BUMIARMADA

ANNUAL REPORT 2019

Bumi Armada Berhad is a Malaysia-based international offshore energy facilities and services provider with a presence in over 10 countries spread across three continents, supported by over 1,200 people from over 33 nationalities.

We provide offshore services via two business units – Floating Production & Operations ("FPO") and Offshore Marine Services ("OMS") (encompassing the Offshore Support Vessel ("OSV") and the Subsea Construction ("SC") services).

Bumi Armada is one of the largest Floating Production Storage Offloading ("FPSO") players in the world and an established OSV owner and operator, with extensive experience across Asia, Europe, Africa and Latin America.

The Company was incorporated in December 1995 as a public limited company, and the Bumi Armada group of companies include diversified subsidiaries as well as joint venture companies.

2019 AT A GLANC

KEY TARGETS FOR 2019

i

Ensure the safety of all employees, partners and assets

ii

Improve operatio **performance** on Armada Kraken FP

iii

Improve the balance sheet and increase cash flow

iv

Optimise cost a **optimise value** on OSV segment

REVENUE

RM2.07 billion

2018: RM2.42 billion

NET PROFIT A OWNERS OF

RM58. million

2018: RM2.30 bi
Attributable to O

SHARE PRICE

(as at 31 December)

RM0.53

2018: RM0.16

SHARE PRICE

(% Year-on-year

241.9

2018: -79.7%

FPSO UPTIME

>99%

2018: 97.17%

OSV UTILISAT

54%

2018: 38%

INSIDE THIS REPORT

Bumi Armada Berhad is a Malaysia-based international offshore energy facilities and services provider with a presence in over 10 countries spread across three continents, supported by over 1,200 people from over 33 nationalities.

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2019
AT A GLANCE

KEY TARGETS FOR 2019

i

Ensure the safety of all employees, partners and assets

ii

Improve operational performance on Armada Kraken FPSO

- FPO accounted for over 80% of the Group's revenue in 2019.
- The Group delivered an improved operational performance of the Armada Kraken FPSO in 2019.
- The year saw strong, stable performance from the Group's other FPO vessels.

iii

Improve the balance sheet and increase cash flow

iv

Optimise cost and optimise value on OSV segment

v

Monetise assets that are unlikely to contribute positively in the short- to medium-term

REVENUE

RM2.07 billion

2018: RM2.42 billion

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM58.62 million

2018: RM2.30 billion *(Net Loss Attributable to Owners of the Company)*

TOTAL ASSETS

RM13.98 billion

2018: RM15.54 billion

SHARE PRICE

(as at 31 December)

RM0.53

2018: RM0.16

SHARE PRICE PERFORMANCE

(% Year-on-year)

241.9%

2018: -79.7%

MARKET CAPITALISATION

RM3.1 billion

2018: RM0.9 billion

FPSO UPTIME

>99%

2018: 97.17%

OSV UTILISATION

54%

2018: 38%

More info: **www.bumiarmada.com**

EMPLOYEES

(as at 31 December 2019)

OFFSHORE

842

2018: 1,046

ONSHORE

378

2018: 491

ONSHORE FEMALE EMPLOYEES

44%

2018: 41%

ONSHORE NATIONALITIES

22

2018: 38

TOTAL EQUITY

RM3.21 billion

2018: RM3.37 billion

LOST TIME INJURY

(per 1 million man-hours)

0.00

2018: 0.56

VISION, MISSION AND CORE VALUES

VISION

To be the preferred provider of offshore production and support services to our clients.

MISSION

- To operate and deliver on our commitments to the satisfaction of our stakeholders, safely, on time and within budget.
- To add value by effectively managing risks through a hands-on approach.
- To continuously improve our capabilities and to apply the lessons learnt to the way we work.
- To ensure good governance in all our practices, reduce our environmental footprint, support our local communities and promote social sustainability awareness wherever we operate.

CORE VALUES

S U R E

SAFE

We care for the safety of each other and lead by example.

We aim to take a proactive approach in protecting the environment, maintaining our assets and safeguarding information.

UNITED

We place a high importance on working as one team and want to pursue and achieve results together.

We seek the participation of others in resolving problems, encourage mutual respect and always welcome feedback.

RESPONSIBLE

We take responsibility in always delivering on our promises and we commit ourselves personally in adding value to our stakeholders.

We want to conduct our business with good governance and a strong moral compass.

EXCELLENT

We are driven by our ambition to continuously improve.

We seek to learn from others, challenge others constructively and have the discipline to make the extra effort each time.

ABOUT THIS REPORT

Welcome to Bumi Armada's 2019 Annual Report. As you read through the following pages, you will find a comprehensive review of our Group's performance, including challenges and opportunities faced during the financial year ending 31 December 2019.

Scope and Boundaries

This report covers the governance, the strategy, the financial performance and the prospects of the Group. Split into 8 sections, Sections 1 - 4 (namely About Bumi Armada, 2019 At A Glance, An Overview of Bumi Armada and Strategy & Sustainability) provide a narrative of our business whilst Sections 5 - 8 (namely How We Are Governed, Our Numbers, Other Information and Annual General Meeting Information) provide all the material information relevant to our stakeholders, including the consolidated annual financial statements.

Guidelines

The financial statements have been audited by our external auditors, PricewaterhouseCoopers PLT, and were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 ("CA 2016") in Malaysia.

Other sections of this report have been prepared in accordance with the guidelines established by the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Malaysian Code on Corporate Governance 2017 ("MCCG"), Bursa Securities Sustainability Reporting Guidelines, and Corporate Governance Guide (3rd Edition) ("CG Guide").

Enquiry

In ensuring that we report on the issues that matter to our stakeholders, please provide any questions pertaining to this report or questions that you would like answered at our upcoming Annual General Meeting to enquiry@bumiarmada.com.

Note: The Information stated in this Annual Report is as at 31 December 2019 unless stated otherwise.

On behalf of the Board:

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

GARY NEAL CHRISTENSON

WHERE WE OPERATE

Floating Production & Operations

The FPO business specialises in engineering, procurement, construction, commissioning, and the operations of floating oil and gas facilities as per the specific requirements of clients.

Bumi Armada currently has the following facilities:

- 4 wholly owned FPSOs.
- 3 jointly owned FPSOs.
- 1 Liquefied Natural Gas ("LNG") Floating Storage Unit ("FSU").

Offshore Marine Services

The OMS business runs a fleet of 35 vessels, comprising of 32 OSVs and 3 SC vessels.

The OSVs currently operate in South East Asia, West Africa and Latin America. The 3 Ice Class vessels operate in the Russian sector of the Caspian Sea. The SC vessels operate in the Caspian Sea and Indonesia, where we execute pipeline installations and heavy lift operations.

The OMS business is responsible for the chartering, scope planning, logistics and full operations of the vessels in the fleet.

Scan the QR Code above for more information.

WHERE WE OPERATE

12 Shore Bases/Offices

3 Subsea Construction Vessels

32 Offshore Support Vessels

1 LNG Floating Storage Unit

7 Floating Production Storage Offloading Units

GROUP CORPORATE STRUCTURE

as at 31 December 2019

BUMIARMADA

- 49% less 1 share → ARMADA D1 PTE. LTD. (Singapore)
- ARMADA OYO LTD. (BVI)
- ARMADA TGT LTD. (Marshall Islands)
- BUMI ARMADA AUTOMATION INTERNATIONAL SDN. BHD. (Malaysia)
- BUMI ARMADA CAPITAL MALAYSIA SDN. BHD. (Malaysia)
- BUMI ARMADA CAPITAL OFFSHORE LTD (Labuan)
- BUMI ARMADA ENGINEERING SDN. BHD. (Malaysia)
- BUMI ARMADA HOLDINGS B.V. (Netherlands)
- BUMI ARMADA HOLDINGS LABUAN LTD. (Labuan)
- 99% → BUMI ARMADA NAVIGATION SDN. BHD. (Malaysia)
- BUMI ARMADA OFFSHORE HOLDINGS LIMITED (Marshall Islands)
- BUMI ARMADA SINGAPORE HOLDINGS PTE. LTD. (Singapore)
- BUMI ARMADA (SINGAPORE) PTE. LTD. (Singapore)
- 30% → SHAPOORJI PALLONJI BUMI ARMADA GODAVARI PRIVATE LIMITED (India)
- 49% less 1 share → SHAPOORJI PALLONJI BUMI ARMADA OFFSHORE PRIVATE LIMITED (India)
- 49% less 1 share → SP ARMADA OIL EXPLORATION PRIVATE LIMITED (India)

Notes:

[1] Notwithstanding the Group is holding less than 50% equity interest, the investments in Angoil Bumi JV, LDA and Abaco Offshore Limited are classified as subsidiaries (not as joint ventures) due to the Group's control pursuant to the Shareholders' Agreements.

