Company has not declared it as preferential dividend in the following circumstances:

- (i) upon the winding-up, liquidation or dissolution of the Company, with such waiver to be decided by the Board at the relevant time on their behalf; and
- (ii) upon the RCPS-i holders converting the RCPS-i to ordinary shares.

In the event of the winding-up, liquidation or dissolution of the Company, the proceeds payable to the RCPS-i holders following winding-up, liquidation or dissolution of the Company will be approved by the Board at the point of distribution (of assets upon the liquidation, dissolution or winding up of the Company). Hence, the waiver of the RCPS-i holders' rights to receive any Deferred Dividends that have not been declared by the Company shall only be effective upon the approval of the Board at the time of distribution (of assets upon the liquidation, dissolution or winding up of the Company). For avoidance of doubt, by subscribing to the RCPS-i, the RCPS-i holders agree (in and for compliance with Shariah) to this waiver, with such waiver to be decided by the Board at the relevant time on their behalf. From Shariah point of view, in light of such waiver, the RCPS-i holders shall cease to be entitled to the Deferred Dividends that the Company has not declared as preferential dividend.

In the event of conversion of the RCPS-i to ordinary shares, by the act of surrendering the RCPS-i for purpose of the conversion to the ordinary shares, the RCPS-i holders shall (in and for compliance with Shariah) waive any Deferred Dividends that have not been declared as preferential dividends by the Company up to the point of conversion. From Shariah point of view, in light of such waiver, the RCPS-i holders shall cease to be entitled to the Deferred Dividends that the Company has not declared as preferential dividend.

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
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If applicable, the RCPS-i holders shall (in and for compliance with Shariah) also waive their right to receive:

- (i) in connection with any redemption of the RCPS-i, any Profits which has not been declared as preferential dividend by the Company and which do not form any part of the Deferred Dividends from the period beginning on the last dividend declaration date preceding the Redemption Date, up to the Redemption Date.

If the Company decides to redeem the outstanding RCPS-I, the amount of the Redemption Price, payable in cash, shall be the aggregate of: (i) the Issue Price of the RCPS-i; (ii) any preferential dividends declared but unpaid as at the Redemption Date; (iii) any Deferred Dividends as at the Redemption Date; and (iv) a redemption adjustment that yields an Effective Return from the Issue Date and up to the Redemption Date, out of the distributable profits of the Company and after taking into account (i), (ii) and (iii) above and all Preferential Dividend declared and paid up to the Redemption Date, which are payable to the RCPS-i holders upon redemption, and this shall be affirmed by the Board at the point of the redemption. Hence, the waiver by the RCPS-i holders (as affirmed by the Board) of their rights to receive any Profits which have not been declared as preferential dividends by the Company and which do not form any part of the Deferred Dividends shall only be effective upon such affirmation by the Board of the amount of the Redemption Price at the point of redemption of the RCPS-i.

By subscribing to the RCPS-i, the RCPS-i holders agree (in and for compliance with Shariah) to waive their rights to receive any Profits that has not been declared by the Company as preferential dividends and which do not form any part of the Deferred Dividends, with such waiver to be decided by the Board at the point of redemption on their behalf; or

- (ii) on each Preferential Dividend Entitlement Date, any Profits over and above the Expected Preferential Dividend Amount and any Additional Preferential Dividends that the Board may have declared at its sole discretion.

From Shariah perspective, the abovementioned arrangements are acceptable as long as the arrangement is agreed by the parties based on the following legal maxim:

¹ "الأصل في العقد رضی المتعاقدين ونتيجته هي ما التزماء بالتعاقد"

"The original rule of a contract is the mutual consent or agreement by both contracting parties and the consequence of the contract is based on (rights and responsibilities) agreed in the contract."

Thus, the RCPS-i holders have agreed to such terms and conditions of the RCPS-i and as such, their waiver, either by themselves or decided by the Board at the relevant time on their behalf (whichever is applicable), is binding upon them.

¹ Ahmad ibn Muhammad al-Zarqa', Sharh al-Qawaid al-Fiqhiyyah, page 482

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

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**2.6 Voting Rights**

The RCPS-i holders shall be entitled to the same rights as holders of the Company's ordinary shares as regard to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of the Company, save and except in respect of any resolution made:

- (a) when the preferential dividends or any part thereof is in arrears and unpaid for more than six (6) months;
- (b) on a proposal to reduce the Company's share capital;
- (c) on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking;
- (d) on a proposal to wind up the Company;
- (e) during the winding up of the Company; or
- (f) on any proposal that affects the rights and privileges attached to the RCPS-i, including the amendments to the Constitution.

In any of the aforesaid circumstances, each RCPS-i holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings to one vote for each RCPS-i held. Other than the aforesaid circumstances, the RCPS-i holders agree to waive their right to vote on any proposal in relation to the Company.

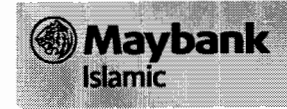
2.7 Redemption

The Company may at any time after the Issue Date, at its discretion, redeem wholly or in part on a pro rata basis the outstanding RCPS-i by giving not less than 30 days' notice in writing to the RCPS-i holders of its intention to do so, subject to compliance with the Companies Act, including where such RCPS-i is intended to be redeemed out of the capital of the Company, such notice of redemption shall be subject to all directors of the Company having made a solvency statement in relation to such redemption in accordance with the provisions of the Companies Act. The redemption of the RCPS-i shall take effect on the Redemption Date. The Redemption Date and book closure date to be used to determine the RCPS-i holders who are entitled to receive the redemption payment shall be stated in the notice.

On the Redemption Date, if the Company decides to redeem the outstanding RCPS-i as described in the paragraph above, the Redemption Price, payable in cash, shall be the aggregate of:

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
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- (i) the Issue Price of the RCPS-i;
- (ii) any preferential dividends declared but unpaid as at the Redemption Date;
- (iii) any Deferred Dividends as at the Redemption Date; and
- (iv) a redemption adjustment that yields an Effective Return from the Issue Date and up to the Redemption Date, out of the distributable profits of the Company and after taking into account (i), (ii) and (iii) above and all Preferential Dividend declared and paid up to the Redemption Date.

The Company shall not redeem any RCPS-i of a holder where redemption of the RCPS-i would be contrary to the laws of Malaysia or the Constitution.

The RCPS-i holders shall sell the undivided proportionate interest of the respective RCPS-i holders in the Business on the Redemption Date to the Company at the Redemption Price, and pursuant to the redemption and payment of the Redemption Price on the Redemption Date for the RCPS-i redeemed, all rights, benefits and entitlements accorded to such RCPS-i holders, shall cease.

Upon redemption of the RCPS-i, the RCPS-i holders shall (in and for compliance with Shariah) waive their rights to receive any Profit that has not been declared as preferential dividend by the Company and which do not form any part of the Deferred Dividends from the period beginning on the last dividend declaration date preceding the Redemption Date up to the Redemption Date. By subscribing to the RCPS-i, the RCPS-i holders agree (in and for compliance with Shariah) to this waiver with such waiver to be decided by the Board at the point of redemption on their behalf.

From the Shariah point of view, the permissibility of such predetermined formula of the Redemption Price pursuant to the undertaking of the holders of the RCPS-i to sell the undivided proportionate interest of the respective holders of the RCPS-i in the Business on the Redemption Date to the Company as mentioned above would be based on the following justifications:

- a) Pursuant to the undertaking by the RCPS-i holders, both parties (i.e. Company and the RCPS-i holders) have agreed to adopt a certain formula based on the concept of mutual consent (al-Taraadhi). The agreed formula for the Redemption Price is determined so as to avoid any future dispute or uncertainty in the computation of the Redemption Price. The actual price will only be calculated and agreed at the date of sale of the undivided proportionate interest of the respective RCPS-i holders in the Business;
- b) The RCPS-i holders are not devoid of all risks as the performance of the RCPS-i is still subject to the operation and performance of the Business, as such there are possibilities that there are not enough Profits, or even assets to pay the original invested amount; and
- c) Since item (ii), (iii) and (iv) of the Redemption Price above shall be payable subject to the performance of the Business (i.e. availability of profit distribution), therefore there is no guarantee of returns to RCPS-i holders.