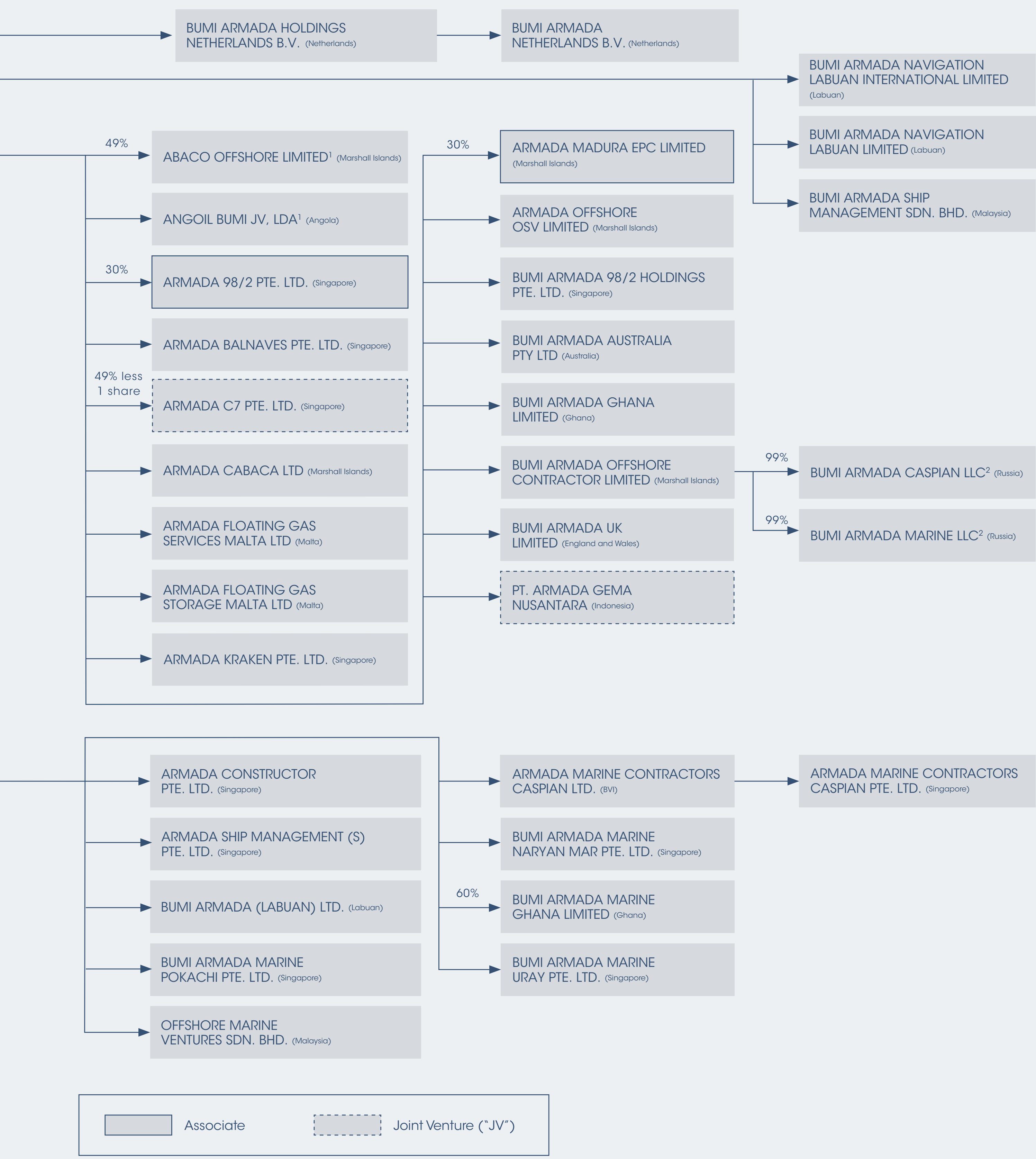
[2] Remaining 1% equity interest is held by Bumi Armada Russia Holdings Limited, a related corporation.

* All 100% owned unless stated otherwise.

The full list of Bumi Armada Group of Companies are stated on pages 158 to 170 and page 174 of the Notes to the Financial Statements.

GROUP CORPORATE STRUCTURE

as at 31 December 2019



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tunku Ali Redhauddin ibni Tuanku Muhriz
Chairman
Independent Non-Executive Director

Alexandra Elisabeth Johanna Maria Schaapveld (1)
Independent Non-Executive Director

Uthaya Kumar a/l K Vivekananda (2)
Independent Non-Executive Director

Chan Chee Beng
Non-Independent Non-Executive Director

Maureen Toh Siew Guat
Non-Independent Non-Executive Director

Gary Neal Christenson
Executive Director/
Chief Executive Officer

AUDIT COMMITTEE

VU Kumar (Chairperson)
Alexandra Schaapveld
Maureen Toh Siew Guat

REMUNERATION COMMITTEE

Alexandra Schaapveld (Chairperson)
VU Kumar
Maureen Toh Siew Guat

NOMINATION & CORPORATE GOVERNANCE COMMITTEE

Tunku Ali Redhauddin ibni Tuanku Muhriz (Chairperson)
Alexandra Schaapveld
VU Kumar
Chan Chee Beng

RISK MANAGEMENT COMMITTEE

VU Kumar (Chairperson)
Maureen Toh Siew Guat

COMPANY SECRETARIES

Noreen Melini binti Muzamli
(LS 0008290)

Noor Hamiza binti Abd Hamid
(MAICSA 7051227)

REGISTERED ADDRESS/HEAD OFFICE

Level 21, Menara Perak
24, Jalan Perak
50450 Kuala Lumpur, Malaysia
Tel : +603 2171 5799
Fax : +603 2163 5799
Website : www.bumiarmada.com
Email : enquiry@bumiarmada.com

SHARE REGISTRARS

Boardroom Share Registrars Sdn. Bhd.
Registration number: 199601006647
(378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor, Malaysia
Tel : +603 7890 4700
Fax : +603 7890 4670

AUDITORS

PricewaterhouseCoopers PLT
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia
Tel : +603 2173 1188
Fax : +603 2173 1288

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Market) Listed since 21 July 2011
Sector : Energy
Sub-sector : Energy Infrastructure Equipment & Services
Stock Code : 5210

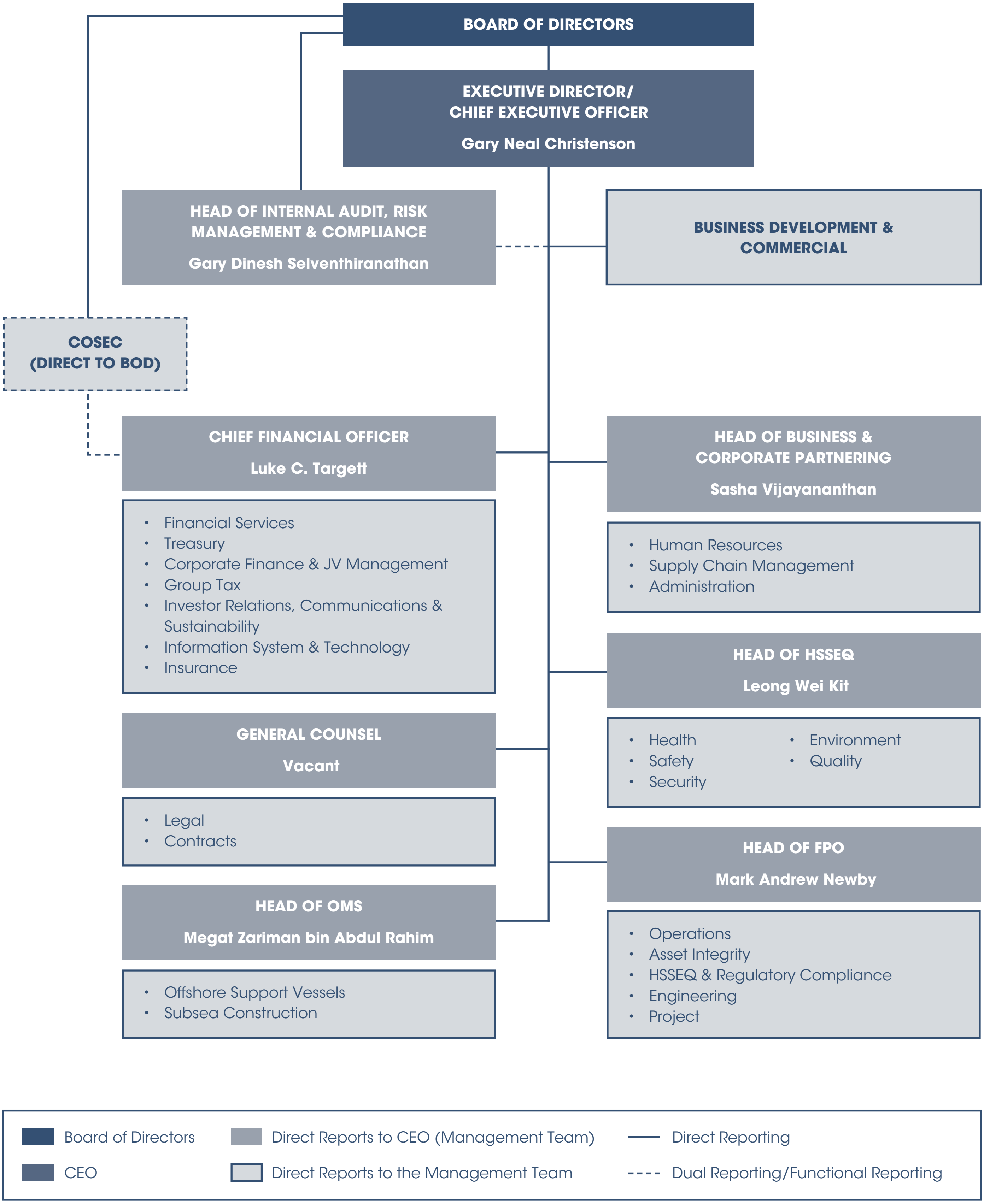
In the other sections of the Annual Report:
(1) She is also referred to as Alexandra Schaapveld.
(2) He is also referred to as VU Kumar.

Details of Membership in Board Committees

DIRECTORS	BOARD COMMITTEES			
	Audit Committee	Remuneration Committee	Nomination & Corporate Governance Committee	Risk Management Committee
Tunku Ali Redhauddin ibni Tuanku Muhriz	-	-	Chairperson	-
Alexandra Schaapveld	Member	Chairperson	Member	-
VU Kumar	Chairperson	Member	Member	Chairperson
Chan Chee Beng	-	-	Member	-
Maureen Toh Siew Guat	Member	Member	-	Member

ORGANISATIONAL CHART

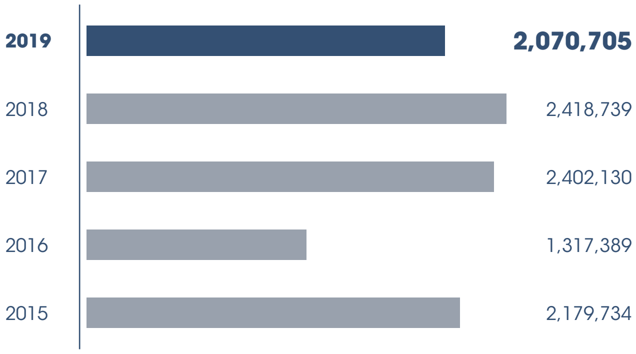
as at 31 March 2020



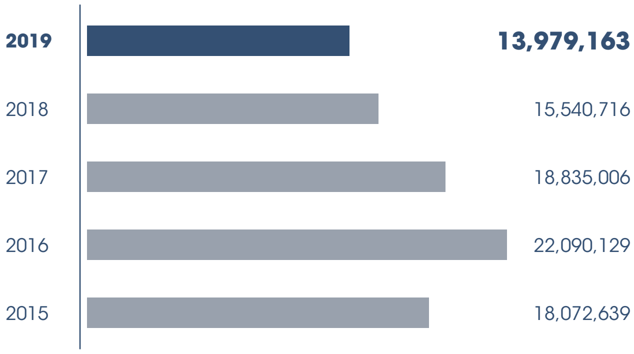
FIVE-YEAR FINANCIAL PERFORMANCE

as at 31 December 2019

Revenue
(RM'000)

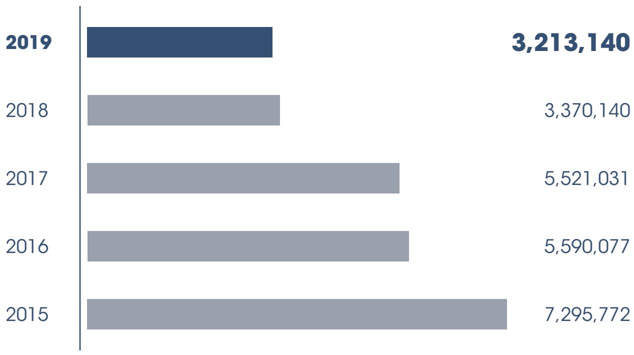


TOTAL ASSETS
(RM'000)



PROFIT/(LOSS) FOR THE FINANCIAL YEAR
(RM'000)

TOTAL EQUITY
(RM'000)



Financial Performance (RM'000)	2015	2016	2017	2018	2019
Revenue	2,179,734	1,317,389	2,402,130	2,418,739	**2,070,705**
Profit/(Loss) for the financial year	(241,777)	(2,005,036)	376,407	(2,319,148)	**38,158**
Profit/(Loss) attributable to Owners of the Company	(234,566)	(1,967,651)	352,247	(2,302,769)	**58,618**
Total assets	18,072,639	22,090,129	18,835,006	15,540,716	**13,979,163**
Total equity	7,295,772	5,590,077	5,521,031	3,370,140	**3,213,140**

More info: **www.bumiarmada.com**

SHARE PERFORMANCE

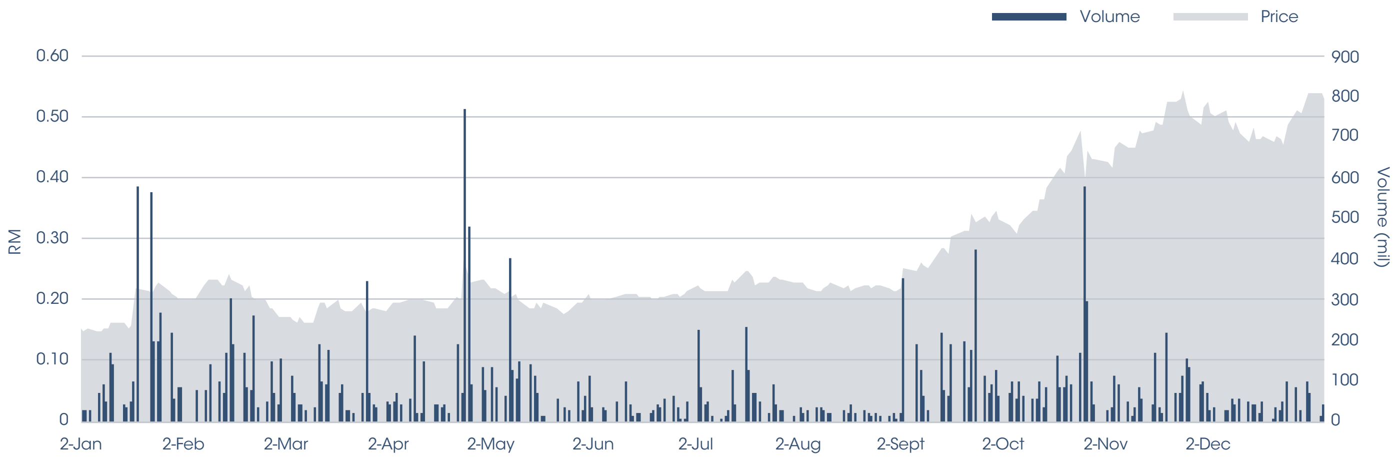
STOCK PERFORMANCE IN 2019

The Malaysian stock market, as represented by the benchmark FBM KLCI Index ("Index"), ended 2019 at 1,588.76 points, which was 6.0 percent lower than the Index opened on the first day of trading for the year. This was the largest annual decline in the Malaysian market since the Asian financial crisis in 2008.

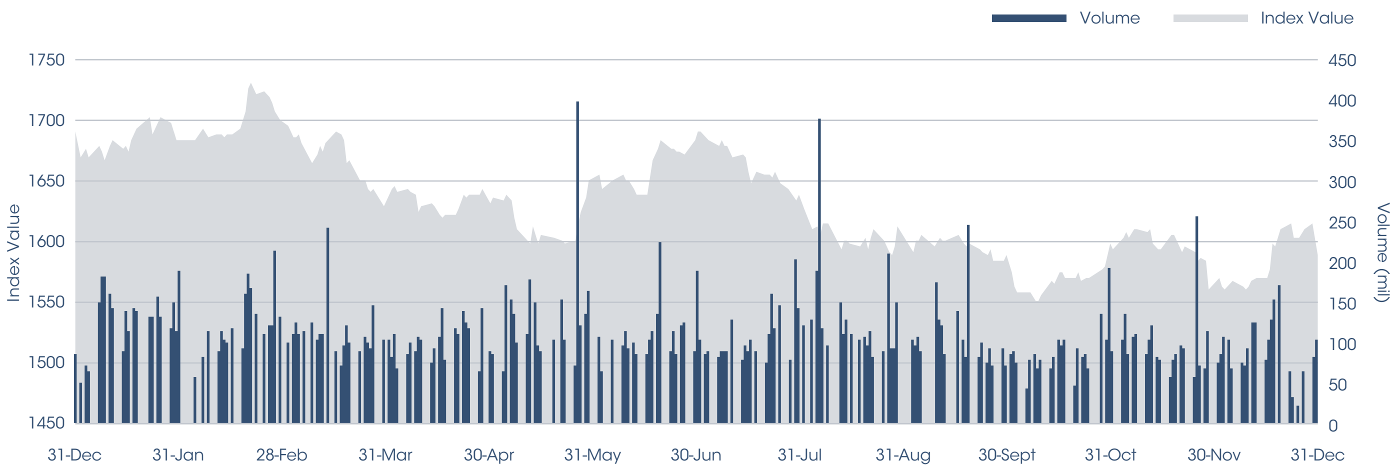
The weakness in the Index was primarily due to weak local sentiment as local political tensions continued following the change in Government in 2018, and concerns about the economic outlook over the short to medium-term. The weakness in the Malaysian market was in contrast to global equity markets, which generally posted positive performances in 2019, despite continuing global political and trade tensions.

Bumi Armada shares returned to a strong performance in 2019, ending the year at 53.0 sen, a 241.9% increase over the year's opening price of 15.5 sen. The improved sentiment came on the back of positive results reported over the first three quarters of 2019 as operations stabilised, as well as the refinancing of the Group's corporate debts in the first half of the year.

Bumi Armada Share Price & Volume Performance



FBM KLCI Price & Volume Performance



CHAIRMAN'S STATEMENT

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Chairman

Dear Shareholders,

On behalf of the Board of Directors of Bumi Armada, I present to you the 2019 Annual Report. The measures implemented by the Company at the end of 2018 started to yield results during 2019, and the Company delivered safe, stable and efficient operations across the organisation, and a full year profit attributable to Owners of the Company ("net profit") of RM58.6 million.

THE GLOBAL ECONOMY

Given the turmoil that we have seen so far in 2020, it is hard to reflect on the conditions in 2019 that influenced the economies during that period. In 2019, the world's issues were of global political tension with threats to various trade agreements, further complications with Brexit as well as continuing issues in the Middle East.

Countries directed fiscal policies to keep interest rates low to spur economic growth. Despite the various efforts, global economies weakened, most noticeably in China and Europe, where certain countries stagnated or headed towards recession.

OIL

Oil prices during the year traded predominantly between USD60-70 per barrel and whilst this was higher than prices in 2015-2016, it was well off the 2014 high. As such, offshore O&G exploration activities remained muted in 2019 and given the current global environment amidst the Coronavirus ("COVID-19"), we can expect this to continue.

THE GROUP IN 2019

Overall Performance

In 2019, the Group identified five key focus areas to improve overall performance, covering safety, operational improvements on Armada Kraken, strengthening the Group's balance sheet, improving financial performance and cash flows, and to monetise non-contributing/non-core assets.

CHAIRMAN'S STATEMENT

I am glad to say that the Group has delivered in these focus areas and as a result, we ended 2019 in a stronger position than in 2018.

Safety Performance

There were zero Lost Time Injuries ("LTI") recorded across the organisation during 2019. Front line operational safety performance improved and there was a marked increase in both management coverage and visits to the vessels as well as general safety awareness across the organisation.

Operational Performance

I am happy to say that we saw an improvement in the overall FPO fleet uptimes during the year, helped by the performance of Armada Kraken, which had challenges in 2018.

In the OMS business, while there was an improvement in the OSV sub-segment, the SC sub-segment struggled, due to a lack of new contracts for the two main vessels which are located in the Caspian Sea.

Financial Performance

The Group saw a 14% decline in revenue when compared to 2018, due mainly to the lack of revenue from the SC sub-segment, but the FPO business improved on the back of stable operational performance of the fleet. Operating profit before impairment improved to RM533.8 million as compared to RM301.9 million in 2018, and there was a significant improvement in the Group's bottom-line, with a net profit of RM58.6 million for 2019, when compared to the net loss of RM2.3 billion in 2018.

SUSTAINABILITY

The issue of climate change and the environment was brought into sharp focus in 2019 with huge fires in Brazil, North America, Europe and Australia. Corporate sustainability awareness and initiatives will be critical to businesses going forward across all industries and sectors. The Group remains committed to building a sustainable organisation in terms of the principles that govern the way that we work, as well as having as positive an impact as possible in terms of the environment and society.

Our efforts regarding sustainability have been recognised with our continued inclusion in the FTSE4Good index.

Please read the Sustainability Statement in this report to find out some of the steps Bumi Armada takes to be a more sustainable organisation.

OUTLOOK FOR 2020

The outbreak of COVID-19 at the end of 2019 and its rapid global spread in early 2020 has had a significant impact on the global economy. In addition to the many lives lost, the pandemic has led to travel restrictions, country wide "lock-downs" and other measures which were necessary to reduce the spread of the virus but have also significantly impeded economic activity. Even after a vaccine or cure is available, it will take some time for the global economy, and oil demand, to recover. We therefore expect growth opportunities in 2020 to be limited.

For the Group, health and safety will remain critical focus areas, as will the operational performance of our existing FPO projects, which generate most of our revenue and profit.

We had a disappointing initial judgment in our litigation with Woodside Julimar Pty Ltd, but we are appealing the judgment, and hope to receive a positive result.