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
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**2.8 Conversion into Ordinary Shares**

The fully paid-up RCPS-i shall be convertible into New Ordinary Shares and in accordance with the Conversion Right at the Maturity Date.

The Conversion Ratio shall be subject to adjustments from time to time, at the determination of the Board, in the event of any alteration to the Company's share capital, whether by way of rights issue, capitalisation issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Constitution. The Company shall give notice in writing to the RCPS-i holders of its intention to make such adjustments to the Conversion Ratio.

The New Ordinary Shares shall upon allotment and issue rank *pari passu* in all respects with the then issued ordinary shares of the Company including the entitlements to dividends, rights, allotments or other distributions, except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, of which the entitlement date is before the date of allotment of such New Ordinary Shares.

From the Shariah point of view, it is allowed for the parties to agree on certain conversion mechanism, including the Conversion Ratio. While the number of ordinary shares of which the holders of the RCPS-i would be entitled to receive pursuant to the conversion of their RCPS-i is determined upon issuance of the RCPS-i, the value of the ordinary shares would vary from time to time.

The RCPS-i holders shall (in and for compliance with Shariah) waive all Deferred Dividends that the Company has not declared as preferential dividends based on the waiver set out under Section 2.5 above. From Shariah point of view, in light of such waiver, the RCPS-i holders shall cease to be entitled to the Deferred Dividends that the Company has not declared as preferential dividend.

2.9 Transferability

The RCPS-i shall be transferable, subject however to the applicable laws, regulations and rules that would apply to the securities of the Company. From Shariah perspective, the RCPS-i may be transferable to other party through mechanism recognised under Shariah including sale contract or hibah.

2.10 Changes of compliant status of the Company

It is to be noted that there is a possibility of the Company being removed from the list of Shariah-compliant securities issued by the SAC of SC from time to time, in the future. In such instances, the RCPS-i will also be classified as Shariah non-compliant securities. In view of this, the RCPS-i holders have the right to dispose the RCPS-i by following the SAC's guide on the timing for the disposal of securities which have been classified as Shariah non-compliant².

² List of Shariah-Compliant Securities by the SAC of SC booklet dated 25 May 2018

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
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The change of status of the Company from Shariah compliant to Shariah non-compliant can happen in two situations:

1. The status of the Company changes before conversion to New Ordinary Shares; or
2. The status of the Company remain as Shariah non-compliant until after the conversion to New Ordinary Shares.

On the date the Company is classified as Shariah non-compliant, and the value of the RCPS-i held exceeds the original investment cost (initial subscription price of the RCPS-i), the holders of the RCPS-i must liquidate their proportionate holdings. Any capital gains arising from the disposal of the Shariah non-compliant RCPS-i can be kept by the investors.

However, any excess capital gains derived from the disposal after the announcement date, at a market price that is higher than the closing price on the announcement day, should be channelled to charitable bodies or *baitulmal*.

On the other hand, the holders of RCPS-i are allowed to hold their investment in the Shariah non-compliant RCPS-i if the market price of the said RCPS-i is below the original investment cost. It is also permissible for the holders of the RCPS-i to keep the dividends received during the holding period until such time when the total amount of dividends received and the market value of the Shariah non-compliant RCPS-i held is equal to the original investment cost. At this stage, they are advised to dispose of their holdings.

If so happened that the value of the RCPS-i remains lower than its investment cost at the Maturity Date, then the RCPS-i will be converted into New Ordinary Shares. In this regard, the Ordinary Shareholders shall be allowed to hold such New Ordinary Shares until the total amount of dividends received and the market value of such ordinary shares held equal the original investment cost.

In addition, during the holding period, investors are allowed to subscribe to:

(a) any issue of new securities by the Company, for example rights issues, bonus issues, special issues and warrants excluding securities whose nature is Shariah non-compliant e.g. irredeemable convertible unsecured loan stock; and

(b) Shariah compliant securities of other companies offered by the Company, on condition that they expedite the disposal of the Shariah non-compliant securities.

From Shariah point of view, when the investors subscribe to the RCPS-i of the Company, they are fully aware that the Company is Shariah compliant. They are also aware that there is possibility that the Shariah compliant status of the Company may change at a later stage. This situation is similar to investing in the ordinary shares of the Company. Although the Company is Shariah compliant at the point of investment, they are also aware that there is a possibility that the Shariah compliant status of the Company might change later. However, they should not be prevented from investing in the Company, simply because there is possibility that the Company might change status later. The legal maxim of this issue reads³:

³ Majallat al-Ahkam al'Adliyyah, Article 4

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

Sapura Energy Berhad
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"اليقين لا يزول بالشك"

"Certainty is not dispelled with doubt"

Applying this maxim onto this situation, when the investors invested in the Company (either in ordinary shares or RCPS-i), the status of the Company was Shariah compliant. This is the certainty (yaqin) at such point in time. Hence, we should not prevent the investors from investing simply because there is possibility that the Shariah compliant status of the Company might change. Such possibility is just a doubt (shakk) and there is no certainty that the status of the Company will change at a later period. Hence, the status of compliance shall prevail, because that is the certainty (yaqin). With that, the Shariah Adviser believes that there shall be no issue for the investors to subscribe to the RCPS-i as long as the Company is Shariah compliant at the point of subscription.

The most important measure is dealing with the RCPS-i (before conversion) or the new ordinary shares of the Company (after conversion) that the investors hold, upon the Company changing its status to Shariah non-compliant. From Shariah point of view, once the status of the Company changes to Shariah non-compliant, the investors are no longer allowed to hold shares of the Company. However, in this situation, the interest of the investors shall also be protected. There shall be no harm inflicted on them. The maxim in this case reads⁴:

"الضرر يزال"

"Injury is removed"

Therefore, when the Company changes its status to Shariah non-compliant, the disposal of the shares shall take into consideration value of the shares against the original cost of investing:

1. If the value of the shares is equal to or more than the investment cost, then the investors should immediately dispose the shares, as there is no harm for them in this situation.
2. If the value of the shares is less than the investment cost, to avoid inflicting harm unto them, they should be allowed to hold the shares until the price of the shares (plus all the dividend that they received during such holding period) is equal to their investment cost. In this situation, they shall be responsible to dispose the shares immediately. By doing so, we have been able to avoid inflicting harm on them.

To support further this argument, in the case of transaction involving riba', the creditor is allowed to claim from the debtor his original capital. By way of isti'nas (rule of thumb), when investors subscribed to the RCPS-i, the status of the Company was Shariah compliant. When the status of the Company changes, investors should be allowed to recover their investment cost. i.e. their original capital. Based on this argument, the Shariah Adviser believes that the practice of permitting the investors to recover their original capital should be allowed.

⁴ Majallat al-Ahkam al'Adliyyah, Article 20

SHARIAH PRONOUNCEMENT LETTER (Cont'd)

*Sapura Energy Berhad
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3. SHARIAH APPROVAL

Based on the foregoing, Maybank Islamic Berhad as the Shariah Adviser is of the view that the contract involved in the RCPS-i is in compliance with the principles of Shariah and hereby approves the RCPS-i subject to satisfactory documentation.

And Allah knows best.