For the OMS business, we will continue to optimise the OSV structure, while we pursue new contracts for the SC assets. Across the wider organisation, we will also continue to balance efficiency with optimal operational and financial performance.

IN CONCLUSION

2019 marked an improved performance for the Group, but we face huge global challenges in 2020. Fortunately, the long-term nature of the FPO business should hold us in good stead.

I would like to close my comments to the Annual Report for 2019 by thanking the Bumi Armada team for their continued commitment to the Company, and our partners, shareholders and all other stakeholders, for their continued support to the Group.

For the Group, health and safety will remain critical focus areas, as will the operational performance of our existing FPO projects, which generate most of our revenue and profit.

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

In my first report for Bumi Armada, I will provide a view of the key events and challenges that we faced over the last year.

THE O&G SECTOR

Low oil prices impacted the O&G sector in 2019. Malaysia had an increase in offshore O&G activities verses 2018, which increased our OSV utilisation during the year. Oil and Natural Gas Corporation of India ("ONGC") awarded the 98/2 FPSO project off the east coast of India to our joint venture company with the Shapoorji Pallonji Group.

OBJECTIVES & STRATEGIES

In 2019, we needed to address five keys areas to improve both the operational and financial position of Bumi Armada. These were:

- Safety of employees and assets;
- Improve the operational performance of the Armada Kraken;
- Improve the Group's balance sheet and increase cash flows;
- Optimise costs; and
- Monetise selective assets.

Going forward, we will continue to focus on these five areas, with the following two adjustments:

- Maintain our overall FPO fleet operational performance, rather than just Armada Kraken; and
- Secure charters for our SC vessels in the Caspian Sea.

LONG TERM STRATEGY

FPO

Pros & Cons

- + Long-term contracts
- + Stable cash flow
- − High capital commitment

Strategy

- Core business
- Selective growth with partners

Prospects

- Opportunities, subject to oil price

Long-Term Value

- Secure, cash generating business

OMS

Pros & Cons

- + Strong safety and operational capability
- − Commoditised business
- − Oversupplied
- − Short-term contracts
- − Low returns

Strategy

- Reduce exposure
- Disposals to reduce debt

Prospects

- Limited

MANAGEMENT DISCUSSION & ANALYSIS

SAFETY

The Group had Zero LTI in 2019 - achieved due to the strict awareness and adherence to the regulatory requirements and internal policies and close collaboration between the front-line operations, shore-bases, and Corporate HSSEQ. We have over eight hundred offshore crew working on vessels operating 24 hours a day in some extremely severe weather conditions.

During the year Senior Management increased site visits to all our FPOs and many of our OMS vessels in South-East Asia, West Africa, and the Caspian Sea. This active interest by Senior Management helps to drive a culture of safety awareness and participation across the front-line businesses.

In addition to the strong operational safety performance, the Group has also actively revisited its policies and procedures to strengthen and improve them. The review will aid in our preparation for the upcoming audit by the certification body for ISO45001:2018 Occupational Health & Safety Gap Assessment and 2020 ISO Recertification Audit.

OVERVIEW OF BUSINESS & OPERATIONS

FPO BUSINESS

During 2019, all vessels in the FPO fleet achieved safe operations and LTI-free years. Also, Armada TGT1 completed eight years LTI-free, and Armada Sterling completed six years LTI-free.

Our FPO fleet was recognised by the British Safety Council ("BSC") in 2019, with Armada Sterling and Armada Sterling II achieving the BSC's "Sword of Honour" 5-Star Award for Process Safety, the only operations in India to do so to date. Armada Olombendo, Karapan Armada Sterling III, and Armada LNG Mediterrana all won the BSC "Sword of Honour" 4-Star Award for Occupational Health & Safety.

Armada Olombendo, Armada TGT1, Armada LNG Mediterrana, Armada Sterling, and Armada Sterling II all outperformed their respective contractual production requirements during 2019.

The overall performance of the FPO business was impacted in 2019 by two main issues:

1. Armada Kraken had significant performance issues in Q1 and Q2, though sustained performance above 95% production efficiency was achieved in Q4.

2. Karapan Armada Sterling III in Indonesia performed well in the first three quarters of the year and managed two planned shutdowns safely ahead of schedule. In August, blockage from wax in the central gas treatment unit ("GTU") prevented the facility from meeting the gas export targets. A shut down was delayed until January 2020 as the Government required continued production to meet Indonesia's gas supply requirements.

Unutilised FPO Assets

During 2019, Armada Perdana was sold to Century Energy Services Ltd ("CESL") on an "as is where is" basis. BAB managed the safe disconnection and laydown of the production and gas lift risers and handed the vessel over to CESL in September while still moored at the OYO field. Armada Claire is on the market for redeployment or disposal opportunities.

OMS BUSINESS

OSV Sub-Segment

2019 was a good year for the OSV sub-segment. We achieved Zero LTI in 2019 and received positive recognition from SHELL, ExxonMobil, and LukOil for our HSE achievements.

Vessel utilisation improved from 38% at the end of 2018 to 54% at the end of 2019 – this improvement was driven by the increase in demand for OSVs in Malaysia and a reduced fleet size. We also saw an increase in vessel charter rates in 2019 compared to 2018. As a result, we were able to improve revenue for the OSV sub-segment in 2019.

In 2019, we started an active vessel monetisation programme and managed to dispose off 11 vessels during the year. At the same time, we successfully reactivated and secured charters through 2019 for 6 OSVs.

At the end of 2019, the Group had a total of 32 OSVs, versus 47 at the end of 2018.

SC Sub-Segment

In 2019, the SC vessels in the Caspian were inactive. The SC organisation has focused on several 2020-2021 tenders, overhead cost reductions, and fleet maintenance.

2019 FINANCIAL RESULTS

Revenue for FY2019 decreased to RM2.1 billion when compared to the previous year, mainly due to the completion of the LukOil project in the Caspian Sea in December 2018, resulting in the SC vessels being idle throughout the year. Notwithstanding this, our operating profit before impairment increased by 77% to RM533.8 million compared to FY2018 mainly due to the improved operational performance of the FPO business segment. The result would have been stronger were it not for the non-cash provision taken in respect of the Woodside litigation which increased our cost of sales by RM233.6 million. In FY2019 the OMS business saw impairments of RM43.7 million in respect to the SC vessels and certain OSVs.

NUMBERS

OPERATING PROFIT BEFORE IMPAIRMENT

RM533.8 million

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM58.6 million

MANAGEMENT DISCUSSION & ANALYSIS

Other operating income increased throughout 2019 due to the sale of interests in joint ventures and vessels (Armada Perdana and OSVs). We focused on reducing our cost structure where possible and managed to decrease our total selling & distribution and administrative expenses by almost 40% compared to FY2018.

The Group recorded a net profit after tax attributable to Owners of the Company of RM58.6 million, compared to a net loss of RM2.3 billion the previous year.

In FY2019, we successfully restructured outstanding term loans and revolving credit facilities into a consolidated USD660.0 million facility and refinanced the Malta bridge loan facility. We raised USD30.0 million to fund our share of the 98/2 FPSO project in India. We managed to repay USD225.0 million of debt throughout FY2019 and our focus on optimising our working capital saw the accounts payable and accruals balance decrease by RM471.7 million during the year whilst accounts receivable also reduced by RM338.5 million. Our year-end cash on hand remained satisfactory at RM1.1 billion with a decrease of RM132.0 million during the year.

In 2020, the safety of our employees, assets, and partners will continue to be a primary focus for the Group.

KEY RISKS & TARGETS

In 2020, the safety of our employees, assets, and partners will continue to be a primary focus for the Group. Our front-line operations are out at sea with our people exposed to potentially hazardous environments.

The outbreak of the Coronavirus in late 2019 and its spread across the globe will have a significant impact on the world's economic growth this year. Currently, numerous countries are going through an economic slowdown/recession, which then caused a further negative impact on oil prices, pushing Brent to its lowest levels in over 30 years. Low oil prices will result in cuts or delays in investment in the O&G sector, especially for new projects, which will reduce the number of potential growth opportunities.

As highlighted earlier, the Group's key targets for 2020 will require everyone's full attention and commitment to be successful. At the two business units, we need to operate our assets to the highest optimum levels, secure new charters for available assets, and dispose off our surplus vessels. At the Group, we need to remain vigilant on costs and ensure we are reducing our debt while managing our overall balance sheet.

CONCLUSION

I want to end my report by saying that while 2019 was a generally positive year for the Group, there remains much to do. I want to thank the Team at Bumi Armada for their commitment and hard work in getting us back on the right heading. I want to thank our Shareholders, Partners, and Clients for their support in 2019 and their continued support in 2020.

GARY NEAL CHRISTENSON
Executive Director/
Chief Executive Officer

SUSTAINABILITY STATEMENT

INTRODUCTION

Welcome to the Group's sustainability update for 2019. As we have highlighted in previous reports, we cover areas under the Environment, Society and Governance ("ESG") framework for sustainability reporting. In this update, we will report on the Critical and Essential areas of our Materiality Matrix, which are discussed in this or other sections of the Annual Report.

MATERIAL ISSUES

Critical Areas	Covered under	ESG Areas
Safety	Health, Safety, Security, Environment & Quality ("HSSEQ")	S
Ethical Operations	Statement on Risk Management and Internal Control	G
Environmental Impact	Environmental Management	E
Business Performance	Management Discussion & Analysis	
Essential Areas		
People	People	S
Operational Compliance	Operational Compliance	G

MAKING A POSITIVE EES IMPACT

The Group also looks to link our long-term business strategy to have a positive Economic, Environment and/or Social ("EES") impact in the areas or regions where we operate and several of these overlap with the areas covered by the material issues covered in this report.

ECONOMIC

- National Content Requirements
- JV companies and operations
- Shore-bases or operational offices around the world
- Training and development plans of employees

ENVIRONMENT

- Environmental management
- Meeting or exceeding the environmental compliance standards of ISO 14001 requirements
- CSR Activities

SOCIAL

- HSSEQ
- Communities
- CSR Activities

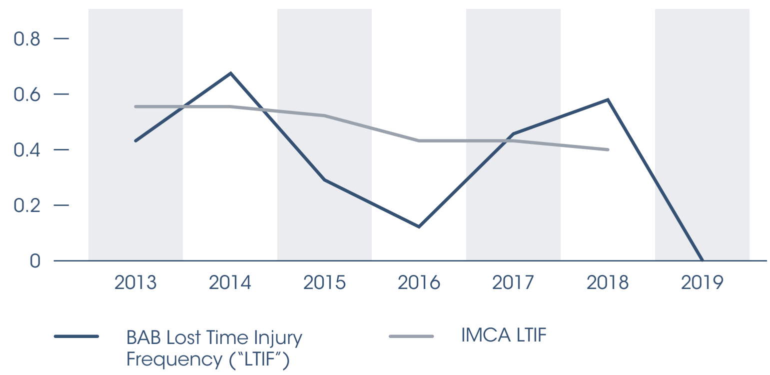
HSSEQ

The Group operates in offshore locations which means that our operations are exposed to risks, especially in the areas of HSSEQ, that need to be managed and mitigated. In this environment, we continuously instil a Safety Culture with behaviour and mindset that believe that all incidents are preventable and there is a zero tolerance for non-compliance to HSSEQ procedures. Our Corporate HSSEQ department acts as the governing body that monitors the compliance of the Group, against both internal, contractual and international standards.