For and on behalf of the Shariah Adviser:

I, Assoc. Prof. Dr. Aznan Hasan, hereby confirm that all members of the Shariah committee have been consulted and made aware of all the Shariah issues in relation to the proposal.

A handwritten signature in black ink, appearing to read "Aznan Hasan", written over a dotted line.

Assoc. Prof. Dr. Aznan Hasan
(Chairman, Maybank Islamic Shariah Committee)

... 01 NOV 2018 ..
Date

DIRECTORS' REPORT



Registered Office:
Sapura@Mines
No. 7, Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia

17 December 2018

To: The Shareholders of Sapura Energy Berhad ("**SEB**")

On behalf of the Board of Directors of SEB ("**Board**"), I wish to report that after making due enquiries in relation to SEB and its subsidiary companies ("**Group**") during the period between 31 January 2018, being the date to which the latest audited consolidated financial statements of our Group have been made up, and the date of this letter, being a date not earlier than 14 days before the date of this Abridged Prospectus:-

- (i) in the opinion of the Board, the business of our Group has been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the latest audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in Section 9.3 of this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (v) there has been no default or any known event that could give rise to a default situation in respect of payment of either interest and/or principal sums in relation to any borrowings in our Group since the latest audited consolidated financial statements of our Group; and
- (vi) save as disclosed in Section 6 of Appendix II of this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited consolidated financial statements of our Group.

Yours faithfully,
For and on behalf of the Board of
SAPURA ENERGY BERHAD

A handwritten signature in black ink, appearing to be "Dato' Hamzah Bakar", written over a horizontal line.

Name : Dato' Hamzah Bakar
Designation : Chairman, Non-Independent Non-Executive Director

Sapura Energy Berhad (950894-T)

Sapura@Mines, No.7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8659 8800 | F +603 8659 8848 | www.sapuraenergy.com

ADDITIONAL INFORMATION**1. SHARE CAPITAL**

- (a) Save for the Rights Shares, Warrants, RCPS-i, Exercised Shares and Conversion Shares pursuant to the Rights Issue, no securities in our Company will be issued or allotted on the basis of this Abridged Prospectus later than twelve (12) months after the date of this Abridged Prospectus.
- (b) Save as disclosed below, no person has been or would be entitled to be granted an option to subscribe for any securities in our Company:
 - (i) The Entitled Shareholders and/or their renounees and/or transferees, if applicable, who shall be provisionally allotted the Provisional Rights Securities pursuant to the Rights Issue.
 - (ii) Employees of our Group (including our Executive Directors) who are eligible to participate in the LTIP. The maximum number of SEB Shares which may be issued under the LTIP is up to 5% of the issued share capital of SEB. The exercise period, exercise price and consideration given for such options to be issued under the LTIP will be determined by the LTIP committee upon issuance of such LTIP options. As at the LPD, our Company has not granted any SEB Shares pursuant to the LTIP.
 - (iii) The Eligible Persons who are eligible to participate in the ESOS. As at LPD, no ESOS Options has been granted. Subsequent to the LPD, 479,372,407 ESOS Options have been granted and are unexercised. The ESOS Options are granted at the Option Exercise Price of RM0.31 and shall be exercisable upon fulfilment of the conditions of the grant until the date of expiry of the ESOS. The new SEB Shares to be issued pursuant to the exercise of the ESOS Options shall not exceed the Maximum Shares. The number of ESOS Options that may be granted under the ESOS is subject to adjustments in accordance with the By-Laws governing the ESOS.

2. DIRECTORS' REMUNERATION

The extract of the provisions in the Constitution in relation to the remuneration of the Directors are as follows (capitalised terms mentioned are as defined in the Constitution):

- (a) Article 95

The fees payable to the Directors shall from time to time be determined by the Company in general meeting, and such fees shall be divided among the Directors in such proportions and manner as that Directors may determine provided always that: -

- (a) fees payable to Directors who hold non-executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover;
- (b) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (c) any fee paid to an Alternate Director shall be such amount as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

ADDITIONAL INFORMATION (Cont'd)

(b) Article 96

The Directors may also be paid all travelling, hotel, and other expenses properly incurred by them in attending and returning from meeting of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company. Any Director who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration.

(c) Article 97

If by arrangement with the Directors, any Director shall perform or render any special duties outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged provided that the special remuneration payable to non-executive directors shall not be by way of a commission on or percentage of profits or turnover.

(d) Article 98

A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.

(e) Article 104

The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme for the benefit of, or pay a gratuity, pension or emolument to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependants of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such persons as aforesaid and make payments for or towards any hospital or scholastic expenses and any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the Act requires, to proper disclosure to the Members and the approval of the Company in general meeting.

(f) Article 112

Any Director may act by himself or his firm in a professional capacity for the Company and he and his firm shall be entitled to remuneration for his or his firm's professional services as if he was not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company and provided further that such shall be at normal commercial terms.

(g) Article 131

A Managing Director or Deputy Managing Director and/or Executive Directors shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits or partly in one way and partly in another) as the Directors may determine. Such remuneration may not include a commission on or a percentage of turnover.

ADDITIONAL INFORMATION (Cont'd)**3. MATERIAL CONTRACTS**

As at the LPD, save as disclosed below, our Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, during the two (2) years immediately preceding the date of this Abridged Prospectus:

- (a) Subscription agreement dated 9 November 2018 between our Company, OMV E&P, SUP and SUA for the issuance of such number of new ordinary shares in SUP representing 50% of the enlarged issued share capital of SUP to OMV E&P, based on an enterprise value of SUP on a "debt free, cash free" basis of USD1,600 million (or equivalent to approximately RM6,657 million) for the total consideration comprising:
 - (i) cash subscription price of USD540 million (equivalent to approximately RM2,247 million⁽¹⁾); and
 - (ii) cash payment of up to USD85 million (equivalent to approximately RM354 million) upon the occurrence of certain agreed events in relation the commercial development of a petroleum block in the Sureste basin in Mexico and actual Brent prices for 2019 to 2022.

An integral part of the transaction is the repayment of an amount owing by the SUSB Group of USD350 million (equivalent to approximately RM1,456 million) to our Group in cash through shareholders' loan from OMV E&P or bank borrowings to be secured by SUP.

The transaction will result in a total cash proceeds of up to USD975 million (equivalent to approximately RM4,056 million) to be received by our Group, subject to adjustments at completion.

Note:

- (1) *For the purposes of this section, the exchange rate of USD1:RM4.1605, being the middle rate quoted by BNM at 5.00 p.m. as at 8 November 2018 has been applied for illustrations.*
- (b) Shareholders' agreement dated 9 November 2018 between our Company, OMV E&P, SUP, SUA and SUSB for purposes of regulating the joint management of SUP pursuant to the Proposed OMV Transaction.
- (c) Warranty and indemnity deed dated 4 December 2018 between our Company, SUA and OMV E&P pursuant to the Subscription Agreement in relation to certain warranties, covenants and indemnities in connection with the Proposed OMV Transaction.
- (d) Underwriting Agreement where the Joint Underwriters severally but not jointly (nor jointly and severally) agreed to subscribe and pay for and/or procure the subscription and payment for up to an aggregate 2,499,999,900 Rights Shares, representing approximately 25.03% of the total Rights Shares to be issued under the Rights Issue of Shares with Warrants at the Rights Issue Price, in their respective agreed proportion (as set out in Section 2.6 of this Abridged Prospectus) and on the terms and conditions set out in this Agreement. The underwriting commission is 10% of the value of the Underwritten Shares.