In 2019, we strengthened our HSSEQ governance by introducing the Corporate Health, Safety and Environment ("HSE") Committee to encourage workers' participation in decision making on HSE related matters. The committee consists of cross-departmental representatives to instil a proactive HSE mindset across the organisation, including but not limited to Business Operations, Human Resources, Administration and Insurance. The workers' recommendations are then communicated to the BAB Management Team through our HSSEQ Governance Framework, which is part of our Business Management System ("BMS"). If deemed necessary, the workers' recommendation can be escalated to our HSSEQ Management Team Committee, which is chaired by our Chief Executive Officer ("CEO") and participated by key Management members with authorities to influence HSSEQ related decisions and actions across the Group.

The Group established the HSSEQ Strategy and Plan for the continuous improvement and mitigation of its HSSEQ risks to As Low As Reasonably Practicable ("ALARP"). To ensure we are aligned with the progression of international standards, we continue to be an active member of the International Maritime Organisation ("IMO"), International Marine Contractors Association ("IMCA") and Oil Companies International Marine Forum ("OCIMF") Floating Systems Group. Our involvement in these organisations enables the Group to have access to international practices and industrial and operational lessons learnt for on-going improvement initiatives.

BAB vs IMCA LTIF



The Group also evaluates its practices relating to the health and well-being of our employees through regular audits on occupational health management related procedures, including travel vaccination, ergonomics, lighting, noise, chemicals and hygiene conditions at work. This includes review of appointed medical centres, occupational and health management procedures, including Health Risk Assessment ("HRA"), pre-travel vaccination and monitoring of epidemiological situation in-country and overseas. Particular attention is given to prevention of non-communicable diseases and promotion of general health.

Corporate Policies

Governance policies are endorsed by the CEO and implemented throughout all levels of the Company. The policies have been adopted to ensure our key business objectives are achieved and set to a high standard of safety excellence These include, amongst others:

- Asset Integrity Management Policy
- Corporate Major Accident Prevention Policy ("CMAPP")
- Drug and Alcohol Policy
- Heath, Safety, Security, Environment & Quality Management Policy
- Stop Work Policy
- Smoking Policy

Operational Compliance

To maintain our License-to-Operate, the Group is required to comply with various industry specific regulatory and operational standards in the countries where we operate. Our commitment to international standards is demonstrated through our certifications with the International Organisation for Standardisation ("ISO"), which is an independent, non-governmental international organisation that facilitates development of International Standards to ensure safe, reliable and good quality services and products. In Bumi Armada, the Group's business operations are certified on the following standards:

- ISO 9001:2015 Quality Management System
- OHSAS 18001:2007 Occupational Health and Safety Management Systems
- ISO 14001:2015 Environmental Management System

The ISO certifications reflect our commitment that all our assets and services meet the following international quality standards:

- Management of Engineering
- Engineering Design Consultancy
- Procurement, Construction, Commissioning and Operations of FPO
- Offshore Support/Transportation/Installation Vessels
- Offshore Pipelines/Structures for the Offshore and Marine Industry including Ship Management and Chartering Services

In addition, our vessels and operations are required to comply with various standards and regulations which need to be both documented and auditable by recognised certification and classification bodies.

These certification standards and codes are:

- ABS – American Bureau of Shipping
- BKI – Biro Klasifikasi Indonesia
- BV – Bureau Veritas
- DNV.GL – Det Norske Veritas
- IRS – Indian Register of Shipping
- ISM – International Safety Management
- ISPS – International Ship and Port Facility Security
- RMRS – Russian Maritime Register of Shipping
- SMS – Safety Management System
- SOLAS – International convention for Safety of Life at Sea
- VR – Vietnam Ship Register

The FPO vessels, in addition to the selected certifications listed above, such as the ISM and ISPS, must also meet certification requirements under the Mobile Offshore Drilling Unit ("MODU") code for Floating Production Units.

In addition to the certification requirements of our operating assets, all of our assets or vessels under the FPO and OMS businesses must comply with the International Convention for the Prevention of Pollution from Ships ("MARPOL"), especially requirements under MARPOL-73/78. This is the environmental policy preventing pollution of the marine environment by ships from operations of accidental causes set out by the IMO. MARPOL contains strict processes and limits that covers pollution to the marine environment from spillage, leakage, waste or other pollution.

At an operational level, we also strive to reduce our direct impact on the environment. One such initiative is to reduce the use of plastic water bottles in our offshore operations. We have initiated the trial use of filtered potable water dispensers on our OSV vessels, which will replace the supply of single use bottled water on our vessels. This will have a significant reduction of the use of plastic bottles from our offshore operations. This initiative will also be explored for our FPO operations to determine if a similar alternative can be implemented, while ensuring that the quality of clean drinkable water for our offshore crews are not compromised.

In 2019 several of the FPO operational and joint venture assets were awarded with the following accolades from United Kingdom ("UK") British Safety Council ("BSC"):

- International Sword of Honor – Occupational Health and Safety
- International Safety Award – Occupational Health and Safety
- Five Star Process Safety Audit
- Four Star Occupational Health and Safety Audit

Health and Safety

In 2019, we continued to drive HSSEQ initiatives to instil positive behavior and mindset among our employees with the aim to elevate the maturity level of our HSE Culture. This includes:

- Management Inspection Visit ("MIV") to Vessels
- Safety Observation Card ("SOC") Recognition Campaign
- Fire Fighting and First Aid Training for Office
- FPSO Monthly HSE Video Sharing
- FPSO LTI Free Recognition Awards
- OMS HSSEQ Leadership Performance Awards
- OMS Supplier HSE Recognition Awards

Through the Management Inspection Visits ("MIV") to vessels, the Group has increased engagement with our offshore crew and support them in mitigating HSSEQ risks and issues, as well as preventive measures from lessons learnt raised from past incidents. The MIV also provides opportunities for offshore crew to share their feedback with the Management Team, as part of our effort to promote workers' participation in HSSEQ.

COVID-19 Preventive Controls

On 31st December 2019, the World Health Organisation ("WHO") China country office was informed of cases of an unknown pneumonia detected in Wuhan City, Hubei Province of China. It is later identified that the cases are caused by COVID-19. As the disease spread across the global community, on 31st January 2020, WHO declared COVID-19 as a Public Health Emergency of International Concern ("PHEIC").

To proactively protect the health and safety of our people, Bumi Armada has initiated ongoing preventive controls based on recommendations from WHO, International SOS, U.S. Centers for Disease Control and Prevention ("CDC") and Malaysian regulators, such as the Ministry of Health ("MOH"). Our preventive controls have been initiated since early January 2020 and include:

1. Imposing travel restrictions to affected countries based on recommendations from WHO, International SOS and local authorities;

2. Implementation of WHO standard recommendations to protect against COVID-19 across the fleet;

3. Enforcing temperature checks during crew change for our offshore operations and visitors to office premises;

4. Introduction of hand sanitisers at work sites (onshore and offshore);

5. Rollout of awareness campaign on Personal and Office Hygiene;

6. Implementation of COVID-19 Awareness Training to employees; and

7. Implementation of Bumi Armada COVID-19 Medical Emergency Guidelines to all our operations.

With the situation changing rapidly, Bumi Armada will continue to implement the necessary preventive controls in order to safeguard our people and minimise their risk exposure to this disease.

Embarking on Digital HSSEQ

To accelerate decision making on HSSEQ related matters, Corporate HSSEQ has embarked on the development of a Business Intelligence Dashboard for more in-depth analysis of the HSSEQ Performance Report. By leveraging

on existing technologies and applications available to the Group, the consolidated data from Incident Register, HSSE Performance Reports and audit findings are being fed into the Business Intelligence software to enable more in-depth analysis, hence allowing prompt decision making to close HSSEQ gaps.

With more in-depth analysis, Corporate HSSEQ has established a Lesson Learnt Online Database; enabling the in-country team to share and imbed the lessons learnt into their existing processes, hence strengthening the HSSEQ controls in place.

With the aim to improve efficiency in action closures, Corporate HSSEQ has implemented a Mobile Safety Observation app, which has been piloted in Bumi Armada headquarters and selected OSVs in Malaysia. The app aims to improve the tracking of action closures, whilst improving operating efficiency by minimising the administrative data management effort.

ASEAN HSSE Loss Prevention and Professional Development Conference

Bumi Armada has the privilege to be a member of the HSSE Technical Committee ("HTC") for Malaysia Oil & Gas Services Council ("MOGSC") to drive professional development of the HSSE community and further raise competency of the workforce in the industry. In 2019, the HTC organised the "ASEAN HSSE Loss Prevention and Professional Development Conference", where Bumi Armada has driven training on "Environment Management System in the Marine Industry". We will continue to collaborate with other members and partners in achieving the Council's vision and objectives for Occupational Safety.

In 2019, we recorded zero Lost Time Injury ("LTI") cases and are committed to drive continuous improvement initiatives in HSSEQ areas, including:
- Strengthening Risk Management Processes with workers' participation in HSSEQ; and
- Improving HSSEQ related standards and procedures.

	2015	2016	2017	2018	2019
Total Manhours (million) – Bumi Armada only	7.45	8.24	6.69	5.34	**4.75**
Leading Indicators (per 200,000 manhours)					
Safety Observation Frequency	902.2	598.8	686.0	812.2	**988.0**
Near Miss Reporting Frequency	1.7	1.2	3.6	3.7	**3.8**
Management Visit Ratio	4.8	8.3	3.0	3.5	**4.8**
HSSEQ Training Manhours	23,850	28,627	30,826	31,018	**25,186**
Lagging Indicators (per 1 million manhours)					
Lost Time Injury Frequency	0.3	0.1	0.5	0.6	**0.0**
Total Recordable Injury Frequency	2.3	0.7	1.1	0.9	**1.5**
First Aid Case Frequency	2.8	1.5	1.8	1.9	**0.8**

Process Safety

In line with industry standards, we measure and report Process Safety Event ("PSE") with Tier 1 as most significant. In 2019, we recorded zero Tier 1 and Tier 2 PSEs. Our Asset Integrity team continues to monitor and close out Management of Change ("MOC") to safeguard our operations and minimise the risks of any PSEs.

SECURITY

In accordance to the Company policy, security risks to our personnel are managed through a diligent process of onsite Security Risk Assessments ("SRA"). Through this process, identified risks are subsequently mitigated with the implementation of bespoke procedures and robust physical controls. Based on our risk assessments, or as required by local laws, our security controls are further enhanced through stringent journey management with support provided by local security companies and, or Government Security Forces, in our operational environments which have been rated as 'High Risk'.

The success of this approach has seen the organisation completing operations securely throughout 2019.

ENVIRONMENT MANAGEMENT

As an organisation that operates in the offshore energy sector across more than 10 countries globally, we are committed to reduce the impact of our business on the environment. This include compliance with the requirements set by the IMO on marine pollution and local governing bodies of countries where we operate.

This objective aims at preventing and minimising the environmental impact from ships – both from normal or abnormal operations. Our focus area includes the reduction in Greenhouse Gas ("GHG") emission across our operations.

Spill Management

In 2019, we recorded 3 cases of spills released to sea by our FPSO fleet that were below one barrel. The Group shall continue to strive for its goal in Zero Oil Spill to the Sea with continuous improvement from lessons learnt.

GHG Reduction

In line with our long-term ambitions, we are committed to reducing the carbon footprint of our offshore operations, as well as onshore worksites. In 2019, we observed an increase in our Scope 1 GHG emissions as compared to 2018, which was mainly due to a temporary increase in crude oil used on one of our FPO units. There was also an increase in bunker fuel consumption, which was mainly a result of the increase in OSV fleet activities in 2019.

	2014	2015	2016	2017	2018	2019
Environment						
Spill (Contained onboard)	5.0	5.0	6.0	10.0	12.0	**16.0**
Spills Released to Sea (Number)	4.0	0.0	0.0	0.0	2.0	**3.0**
Greenhouse Gas Emissions (GHGs)						
Scope 1 ('000 tonnes CO_2 equivalent)	540.0	540.0	497.0	484.0	595.8	**790.9**
Scope 2 ('000 tonnes CO_2 equivalent)	1.0	0.9	0.7	0.7	0.6	**0.5**
Bunker Fuel Consumption (Million litres)	139.0	96.0	67.0	58.0	41.6	**85.8**
Electricity Consumption (MWh)	1,489.0	1,425.0	1,016.0	1,101.0	902.6	**762.3**
Water Consumption - Vessels (thousand m^3)	142.0	126.0	114.0	133.0	119.3	**165.4**

Notes:
- Both cases of Spills Released to Sea (Number) recorded in 2018 are less than a barrel.
- Scope 1 ('000 tonnes CO_2 equivalent) is based on consumption of bunker fuel, fuel gas and crude oil.
- Scope 2 ('000 tonnes CO_2 equivalent) is based on electricity consumption from offices in Astrakhan, Indonesia, Malaysia, and Singapore.

The Group did not incur any fines or penalties in relation to spills or environmental pollution in 2019.

Environment Awareness Campaign

We continue to protect the environment while operating in a responsible manner. In 2019, Bumi Armada launched a series of initiatives during our "Environment Week Campaign" across our organisation with the theme #BeatPollution. In this year's campaign, we have conducted a series of internal initiatives to elevate environment knowledge and awareness among our employees, including training sessions on:

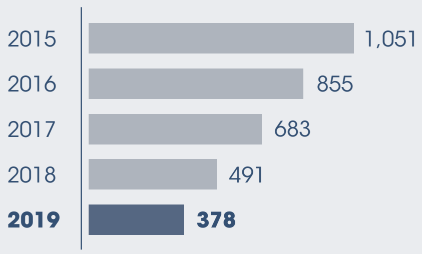
- Introduction of MARPOL and regulatory updates;
- An Overview of Environmental Management System;
- Marine Pollution Prevention Requirements for the OMS industry;
- Environmental Compliance - What it looks like on the United Kingdom Continental Shelf ("UKCS"); and
- Plastic Pollution – Briefing by the World Wildlife Fund (Malaysia).

Corporate HSSEQ will continue to drive the Environment Week campaign, as part of our continuous effort to raise awareness and improve effectiveness of the controls in place.

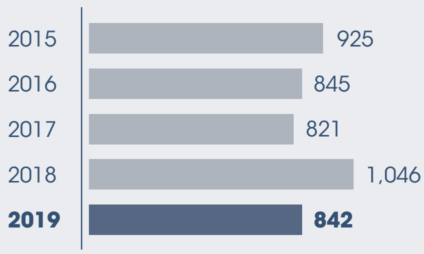
PEOPLE

Total Employee Numbers

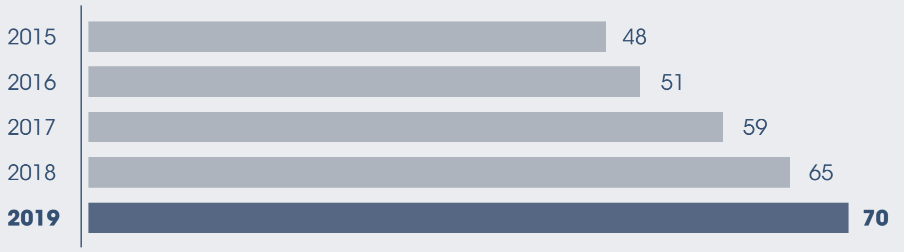
Onshore



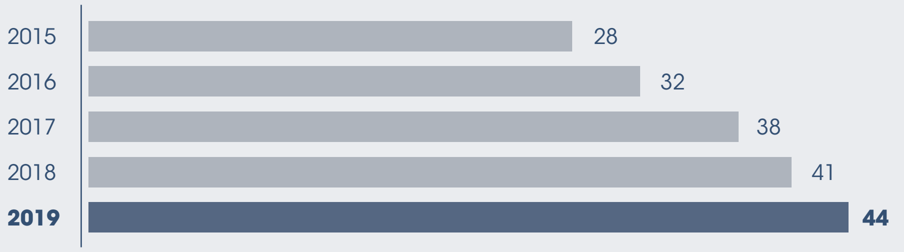
Offshore



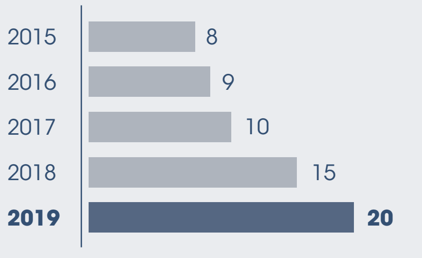
Onshore Local Staff Percentage (%)



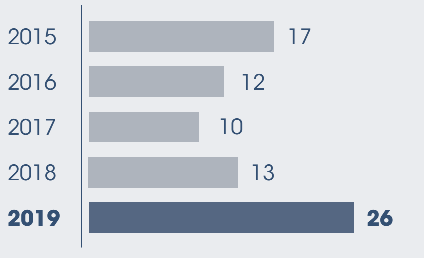
Onshore Female Staff Percentage (%)



Training Hours Per Employee



Voluntary Attrition Rates (%)



Our People

Bumi Armada continues to embrace diversity by building teams of people from different backgrounds, nationalities, skills and experiences across the globe to create sustainable value for the organisation. The Group believes in creating career opportunities for the local people where it operates. Bumi Armada believes in inclusiveness at the workplace where everyone feels valued and heard. This is clearly reflected in our Employee Handbook, in which all employees of the Group are bound by the terms and conditions which state the responsibilities of the employee, as well as the Group's responsibilities to its employees. Within the Employee Handbook, the Group highlights its equal opportunities and diversity standards in hiring and working with people, as well as the expected behaviour of employees towards all other employees regardless of their sex, race, colour, nationality, religion or any other factor.

Employee Rights

The Group's employment policy is governed by various national requirements and regulations, based on the location of the role. In Malaysia, employees are covered by the regulations set out under the Malaysian Employment Act, which covers the rights of employees and the Group is guided by the Malaysian Employers' Federation. In other countries where the Group operates, our employees in those locations will be covered by the regulations governing employee rights in those jurisdictions.

People Engagement, Health and Wellness

The Group actively focuses on engaging with its people, promoting employee well-being and fitness and health in the workplace. The "B Fit Club" is the Group's Sports Club, which take the lead in organising various sports, recreational and fun packed activities for our employees, encouraging team engagements and other activities to encourage employee participation in health and wellness. In addition, the Group also subsidies gym membership for the employees.

Code of Business Conduct ("the Code")

The Code outlines the professional standards of behaviour expected by all employees of the Group in the execution of their day to day business activities. It covers all areas of compliance, business integrity as well as covering the legal implications regarding illegal payments, gifts or entertainment. The Group has a zero-tolerance policy for any corrupt practices and all employees are required to acknowledge their compliance with the Code.

While the Code covers the Group's expected business behaviour internally, we also expect a similar standard of ethics covering all these areas of behaviour, including human rights and relevant labour laws from our business partners and suppliers, which are required to abide by the standards laid out in the Code.

There were no incidents of any employee being disciplined for behaviour or actions in violation of the Code in 2019.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group's CSR initiatives continue to support various charitable organisations and activities that either mitigate our impact on the environment or have a positive impact on society, with the aim of benefitting areas that are close to our operations.

2019 marked the ending of our long-term agreements with the Forest Research Institute of Malaysia ("FRIM") and the Cherating Turtle Sanctuary ("CTS"). FRIM is not only an important "carbon sink" outside Kuala Lumpur, but also supports tree planting activities within the reserve area as well as sustainable tree and plant management. The CTS, supported by the Fisheries Department of Malaysia, has been working since 1972 to protect and increase the population of South-East Asian sea turtles at their hatchery. The CTS is located near our offshore operating base in Kemaman, Terengganu.

In 2020, we will renew our support for both these organisations, which work to offset some of the Group's carbon footprint and the impact on the marine environment, respectively. More importantly, these organisations also work with schools to educate the younger generations on the importance of cultivating positive behaviour to protect the future of two key areas of the environment.

During the year, the head office in Kuala Lumpur once again co-operated with Rise Against Hunger ("RAH") to sponsor and pack 50,000 ready meals. In the past, RAH has distributed these pre-packed meals to regions that have been affected by natural or other disasters. In 2019, RAH worked with Teach for Malaysia to focus on providing meals to children of low-income families around Kuala Lumpur, in line with the Malaysian Government's Supplemental Food Plan ("RMT") programme for poor students. The aim of the programme is to provide higher nutritional meals to poorer students to increase their physical and mental growth to enhance their ability to excel in school.