ADDITIONAL INFORMATION (Cont'd)**4. MATERIAL LITIGATION**

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and there are no proceedings, pending or threatened, against our Group or of any facts likely to give rise to any proceedings which may materially affect the business or financial position of our Group:

(a) Sarku Engineering Services Sdn Bhd ("**SESSB**")

On 20 February 2006, SESSB, a wholly-owned subsidiary of our 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 at Mumbai High South field offshore site ("**Contract**"). On 21 September 2012, SESSB commenced arbitration proceedings against ONGC in relation to disputes arising from the Contract for a sum of INR1,063,759,201 and USD123,819,632 (including interest, costs, losses and damages). The claims by ONGC were made separately in two currencies as the claims are based on the rates and currencies prescribed in the Contract.

On 17 December 2012, ONGC has filed its reply to SESSB's 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. Cross examination of ONGC's witness took place from 22 December 2014 to 23 December 2014 and from 5 January 2015 to 7 January 2015.

Proceedings continued from 21 November 2018 to 23 November 2018 with submissions from SESSB's counsel. The tribunal has fixed further hearing dates on 12 February 2019 to 14 February 2019 to allow ONGC's counsel to present the submissions.

SESSB has been advised by its solicitors that SESSB has a reasonable basis for its claim against ONGC. In the event SESSB succeeds in its claim, the maximum financial gain to our Group is approximately RM579.6 million. The claim is not expected to have any operational impact or financial loss on our Group.

(b) Sapura Fabrication Sdn Bhd ("**SFSB**")

On 18 March 2011, SFSB, a wholly-owned subsidiary of our Company, entered into a contract with Petrofac (Malaysia) Limited ("**PML**") to provide works for the engineering, procurement and construction of well head platforms for Cendor Phase 2 Development Project and the Cendor field located in Block PM 304 in the Malaysian sector of South China Sea ("**Contract 2**").

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 Contract 2. 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 2.

On 26 April 2018, SFSB responded to PML's claim and made a counterclaim.

ADDITIONAL INFORMATION (Cont'd)

The arbitrators have been appointed and parties have attended the first arbitration meeting on 21 July 2018. PML has filed its Points of Claim on 21 September 2018 and SFSB has filed its Defence and Counterclaim on 3 December 2018. The counterclaim is made for a total sum of RM13,607,304.88. The tentative hearing dates 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 counterclaim against PML. In the event PML succeeds in its claim, the maximum financial loss to our Group is approximately RM62.5 million. Conversely, in the event SFSB succeeds in its counterclaim, the maximum financial gain to our Group is approximately RM13.6 million. The claims are not expected to have any operational impact on our Group.

(c) SEP Inc

- (i) On 11 February 2014, our Company and SEP Inc (collectively, "**Sapura**") completed the acquisition of Newfield Malaysia Holdings Inc (currently known as SEP Malaysia) from Newfield International Holding Inc. and Newfield Exploration Company (collectively, "**Newfield**"). Arbitration proceedings between Sapura as claimants and Newfield as respondents arose out of the post-closing purchase price adjustments ("**Adjustments**") and tax indemnity related to the acquisition.

On closing of the transaction, Sapura paid to Newfield a total of USD895.9 million for the acquisition, subject to adjustments. This amount was arrived at after taking into account certain items such as the estimated value of SEP Malaysia's net working capital as at an agreed effective time ("**ETNWC**").

After the closing of the transaction, Newfield delivered the final calculation of the adjusted purchase price to Sapura, claiming that Sapura owed Newfield an additional USD15,868,810 million as a result of the adjustments.

Sapura in turn delivered its report on the changes that were necessary to properly calculate the final purchase price, claiming that during this process it discovered that the preliminary estimate of the ETNWC did not match the agreed formulas. Sapura claimed that as a result of this discrepancy, the ETNWC adjustment was overvalued by approximately USD81.4 million. Sapura notified Newfield of this discrepancy, but Newfield refused to adjust the purchase price, claiming that the agreed numbers were fixed and final.

As the parties were unable to resolve the dispute, Sapura submitted a Request for Arbitration ("**Request**") against Newfield on 19 October 2017 at the London Court of International Arbitration ("**LCIA**"), requesting the tribunal to set the final value of the adjustments and the final adjusted purchase price. Sapura also requested the tribunal to order Newfield to refund Sapura the amount by which the closing amount paid by Sapura exceeds the adjusted purchase price and indemnify Sapura for taxes which Sapura has paid on behalf of SEP Malaysia and award Sapura all damages, cost and equitable relief.

In its response to the Request ("**Response**"), Newfield has contested all of Sapura's claims, arguing that the ETNWC was locked at the time of closing and thus is not subject to adjustment. In the Response, Newfield has also asserted its intention to cross-claim against Sapura, that: (1) Sapura owes Newfield RM34,048,008, which Newfield claims was its share of a tax refund received by SEP Malaysia for taxes paid in excess during the straddle period prior to completion of the acquisition; and (2) Sapura owes Newfield USD15,868,810 for post-closing adjustments to net intergroup advances and receipts.

ADDITIONAL INFORMATION *(Cont'd)*

The parties are at the discovery stage and it is anticipated that final hearings on this matter will conclude on or around April 2019. SEP Inc has been advised by its counsels that it is difficult at the present stage to provide any opinion on the likely outcome of this matter.

- (ii) On 20 October 2017, in parallel and as a back-up to the arbitration proceedings disclosed in paragraph (a) above, SEP Inc filed an Original Petition and Application for Order at the Texas State Court ("**Court**") pursuant to the Texas Civil Practice and Remedies Code ("**Petition**") against Newfield International Holdings, Inc and Newfield Exploration Company (collectively, the "**Defendants**") and requested the Court to enter an order temporarily staying judicial proceedings on the claims pending the outcome of the arbitration in the LCIA.

On 18 December 2017, the Defendants responded to the Petition opposing the petition in similar fashion to the arbitration proceedings.

The Court has officially stayed the case and there are no claims in this matter that are distinct from the claims raised in the LCIA. The litigation will only proceed if necessary after the arbitration proceeding, to effectuate the tribunal's final judgment.

In the event Sapura succeeds in its claim against Newfield, the maximum financial gain to our Group is approximately RM340.3 million. Conversely, if Newfield succeeds in its counter claim, the maximum financial loss to our Group is approximately RM100.4 million. The claims are not expected to have any operational impact on our Group.

5. CONSENTS**5.1 Maybank IB**

Maybank IB, being the Principal Adviser for the Rights Issue, the Joint Global Coordinator, Managing Underwriter and Joint Underwriter for the Rights Issue of Shares with Warrants, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Abridged Prospectus.

5.2 Shariah Adviser

Maybank Islamic, being the Shariah Adviser for the Rights Issue RCPS-i, has given and has not subsequently withdrawn its written consent to the inclusion of its name and the Shariah Pronouncement Letter and all references thereto in the form and context in which they appear in this Abridged Prospectus.

5.3 RHB IB

RHB IB, being the Joint Global Coordinator and Joint Underwriter for the Rights Issue of Shares with Warrants, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Abridged Prospectus.

5.4 CIMB IB

CIMB IB, being the Joint Global Coordinator and Joint Underwriter for the Rights Issue of Shares with Warrants, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Abridged Prospectus.

ADDITIONAL INFORMATION (Cont'd)**5.5 Ernst & Young**

Ernst & Young, being our auditors and the Reporting Accountants for the Rights Issue, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Abridged Prospectus, including the Reporting Accountants' Letter relating to the pro forma consolidated statements of financial position of our Company as at 31 January 2018 and our Company's audited consolidated financial statements for the FYE 31 January 2018.

5.6 Bloomberg Finance L.P

Bloomberg Finance L.P has given and has not subsequently withdrawn its written consent to the inclusion of its name as the source of the historical share prices of our Company and all references thereto in the form and context in which it appears in this Abridged Prospectus.