International Offices

Our international offices, despite a reduction in budgets, continued to undertake some meaningful CSR activities at their locations. In Aberdeen, employees were active in independent activities such as bake sales and personal donations to support local children in need and continued to contribute to Cash for Kids, which the staff have done for a number of years.

In Indonesia, the office was once again involved with the "Clean Beach Campaign", working with local schools and representatives of the client to remove plastic and other rubbish on the beaches of Madura island and also to educate the schools and local communities on the benefits of looking after the local environment.

STAKEHOLDER ENGAGEMENT

Through the year, the Group actively engages with various stakeholder groups and these engagements occur at various times, levels and across different parts of the organisation, depending on the topic of discussion or the parties involved. These may vary from meetings with potential equity investors, suppliers of specific equipment on one of our vessels, through to meeting with auditors or representatives of our certification bodies.

Below is a selection of some of the types of interactions with various groups of stakeholders held during 2019. The interactions are not limited to those provided in the list.

Stakeholder Group	Engagement	Examples of Engagement
Shareholders & Financial Community	Regular	• 1-on-1 & Group meetings • Conference calls • Quarterly results briefings • AGM
Employees	Regular	• Townhalls • Management facility visits • HSSEQ • Performance appraisals • New employee inductions
Regulators & Government Agencies	As required	• Formal engagement or dialogues • Certification/Compliance reviews/audits • Regulatory training • Safety audits

Stakeholder Group	Engagement	Examples of Engagement
Clients & Business Associates	Regular	• Operational reviews • New business/pre-qualification discussion • Know Your Customer reviews/updates • Conferences
Suppliers & Contractors	Regular	• Lesson learnt and feedback • Safety audits or reviews • Compliance reviews
Community	As required	• Local partnerships • Local content reviews/audits • Community support • CSR activities
Media & External Parties	Regular	• Quarterly results announcements • Corporate updates/announcements

TOP 5 STAKEHOLDER CONCERNS IN 2019

Area of Concern	Explanation/Response
Refinancing of Corporate Debt	This was addressed with announcement on 6 May 2019 for the new Term Loan facility of USD660.0 million.
Performance of Armada Kraken	Since Q1 2019, there have been marked improvements in the performance of the Armada Kraken, which have been confirmed by EnQuest PLC's public disclosures.
New contracts for SC sub-segment's Caspian Sea vessels	Despite tendering for various projects in the Caspian Sea, the Group was unable to secure new contracts for the Armada Installer or the Armada Constructor in 2019.
Outcome of Woodside Litigation case	As per the Company's announcement on 28 January 2020, the Supreme Court of Western Australia ruled in favour of Woodside Energy Julimar Pty Ltd. The Company filed an appeal against the Supreme Court's decision at the Court of Appeal on 11 March 2020.
Financial performance for FY2019	Over the course of 2019, the FPO business showed stable results on the back of stable operations from our FPO fleet. The OMS business performance was mixed, with an improvement in the OSV sub-segment, but negatively, a lack of contracts for the SC vessels in the Caspian Sea.

The United Nations' Sustainable Development Goals

The United Nations ("UN") has identified 17 Sustainable Development Goals ("SDGs") to tackle the world's biggest sustainability challenges, which include ending poverty, improving health and education, making cities sustainable and tackling climate change.

We have identified four of the UN's 17 SDGs that the Group is involved in directly, and three that our CSR efforts contribute to.

The SDGs that the Group is involved in:

SDG 3 – Good Health and Well-Being

As a responsible organisation, and as discussed earlier in this report under the People section, we encourage our employees to be healthy and provide numerous ways for our staff to improve their well-being.

SDG 8 – Decent Work and Economic Growth

The Group benchmarks its employee renumeration to national, industry and experience standards, sources new talent both locally and internationally depending on specific requirements and availability. In addition, we always look to promote talent within the organisation.

SDG 5 – Gender Equality and SDG 10 – Reduced Inequalities

The Group is an equal opportunities employer and our equal opportunities and diversity standards have been mentioned in the People section under our Employee Handbook. The Group not only hires without prejudice, but equally, has strict standards of behaviour of employees towards all other employees, regardless of their sex, race, colour, nationality, religion or any other factor.

SDG 2 – Zero Hunger, SDG 13 – Climate Action and SDG 14 – Life Below Water

Under our CSR initiatives and collaborations covered in the CSR section, the Group contributes to three goals; Zero Hunger, Climate Action and Life Below Water via Rise Against Hunger, Forest Research Institute of Malaysia and the Cherating Turtle Sanctuary respectively. While the impact of our collaborations may not be significant, we believe that we need to start with small steps and work to build a larger positive foot-print going forward.

HOW WE ARE GOVERNED

Contents

Dear Shareholders,

I am pleased to introduce our Corporate Governance Overview Statement for 2019 on behalf of the Board of Directors. The pages which follow provide details on the activities and governance processes of the Board and its Committees.

During the year, the Board has spent a significant proportion of its time on operational delivery, strategic development and governance. The scope of the Board's activities, discussions and actions are detailed on pages 45 and 46. My role, along with the Board, is to ensure that the Group operates within a robust governance framework in order to deliver its objectives and meet stakeholder obligations. The Board reviews the short-term and long-term strategies, which it monitors by both challenging and supporting the leadership team in its implementation. As Chairman, I continue to focus on maintaining a Board which is diverse, having a broad range of skills, backgrounds and perspectives. As a Board, we practise openness and accountability in the boardroom and promote this throughout the business. One of the Board's most important roles of corporate governance is to ensure that strategic decisions are made with a long-term view of the health of the Company. The Board works to ensure that governance structures remain appropriate and are updated when necessary to reflect the business and global market within which the Group operates.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Good corporate governance is critical to building a successful, safe and sustainable business and enabling us to create long-term value more effectively.

MONITORING RISKS

The Board delegates governance responsibilities in respect of financial related risks and internal controls to the Audit Committee ("AC") and non-financial related risks to the Risk Management Committee ("RMC"). The AC reviews the outcome of internal and external audits overseeing the financial reporting and internal control environments and any conflict of interest and related party transactions while the RMC provides oversight and sets the tone towards managing key risks of the Group. The Board itself remains accountable for setting the Group's risk appetite and reviews principal risks regularly, with particular focus on areas of change, to assess whether the Company's response and mitigation activities are appropriate.

Changes to the Board

During the year under review, the Committee oversaw the process on the changes to the ED/CEO position which resulted in Gary Christenson being redesignated as an ED on 27 March 2019 and he was appointed as the CEO on 16 May 2019. The resultant Board then consists of 6 Directors, a third of whom are female. The Board views the current composition of the Board as adequate in the short term to ensure diversity, independent thinking and provide appropriate insights, but is actively looking to augment the Board further, in the medium term, with at least one additional Independent Director.

Strengthening the Corporate Compliance Framework

As the Group operates in an ever-changing environment globally, there is a need to adapt to changes in legislations. The Board also recognises that there is a need to continuously improve and strengthen the Group's Corporate Compliance Framework to comply with the relevant legislations globally. In early 2020, the Group embarked on an exercise to enhance its Corporate Compliance Framework and Policies to ensure compliance with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. Some of the policies being strengthened and eventually rolled out Group-wide are as follows:

1. Anti-Bribery and Corruption Policy
2. Code of Business Conduct and Ethics for Directors and Employees
3. Speak Up Policy
4. Gifts and Hospitality Policy
5. Sanctions and Anti Money Laundering Policy

Engaging with Stakeholders

The Board considers the impact of the Group's activities on a number of different stakeholders, and the methods of engagement vary considerably depending on the nature of those involved. We receive a wide variety of reports from Management on stakeholder impact such as the results of employee surveys, reviews of partner and customer relationships and measurement of Group performance against recognised social and environmental guidelines. The Board remains focused on all our stakeholders be they our people, our customers, our shareholders, and the communities which we are part of.

TUNKU ALI REDHAUDDIN
IBNI TUANKU MUHRIZ
Chairman of the Board

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Our Corporate Governance structures remain robust. In this section of the report, we will detail how our Board and Board Committees operate, their roles and responsibilities and the key governance focus areas of the Board and Management.

OUR DIRECTORS

Our Directors' skills and experience, together with their wide range of backgrounds, help them constructively challenge Bumi Armada's Management and develop an effective strategy for the future.

OUR GOVERNANCE FRAMEWORK

Our governance and internal control frameworks help the Board exercise proper oversight.

OUR COMMITTEES

The Board has delegated certain authorities and responsibilities to four Board Committees, all of which operate within their respective TOR.

OUR CORPORATE GOVERNANCE STATEMENT

We remain committed to operating in accordance with best practices in business integrity and ethics and maintaining the highest standards of financial reporting and corporate governance. The Directors consider that Bumi Armada has mostly complied throughout the year with the provisions of the MCCG, save for what has been detailed in the Corporate Governance Report. Bumi Armada has also complied with the CA 2016 and MMLR of Bursa Securities. In preparing this report, the CG Guide issued by Bursa Securities was referred to. Our Corporate Governance Overview is to be read in conjunction with the Corporate Governance Report, which is accessible online at www.bumiarmada.com.

The MCCG issued in April 2017 is available on the Securities Commission website at www.sc.com.my and the CG Guide is available on www.bursamalaysia.com.