5.7 Company Secretaries, Share Registrar, Principal Bankers and Legal Advisers

Our Company secretaries, Share Registrar, Principal Bankers and Legal Advisers for the Rights Issue have given and have not subsequently withdrawn their written consent to the inclusion of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

5.8 Wood Mackenzie

Wood Mackenzie, whose report "*Macro Oils short-term outlook report, November 2018, Wood Mackenzie Q3 2018 pre-FID upstream project tracker, November 2018*" has been included in Section 7.3 above, has given and has not subsequently withdrawn its written consent to the inclusion of its name, its report and all references thereto in the form and context in which they appear in this Abridged Prospectus.

6. GENERAL

As at the LPD, our Group does not have any existing or proposed service contracts with any Directors or proposed Directors of our Group, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within 12 months before the date of this Abridged Prospectus.

There are no:

- (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group save as disclosed in Sections 6 and 7 of this Abridged Prospectus;
- (b) material commitments for capital expenditure of our Group save as disclosed in Section 9.3.1 of this Abridged Prospectus;
- (c) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of our Group save as disclosed in Sections 6 and 7 of this Abridged Prospectus and Section 6 of Appendix II of this Abridged Prospectus;
- (d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on revenues or operating income of our Group save as disclosed in Sections 6 and 7 of this Abridged Prospectus and Section 6 of Appendix II of this Abridged Prospectus;

ADDITIONAL INFORMATION (Cont'd)

- (e) substantial increase in revenue save as disclosed in Section 6 of Appendix II of this Abridged Prospectus; and
- (f) material information, including any special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group save as disclosed in Sections 6 and 7 of this Abridged Prospectus.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Sapura@Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:

- (a) the Constitution;
- (b) pro forma consolidated statements of financial position of our Company as at 31 January 2018 together with the notes and the Reporting Accountants' letter thereon as set out in **Appendix III** of this Abridged Prospectus;
- (c) Shariah Pronouncement Letter as set out in **Appendix VI** of this Abridged Prospectus;
- (d) Directors' Report as set out in **Appendix VII** of this Abridged Prospectus;
- (e) Undertaking Letters referred to in Sections 2.5 and 3.4 of this Abridged Prospectus;
- (f) our audited consolidated financial statements for the past two (2) FYEs 31 January 2017 and 31 January 2018 and our unaudited consolidated financial statements for the nine (9)-month FPE 31 October 2018;
- (g) letters of consent referred to in Section 5 of this Appendix;
- (h) material contracts referred to in Section 3 of this Appendix;
- (i) relevant cause papers in relation to the material litigation referred to in Section 4 of this Appendix;
- (j) Deed Poll; and
- (k) By-Laws.

8. RESPONSIBILITY STATEMENT

Our Board has seen and approved the Documents. They individually and collectively accept full responsibility for the accuracy of the information given in the Documents and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in the Documents false or misleading.

Maybank IB, being the Principal Adviser for the Rights Issue acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

NOTICE OF PROVISIONAL ALLOTMENT (FOR RIGHTS SHARES WITH WARRANTS)

TERMS DEFINED IN THE ABRIDGED PROSPECTUS DATED 31 DECEMBER 2018 ("ABRIDGED PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS NOTICE OF PROVISIONAL ALLOTMENT ("NPA") UNLESS OTHERWISE STATED. THE PROVISIONAL RIGHTS SHARES WITH WARRANTS (AS DEFINED HEREIN) ARE PRESCRIBED SECURITIES PURSUANT TO SECTION 14(5) OF THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT 1991 ("SICDA") AND THEREFORE, THE SICDA (INCLUDING ALL AMENDMENTS THEREOF) AND THE RULES OF BURSA MALAYSIA DEPOSITORY SDN BHD ("BURSA DEPOSITORY") SHALL APPLY IN RESPECT OF DEALINGS IN THE PROVISIONAL RIGHTS SHARES WITH WARRANTS.

THE PROVISIONAL RIGHTS SHARES WITH WARRANT, RIGHTS SHARES AND WARRANTS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE PROVISIONAL RIGHTS SHARES WITH WARRANTS, RIGHTS SHARES AND WARRANTS ARE ONLY BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT.



SAPURA ENERGY BERHAD

(Company No.: 950894-T)

(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

RENOUNCEABLE RIGHTS ISSUE OF 9,986,925,145 NEW ORDINARY SHARES IN SAPURA ENERGY BERHAD ("SEB" OR "COMPANY") ("SEB SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE TOGETHER WITH 998,692,514 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY THREE (3) SEB SHARES HELD AT 5:00 P.M. ON 31 DECEMBER 2018 AND ONE (1) FREE WARRANT FOR EVERY TEN (10) RIGHTS SHARES SUBSCRIBED ("RIGHTS ISSUE OF SHARES WITH WARRANTS")

*Principal Adviser, Joint Global Coordinator,
Managing Underwriter and Joint Underwriter*

Joint Global Coordinators and Joint Underwriters



Maybank Investment Bank Berhad (19938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



RHB Investment Bank Berhad
(Company No.: 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

To: The Shareholders of SEB

Dear Sir/Madam,

The Board of Directors of SEB ("Board") has provisionally allotted to you the number of Rights Shares with Warrants as indicated below ("Provisional Rights Shares with Warrants"), in accordance with the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") vide its letter dated 5 November 2018, and the resolutions passed by the shareholders of SEB at the Extraordinary General Meeting ("EGM") held on 29 November 2018.

We wish to advise that the Provisional Rights Shares with Warrants in respect of the Rights Issue of Shares with Warrants have been confirmed by Bursa Depository and will be credited into your Central Depository System ("CDS") account as stated below, subject to the terms and conditions stated in the Abridged Prospectus and the accompanying Rights Subscription Form.

Bursa Securities has already prescribed the securities of the Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares with Warrants are prescribed securities and as such, all dealings in the Provisional Rights Shares with Warrants will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository.

ALL RIGHTS SHARES WITH WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES WITH WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE AND/OR TRANSFEREE, IF APPLICABLE. NO PHYSICAL SHARE CERTIFICATES OR WARRANT CERTIFICATES WILL BE ISSUED.

It is the intention of the Board to allot the Excess Rights Shares with Warrants, if any, in a fair and equitable manner in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in SEB as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for; and
- (iv) lastly, for allocation to renounees and/or transferees, if applicable, who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for.

In the event of any balance of Excess Rights Shares with Warrants after steps (i), (ii), (iii) and (iv) are carried out, steps (ii), (iii) and (iv) will be repeated again in the same sequence to allocate the balance Excess Rights Shares with Warrants until such balance is exhausted.

Nevertheless, the Board reserves the right to allot the Excess Rights Shares with Warrants applied for in such manner as the Board deems fit and expedient, and in the best interest of the Company, subject always to such allocation being made on a fair and equitable basis and that the intention of the Board as set out in steps (i) to (iv) above is achieved.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF THE ENTITLED SHAREHOLDER

--

NUMBER OF SEB SHARES HELD AS AT 5.00 P.M. ON 31 DECEMBER 2018	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	NUMBER OF WARRANTS ATTACHED TO THE RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM0.30 PER RIGHTS SHARE (RM)

IMPORTANT RELEVANT DATES AND TIMES:

Entitlement Date for the Rights Issue of Shares with Warrants	Monday, 31 December 2018 at 5.00 p.m.
Last date and time for the sale of the Provisional Rights Shares with Warrants	Tuesday, 8 January 2019 at 5.00 p.m.
Last date and time for the transfer of the Provisional Rights Shares with Warrants	Friday, 11 January 2019 at 4.00 p.m.
Last date and time for the acceptance and payment for the Provisional Rights Shares with Warrants	Wednesday, 16 January 2019 at 5.00 p.m.
Last date and time for the application and payment for the Excess Rights Shares with Warrants	Wednesday, 16 January 2019 at 5.00 p.m.

By order of the Board

LEW SUE LI (MIA 42700)
WONG LAY SEE (MAICSA 7018684)
Company Secretaries

Share Registrar
Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: +603 - 7849 0777
Fax: +603 - 7841 8151/8152

NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. ALL ENQUIRIES CONCERNING THE RIGHTS ISSUE OF SHARES WITH WARRANTS SHOULD BE ADDRESSED TO SYMPHONY SHARE REGISTRARS SDN BHD, THE SHARE REGISTRAR FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS, AT LEVEL 6, SYMPHONY HOUSE, PUSAT DAGANGAN DANA 1, JALAN PJU 1A/46, 47301 PETALING JAYA, SELANGOR DARUL EHSAN, MALAYSIA. INVESTORS SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF.

This RSF together with the Abridged Prospectus and the Notice of Provisional Allotment (“NPA”) (collectively referred to as “Documents”) are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that either the Rights Issue of Shares with Warrants or the Documents comply with the laws related to public offerings of any country or jurisdiction where action for such purposes is required, other than the laws of Malaysia. Accordingly, the Documents are only despatched to the Entitled Shareholders who have a registered address in Malaysia and whose names appear in the Record of Depositors as at 5.00 p.m. on 31 December 2018 (excluding Authorised Nominees who have subscribed for Nominee Rights Subscription). Entitled Shareholders and/or their renounees and/or transferees, if applicable, who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of the Provisional Rights Shares with Warrants, application for the Excess Rights Shares with Warrants or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights Shares with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounees and/or transferees, if applicable, should note the additional terms and restrictions as set out in Section 10.8 of the Abridged Prospectus. The Company, the Principal Adviser, the Joint Underwriters, the Joint Global Coordinators or any other advisers to the Rights Issue of Shares with Warrants shall not accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) of the Provisional Rights Shares with Warrants, application for the Excess Rights Shares with Warrants or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights Shares with Warrants made by any Entitled Shareholder and/or their renounees and/or transferees, if applicable, is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions in which the said Entitled Shareholder and/or their renounees and/or transferees, if applicable, are residents.

The Abridged Prospectus has been registered with the Securities Commission Malaysia (“SC”). The registration of the Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue of Shares with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents have also been lodged with the Registrar of Companies who takes no responsibility for the contents of the Document.

Approval for the Rights Issue of Shares with Warrants has been obtained from shareholders of the Company at the Extraordinary General Meeting held on 29 November 2018. Approval has also been obtained from Bursa Malaysia Securities Berhad (“Bursa Securities”) vide its letter dated 5 November 2018 for, among others, the admission of the Warrants to the Official List as well as the listing of Rights Shares with Warrants on the Main Market of Bursa Securities which will commence after, among others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”) that all the CDS accounts of the successful Entitled Shareholders and/or their renounees and/or transferees, if applicable, have been duly credited with the relevant security allotted to them and notices of allotment have been despatched to them. However, such admission and listing are not an indication that Bursa Securities recommends the Rights Issue of Shares with Warrants and are in no way reflective of the merits of the Rights Issue of Shares with Warrants.

The Board has seen and approved the Documents. They individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these Documents false or misleading.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia (or “RM” in abbreviation) and sen.

INSTRUCTIONS:

(I) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

This RSF is valid for acceptance until **5.00 p.m. on 16 January 2019**.

(II) FULL OR PART ACCEPTANCE AND PAYMENT

If you wish to accept all or any part of your entitlement to the Provisional Rights Shares with Warrants, either in full or in part, please complete Parts I and III of this RSF in accordance with the notes and instructions contained herein and return this RSF, together with the appropriate remittance made in RM for the full and exact amount payable for the Rights Shares with Warrants accepted in the form of banker’s draft(s), cashier’s order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and made payable to “**SEB RIGHTS ACCOUNT**”, crossed “**ACCOUNT PAYEE ONLY**”, and endorsed on the reverse side with your name and address in block letters, contact number and CDS account number so as to be received by the Share Registrar **by 5.00 p.m. on 16 January 2019**.

If acceptance of and payment for the Provisional Rights Shares with Warrants allotted to you (whether in full or in part) are not received by the Share Registrar **by 5.00 p.m. on 16 January 2019**, such Provisional Rights Shares with Warrants will be deemed to have been declined and will be cancelled. The Board will then reserve the right to allot such Rights Shares with Warrants not taken up to the applicants who have applied for the Excess Right Shares with Warrants in the manner as set out in note (III) below.

The remittance must be made in the exact amount payable for the Rights Shares with Warrants accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. No acknowledgement will be issued for the receipt of this RSF or application monies in respect of the Rights Issue of Shares with Warrants. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address shown on the Record of Depositors provided by Bursa Depository at your own risk within eight (8) market days from the last date for acceptance of and payment for the Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities.

(III) APPLICATION FOR EXCESS RIGHTS SHARES WITH WARRANTS

If you wish to apply for Excess Rights Shares with Warrants in addition to your Provisional Rights Shares with Warrants, please complete Part II of this RSF (in addition to Parts I and III) and forward this RSF with a **separate remittance made in RM** for the full and exact amount payable for the Excess Rights Shares with Warrants applied for, to the Share Registrar. Payment for the Excess Rights Shares with Warrants applied for should be made in the same manner as described in note (II) above, and in the form of banker’s draft(s), cashier’s order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and made payable to “**SEB EXCESS RIGHTS ACCOUNT**”, crossed “**ACCOUNT PAYEE ONLY**”, and endorsed on the reverse side with your name and address in block letters, contact number and CDS account number so as to be received by the Share Registrar **by 5.00 p.m. on 16 January 2019**.

No acknowledgement will be issued for the receipt of this RSF or application monies in respect of the Excess Rights Shares with Warrants. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address shown on the Record of Depositors provided by Bursa Depository at your own risk within eight (8) market days from the last date for application of and payment for the Excess Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities.

In respect of unsuccessful or partially successful Excess Rights Shares with Warrants applications, the full amount or the surplus of the application monies, as the case may be, will be refunded without interest and will be despatched to the applicant by ordinary post to the address shown in the Record of Depositors provided by Bursa Depository at your own risk within fifteen (15) market days from the last date of acceptance and payment for the Excess Rights Shares with Warrants.

It is the intention of the Board to allot the Excess Rights Shares with Warrants, if any, in a fair and equitable manner in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in SEB as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for; and
- (iv) lastly, for allocation to renounees and/or transferees, if applicable, who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for.

In the event of any balance of Excess Rights Shares with Warrants after steps (i), (ii), (iii) and (iv) are carried out, steps (ii), (iii) and (iv) will be repeated again in the same sequence to allocate the balance Excess Rights Shares with Warrants until such balance is exhausted.

Nevertheless, the Board reserves the right to allot the Excess Rights Shares with Warrants applied for in such manner as the Board deems fit and expedient, and in the best interest of the Company, subject always to such allocation being made in a fair and equitable basis, and that the intention of the Board as set out in steps (i) to (iv) above is achieved.

(IV) SALE OR TRANSFER OF PROVISIONAL RIGHTS SHARES WITH WARRANTS

If you wish to sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants to one (1) or more person(s), you may do so through your stockbroker(s) for the period up to the last date and time for sale or transfer of such Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository), without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS accounts. To sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants, you may sell such entitlement on Bursa Securities or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository.

If you have sold or transferred only part of the Provisional Rights Shares with Warrants, you may still accept the balance of the Provisional Rights Shares with Warrants by completing Parts I and III of this RSF.

In selling or transferring all or part of your Provisional Rights Shares with Warrants, you are not required to deliver any document including this RSF to your stockbrokers in respect of the portion of the Provisional Rights Shares with Warrants sold or transferred. However, you are advised to ensure that there are sufficient Provisional Rights Shares with Warrants standing to the credit of your CDS accounts that are available before such sale or transfer.

Renounees and/or transferees, if applicable, of the Provisional Rights Shares with Warrants may obtain a copy of this RSF from their stockbrokers, the Share Registrar, the Registered Office of SEB or the website of Bursa Securities (<https://www.bursamalaysia.com>).

(V) GENERAL INSTRUCTIONS

- (a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seal.
- (b) Rights Shares with Warrants subscribed by the Entitled Shareholders and/or their renounees and/or transferees, if applicable, will be credited into their respective CDS accounts as shown in Bursa Depository’s Record of Depositors.
- (c) Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of the Company and the Company shall not be under any obligation to account for such interest or other benefit to you.
- (d) The contract arising from the acceptance of the Provisional Rights Shares with Warrants by you shall be governed by and construed in accordance with the laws of Malaysia, and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- (e) The Board reserves the right to accept or reject any application if the instructions herein stated are not strictly adhered to or which are illegible.
- (f) Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.
- (g) Entitled Shareholders and/or their renounees and/or transferees, if applicable, should note that any RSF and remittances lodged with SEB’s Share Registrar shall be irrevocable and cannot be subsequently withdrawn.

NOTICE OF PROVISIONAL ALLOTMENT (FOR RCPS-I)

TERMS DEFINED IN THE ABRIDGED PROSPECTUS DATED 31 DECEMBER 2018 ("ABRIDGED PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS NOTICE OF PROVISIONAL ALLOTMENT ("NPA") UNLESS OTHERWISE STATED. THE PROVISIONAL RCPS-I (AS DEFINED HEREIN) ARE PRESCRIBED SECURITIES PURSUANT TO SECTION 14(5) OF THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT 1991 ("SICDA") AND THEREFORE, THE SICDA (INCLUDING ALL AMENDMENTS THEREOF) AND THE RULES OF BURSA MALAYSIA DEPOSITORY SDN BHD ("BURSA DEPOSITORY") SHALL APPLY IN RESPECT OF DEALINGS IN THE PROVISIONAL RCPS-I.

THE PROVISIONAL RCPS-I AND RCPS-I HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE PROVISIONAL RCPS-I, AND RCPS-I ARE ONLY BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT.



SAPURA ENERGY BERHAD

(Company No.: 950894-T)

(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

RENOUNCEABLE RIGHTS ISSUE OF 2,396,862,035 NEW ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN SAPURA ENERGY BERHAD ("SEB" OR "COMPANY") ("RCPS-I") AT AN ISSUE PRICE OF RM0.41 PER RCPS-I ON THE BASIS OF TWO (2) RCPS-I FOR EVERY FIVE (5) ORDINARY SHARES IN SEB ("SEB SHARES") HELD AT 5:00 P.M. ON 31 DECEMBER 2018 ("RIGHTS ISSUE OF RCPS-I")

*Principal Adviser, Joint Global Coordinator,
Managing Underwriter and Joint Underwriter*

Joint Global Coordinators and Joint Underwriters



Maybank Investment Bank Berhad (19938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



RHB Investment Bank Berhad
(Company No.: 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

To: The Shareholders of SEB

Dear Sir/Madam,

The Board of Directors of SEB ("**Board**") has provisionally allotted to you the number of RCPS-I as indicated below ("**Provisional RCPS-I**"), in accordance with the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") vide its letter dated 5 November 2018, and the resolutions passed by the shareholders of SEB at the Extraordinary General Meeting ("**EGM**") held on 29 November 2018.

We wish to advise that the Provisional RCPS-I in respect of the Rights Issue of RCPS-I have been confirmed by Bursa Depository and will be credited into your Central Depository System ("**CDS**") account as stated below, subject to the terms and conditions stated in the Abridged Prospectus and the accompanying Rights Subscription Form.

Bursa Securities has already prescribed the securities of the Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional RCPS-I are prescribed securities and as such, all dealings in the Provisional RCPS-I will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository.

ALL RCPS-I TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE OF RCPS-I WILL BE ALLOTTED BY WAY OF CREDITING THE RCPS-I INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE AND/OR TRANSFEREE, IF APPLICABLE. NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

It is the intention of the Board to allot the Excess RCPS-I, if any, in a fair and equitable manner in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for the Excess RCPS-I, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in SEB as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for the Excess RCPS-I, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess RCPS-I applied for; and
- (iv) lastly, for allocation to renounees and/or transferees, if applicable, who have applied for the Excess RCPS-I, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess RCPS-I applied for.

In the event of any balance of Excess RCPS-I after steps (i), (ii), (iii) and (iv) are carried out, steps (ii), (iii) and (iv) will be repeated again in the same sequence to allocate the balance Excess RCPS-I until such balance is exhausted.

Nevertheless, the Board reserves the right to allot the Excess RCPS-I applied for in such manner as the Board deems fit and expedient, and in the best interest of the Company, subject always to such allocation being made on a fair and equitable basis and that the intention of the Board as set out in steps (i) to (iv) above is achieved.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF THE ENTITLED SHAREHOLDER

--

NUMBER OF SEB SHARES HELD AS AT 5.00 P.M. ON 31 DECEMBER 2018	NUMBER OF RCPS-I PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM0.41 PER RCPS-I (RM)

IMPORTANT RELEVANT DATES AND TIMES:

Entitlement Date for the Rights Issue of RCPS-I Monday, 31 December 2018 at 5.00 p.m.
 Last date and time for the sale of the Provisional RCPS-I Tuesday, 8 January 2019 at 5.00 p.m.
 Last date and time for the transfer of the Provisional RCPS-I Friday, 11 January 2019 at 4.00 p.m.
 Last date and time for the acceptance and payment for the Provisional RCPS-I Wednesday, 16 January 2019 at 5.00 p.m.
 Last date and time for the application and payment for the Excess RCPS-I Wednesday, 16 January 2019 at 5.00 p.m.

By order of the Board

LEW SUE LI (MIA 42700)
WONG LAY SEE (MAICSA 7018684)
Company Secretaries

Share Registrar
Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: +603-7849 0777
Fax: +603-7841 8151/8152

NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. ALL ENQUIRIES CONCERNING THE RIGHTS ISSUE OF RCPS-I SHOULD BE ADDRESSED TO SYMPHONY SHARE REGISTRARS SDN BHD, THE SHARE REGISTRAR FOR THE RIGHTS ISSUE OF RCPS-I, AT LEVEL 6, SYMPHONY HOUSE, PUSAT DAGANGAN DANA 1, JALAN PJU 1A/46, 47301 PETALING JAYA, SELANGOR DARUL EHSAN, MALAYSIA. INVESTORS SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF.

This RSF together with the Abridged Prospectus and the Notice of Provisional Allotment ("NPA") (collectively referred to as "Documents") are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that either the Rights Issue of RCPS-i or the Documents comply with the laws related to public offerings of any country or jurisdiction where action for such purposes is required, other than the laws of Malaysia. Accordingly, the Documents are only despatched to the Entitled Shareholders who have a registered address in Malaysia and whose names appear in the Record of Depositors as at 5.00 p.m. on 31 December 2018 (excluding Authorised Nominees who have subscribed for Nominee Rights Subscription). Entitled Shareholders and/or their renounees and/or transferees, if applicable, who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of the Provisional RCPS-i, application for the Excess RCPS-i or the subscription, offer, sale, resale, pledge or other transfer of the Provisional RCPS-i, would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounees and/or transferees, if applicable, should note the additional terms and restrictions as set out in Section 10.8 of the Abridged Prospectus. The Company, the Principal Adviser, the Joint Underwriters, the Joint Global Coordinators or any other advisers to the Rights Issue of RCPS-i shall not accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) of the Provisional RCPS-i, application for the Excess RCPS-i or the subscription, offer, sale, resale, pledge or other transfer of the Provisional RCPS-i made by any Entitled Shareholder and/or their renounees and/or transferees, if applicable, is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions in which the said Entitled Shareholder and/or their renounees and/or transferees, if applicable, are residents.

The Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of the Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue of RCPS-i or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents have also been lodged with the Registrar of Companies who takes no responsibility for the contents of these Documents. Approval for the Rights Issue of RCPS-i has been obtained from shareholders of the Company at the Extraordinary General Meeting held on 29 November 2018. On 2 November 2018, the Shariah Advisory Council of the SC had informed that it has no objection to the Rights Issue of RCPS-i. Bank Negara Malaysia ("BNM") had, vide its letter dated 15 October 2018, approved the issuance of RCPS-i to the non-resident shareholders of SEB pursuant to the Rights Issue of RCPS-i. Non-resident shareholders are to note the conditions imposed by BNM which, among others, require non-resident shareholders who intend to undertake foreign currency hedging to only enter into foreign currency hedging contracts with licensed domestic banks (i.e. commercial banks, licensed investment banks or Islamic banks other than international Islamic banks). Approval has also been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities"), vide its letter dated 5 November 2018 for, among others, the admission of RCPS-i to the Official List as well as the listing of RCPS-i on the Main Market of Bursa Securities which will commence after, among others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") that all the CDS accounts of the successful Entitled Shareholders and/or their renounees and/or transferees, if applicable, have been duly credited with the relevant security allotted to them and notices of allotment have been despatched to them. However, such admission and listing are not an indication that Bursa Securities recommends the Rights Issue of RCPS-i and are in no way reflective of the merits of the Rights Issue of RCPS-i.

The Board has seen and approved the Documents. They individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these Documents false or misleading. Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia (or "RM" in abbreviation) and sen.

INSTRUCTIONS:

(I) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

This RSF is valid for acceptance until 5.00 p.m. on 16 January 2019.

(II) FULL OR PART ACCEPTANCE AND PAYMENT

If you wish to accept all or any part of your entitlement to the Provisional RCPS-i, either in full or in part, please complete Parts I and III of this RSF in accordance with the notes and instructions contained herein and return this RSF, together with the appropriate remittance made in RM for the full and exact amount payable for the RCPS-i accepted in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and made payable to "SEB RCPS-I ACCOUNT", crossed "ACCOUNT PAYEE ONLY", and endorsed on the reverse side with your name and address in block letters, contact number and CDS account number so as to be received by the Share Registrar by 5.00 p.m. on 16 January 2019.

If acceptance of and payment for the Provisional RCPS-i allotted to you (whether in full or in part) are not received by the Share Registrar by 5.00 p.m. on 16 January 2019, such Provisional RCPS-i will be deemed to have been declined and will be cancelled. The Board will then reserve the right to allot such RCPS-i not taken up to the applicants who have applied for the Excess RCPS-i in the manner as set out in note (III) below.

The remittance must be made in the exact amount payable for the RCPS-i accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. No acknowledgement will be issued for the receipt of this RSF or application monies in respect of the Rights Issue of RCPS-i. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address shown on the Record of Depositors provided by Bursa Depository at your own risk within eight (8) market days from the last date for acceptance of and payment for the RCPS-i or such other period as may be prescribed by Bursa Securities.

(III) APPLICATION FOR EXCESS RCPS-I

If you wish to apply for Excess RCPS-i in addition to your Provisional RCPS-i, please complete Part II of this RSF (in addition to Parts I and III) and forward this RSF with a **separate remittance made in RM** for the full and exact amount payable for the Excess RCPS-i applied for, to the Share Registrar. Payment for the Excess RCPS-i applied for should be made in the same manner as described in note (II) above, and in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and made payable to "SEB EXCESS RCPS-I ACCOUNT", crossed "ACCOUNT PAYEE ONLY", and endorsed on the reverse side with your name and address in block letters, contact number and CDS account number so as to be received by the Share Registrar by 5.00 p.m. on 16 January 2019.

No acknowledgement will be issued for the receipt of this RSF or application monies in respect of the Excess RCPS-i. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address shown on the Record of Depositors provided by Bursa Depository at your own risk within eight (8) market days from the last date for application of and payment for the Excess RCPS-i or such other period as may be prescribed by Bursa Securities.

In respect of unsuccessful or partially successful Excess RCPS-i applications, the full amount or the surplus of the application monies, as the case may be, will be refunded without interest and will be despatched to the applicant by ordinary post to the address shown in the Record of Depositors provided by Bursa Depository at your own risk within fifteen (15) market days from the last date of acceptance and payment for the Excess RCPS-i.

It is the intention of the Board to allot the Excess RCPS-i, if any, in a fair and equitable manner in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for the Excess RCPS-i, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in SEB as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for the Excess RCPS-i, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess RCPS-i applied for; and
- (iv) lastly, for allocation to renounees and/or transferees, if applicable, who have applied for the Excess RCPS-i, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess RCPS-i applied for.

In the event of any balance of Excess RCPS-i after steps (i), (ii), (iii) and (iv) are carried out, steps (ii), (iii) and (iv) will be repeated again in the same sequence to allocate the balance Excess RCPS-i until such balance is exhausted.

Nevertheless, the Board reserves the right to allot the Excess RCPS-i applied for in such manner as the Board deems fit and expedient, and in the best interest of the Company, subject always to such allocation being made in a fair and equitable basis, and that the intention of the Board as set out in steps (i) to (iv) above is achieved.

(IV) SALE OR TRANSFER OF PROVISIONAL RCPS-I

If you wish to sell or transfer all or part of your entitlement to the Provisional RCPS-i to one (1) or more person(s), you may do so through your stockbroker(s) for the period up to the last date and time for sale or transfer of such Provisional RCPS-i (in accordance with the Rules of Bursa Depository), without first having to request for a split of the Provisional RCPS-i standing to the credit of your CDS accounts. To sell or transfer all or part of your entitlement to the Provisional RCPS-i, you may sell such entitlement on Bursa Securities or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository.

If you have sold or transferred only part of the Provisional RCPS-i, you may still accept the balance of the Provisional RCPS-i by completing Parts I and III of this RSF.

In selling or transferring all or part of your Provisional RCPS-i, you are not required to deliver any document including this RSF to your stockbrokers in respect of the portion of the Provisional RCPS-i sold or transferred. However, you are advised to ensure that there are sufficient Provisional RCPS-i standing to the credit of your CDS accounts that are available before such sale or transfer.

Renounees and/or transferees, if applicable, of the Provisional RCPS-i may obtain a copy of this RSF from their stockbrokers, the Share Registrar, the Registered Office of SEB or the website of Bursa Securities (<https://www.bursamalaysia.com>).

(V) GENERAL INSTRUCTIONS

- (a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seal.
- (b) RCPS-i subscribed by the Entitled Shareholders and/or their renounees and/or transferees, if applicable, will be credited into their respective CDS accounts as shown in Bursa Depository's Record of Depositors.
- (c) Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of the Company and the Company shall not be under any obligation to account for such interest or other benefit to you.
- (d) The contract arising from the acceptance of the Provisional RCPS-i by you shall be governed by and construed in accordance with the laws of Malaysia, and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- (e) The Board reserves the right to accept or reject any application if the instructions herein stated are not strictly adhered to or which are illegible.
- (f) Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.
- (g) Entitled Shareholders and/or their renounees and/or transferees, if applicable, should note that any RSF and remittances lodged with SEB's Share Registrar shall be irrevocable and cannot be subsequently withdrawn.