CORE PRINCIPLES

Leadership & Effectiveness

A strong, open and effective Board

Refer to pages 35 - 54

Accountability

Close scrutiny of risks and controls

Refer to pages 55 - 62 and 64 - 76

Relationship with Stakeholders

Open engagement with stakeholders

Refer to page 63

Board Attendance

Independent Non-Executive Director

Tunku Ali
Chairman
Attended 8 out of 8 Board Meetings
100%

Alexandra Schaapveld
Attended 8 out of 8 Board Meetings
100%

VU Kumar
Attended 7.5 out of 8 Board Meetings
94%

Non-Independent Non-Executive Director

Chan Chee Beng
Attended 7 out of 8 Board Meetings
88%

Maureen Toh Siew Guat
Attended 8 out of 8 Board Meetings
100%

Executive Director/ Chief Executive Officer

Gary Neal Christenson
Redesignated as Executive Director on 27 March 2019
Appointed as CEO on 16 May 2019
Attended 8 out of 8 Board Meetings
100%

Leon Harland
Resigned as CEO on 15 May 2019
Attended 4 out of 4 Board Meetings
100%

Board Committees Attendance

Nomination & Corporate Governance Committee (NC)

Tunku Ali
Independent NED (Chairperson)
Attended 4 out of 4 NC Meetings
100%

Alexandra Schaapveld
Independent NED (Member)
Attended 3 out of 4 NC Meetings
75%

VU Kumar
Independent NED (Member)
Attended 3 out of 4 NC Meetings
75%

Chan Chee Beng
Independent NED (Member)
Attended 4 out of 4 NC Meetings
100%

Remuneration Committee (RC)

Alexandra Schaapveld
Independent NED (Chairperson)
Attended 6 out of 6 RC Meetings
100%

Maureen Toh Siew Guat
Non-Independent NED (Member)
Attended 6 out of 6 RC Meetings
100%

VU Kumar
Independent NED (Member)
Attended 5 out of 6 RC Meetings
83%

Audit Committee (AC)

VU Kumar
Independent NED (Chairperson)
Attended 5 out of 5 AC Meetings
100%

Alexandra Schaapveld
Independent NED (Member)
Attended 5 out of 5 AC Meetings
100%

Maureen Toh Siew Guat
Non-Independent NED (Member)
Attended 5 out of 5 AC Meetings
100%

Gary Neal Christenson*
Executive Director/Chief Executive Officer (Member)
Attended 1 out of 1 AC Meetings
100%

Risk Management Committee (RMC)

VU Kumar
Independent NED (Chairperson)
Attended 7 out of 7 RMC Meetings
100%

Maureen Toh Siew Guat
Non-Independent NED (Member)
Attended 7 out of 7 RMC Meetings
100%

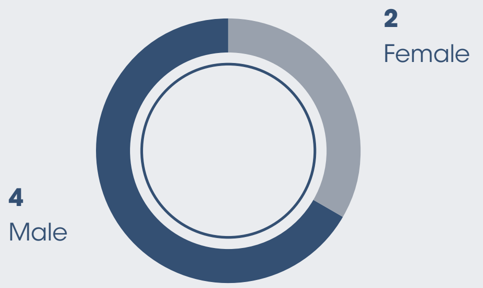
Gary Neal Christenson*
Executive Director/Chief Executive Officer (Member)
Attended 2 out of 2 RMC Meetings
100%

* Resigned as member of AC and Chairman of RMC on 27 March 2019 following his redesignation as an Executive Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Composition and Skills

Gender Composition



Experience

- Government/Agency/Regulatory Bodies
- Private Enterprise
- Professional Services/Bodies
- International Posting

Industries

- Banking/Capital Markets
- Oil and Gas (Technical/Operations)
- Oil and Gas (General Management)
- Oil and Gas (Insurance)
- Marine & Shipping
- Telecommunications/IT
- Property Development/Real Estate Manufacturing
- Investments
- Others

Skills

- Corporate Governance
- Strategic Planning and Business Strategy
- International Business Relations
- Banking, Finance & Investment
- Engineering & Geological
- Linguistics & Negotiation
- Marketing
- Accounting
- Corporate Finance
- Audit
- Risk Management
- Legal and Regulatory Compliance
- Communication
- Human Resource Management
- Change Management
- Project Management

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Roles and Responsibilities of The Board

Chairman

Tunku Ali

The Chairman is responsible for creating the conditions necessary for overall Board and individual Director's effectiveness, drawing on their respective knowledge, experience and skills. His role includes:

- providing leadership at the Board level;
- setting the tone for the Board discussions and deliberations with a view to promoting effective decision-making and performance monitoring to promote the success of the Group;
- setting the tone for the Company's values and standards to ensure the obligations to its shareholders and other stakeholders are understood and met;
- together with the Board, reviewing the organisational structure including the composition of Board Committees to ascertain if it serves the needs of the Company and Board;
- setting the Board agenda with input and advice from the CEO (with primary focus on strategy, value creation, governance and accountability) and the Company Secretaries and ensuring timely flow of high quality supporting information;
- working together with the Board and based on the work of the Board Committees, determine the nature and extent of risk appetite of the Group;
- working with the Board in ensuring there is a proper selection, assessment and training programmes for the Directors;
- together with the other Board Members, monitoring the implementation of Board decisions and directions and performance of Management;
- lead the Board in establishing and monitoring good corporate governance practices and systems in the Company; and
- presiding over shareholder meetings and representing the Company at certain key events.

Chief Executive Officer

Gary Neal Christenson

The CEO, who is an ED on the other hand, has overall responsibilities over the following:

- the performance of the operational and business units and achievement of the corporate and commercial objectives of the Group including managing the expansion and optimisation of revenue and earnings of each of the business units and enhancing the capital value of the Group;
- working with and advising the Board to define the strategic, corporate and commercial objectives of the Group;
- preparing the Group's business and operational plans and seeing to their implementation as well as the implementation of the policies, directives and decisions as approved by the Board; and
- providing leadership to Management and having direct oversight for the financial performance and organisational effectiveness of the Group which includes business operations, financial management and controls, project execution, supply chain management, human resource development, investor relations and building of brand equity, operational excellence, supporting and managing the Company's HSSEQ management system and quality performance initiatives as well as commitment to Corporate Sustainability.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Senior Independent Director

Alexandra Schaapveld

The Board has nominated one of the Independent NEDs to act as Senior Independent Director.

She is responsible for:
- being an alternative contact for shareholders at Board level other than the Chairman;
- acting as a sounding Board for the Chairman;
- if required, being an intermediary for NEDs' concerns; and
- undertaking the annual Chairman's performance evaluation.

Company Secretaries

Noreen Melini binti Muzamli (Head, Corporate Secretarial Services)**, Noor Hamiza binti Abd Hamid**

The Company Secretaries support the Chairman on Board Corporate Governance matters.

They are responsible for:

(i) Corporate governance advisory
- ensuring that adequate processes and procedures are in place and adhered to for the effective functioning of the Board;
- advising the Board on various matters including Directors' duties and disclosure obligations;
- compliance with companies and securities laws, regulatory requirements and corporate governance developments;
- assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
- facilitating training programme for Directors and induction programme for new Directors.

(ii) Compliance advisory
- providing updates and assist the Board and Management with reviewing regulatory requirements related to the Company and securities regulations and listing requirements as well as analysis of status of compliance and action plans;
- advising the Board on disclosure requirements relating to material information to shareholders and regulators in a timely manner; and
- notifying the Board of any possible non-compliance issues.

(iii) Information flows and meetings
- setting the agenda, convening, facilitating proper conduct and recording proceedings and decisions of the Board and Board Committees; and
- ensuring an appropriate level of communication between the Board and its Committees and between Senior Management and the NEDs.

(iv) Regulatory compliance
- ensuring statutory and meeting records of the Company are properly maintained; and
- ensuring relevant disclosures, submissions and filings are made in a timely manner to the regulators on behalf of the Company and the Board.

(v) Stakeholder communication
- managing processes pertaining to the annual shareholders meeting; and
- serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

Board of Directors' Profile

Committee

AC Audit
RMC Risk Management
NC Nomination & Corporate Governance
RC Remuneration

Chairperson
Member

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

Chairman/Independent Non-Executive Director

Country: Malaysia
Age: 43
Gender: Male

NC

Dates of Appointment:
Director – 17 January 2013
Chairman – 18 June 2013

Qualifications:
- BA (Hons) in History and Social & Political Sciences from the University of Cambridge
- Masters in Public Administration from the John F Kennedy School of Government, Harvard University

Present Directorships:
Listed Companies:
- Taliworks Corporation Berhad

Other Public Companies:
- Bangkok Bank Berhad
- Sun Life Malaysia Assurance Berhad

Skill and Experiences:
Tunku Ali Redhauddin ibni Tuanku Muhriz ("Tunku Ali") brings over 20 years of corporate experience to the board, combining active participation and advisory work across many sectors, with significant strategy consulting and principal investing knowledge.

He is a Senior Advisor to TPG Capital, a global private equity firm. In addition, Tunku Ali sits on the boards of Themed Attractions Resorts and Hotels Sdn Bhd and several TPG portfolio companies including Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd, Columbia Asia Healthcare Sdn Bhd and Pathology Asia Holdings Pte Ltd.

He is Chairman and Founding Trustee of Teach For Malaysia, Chairman of WWF Malaysia, Chairman of the Board of Governors of Marlborough College Malaysia, and Pro Chancellor of Universiti Sains Islam Malaysia. He is also Chairman of Yayasan Munarah and a Trustee of Amanah Warisan Negara.

Previously, Tunku Ali was an Investments Director at Khazanah Nasional Berhad and prior to that he was a management consultant at McKinsey & Company.

Tunku Ali has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

ALEXANDRA SCHAAPVELD

Independent Non-Executive Director

Country: Netherlands
Age: 61
Gender: Female

RC AC NC

Date of Appointment:
8 June 2011

Qualifications:
- Degree in Politics, Philosophy and Economics from Oxford University, United Kingdom.
- Master in Development Economics at Erasmus University, Netherlands.

Present Directorships:
Listed Companies:
- Société Générale S.A.
- 3i PLC

Other Public Companies:
Nil

Skill and Experiences:
Alexandra Schaapveld started her career at ABN AMRO Bank in 1984 in corporate banking and subsequently in investment banking: equity capital markets and mergers and acquisitions.

She had always been a strong advocate of client relations at the Bank. In 2001, she was made Senior Executive Vice President responsible for sector expertise and in 2004 she became the head of the global clients and investment banking units. After the acquisition of ABN AMRO Bank by a consortium of banks, she became head of Europe for Royal Bank of Scotland in 2008.

Alexandra Schaapveld has no family relationship with any Director and/or major shareholder of the Company and she has no conflict of interest with the Company.

She has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

Board of Directors' Profile

UTHAYA KUMAR K VIVEKANANDA

Independent Non-Executive Director

Country: Malaysia
Age: 66
Gender: Male

AC RMC RC NC

Date of Appointment:
10 April 2017

Qualifications:
- Fellow of the Institute of Chartered Accountants in England & Wales
- Chartered Accountant of Malaysian Institute of Accountants
- Member of Malaysian Association of Certified Public Accountants

Present Directorships:
Listed Companies:
Nil

Other Public Companies:
Nil

Skill and Experiences:
VU Kumar was with PricewaterhouseCoopers for nearly 35 years. He has led and worked on some of the most challenging and complex assignments, both in Malaysia and globally, working with multinational and blue-chip national clients in audit, business advisory, mergers and acquisitions, valuations, privatisations, IPOs and cross-border transactions.

VU Kumar has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

CHAN CHEE BENG

Non-Independent Non-Executive Director

Country: Malaysia
Age: 64
Gender: Male

NC

Date of Appointment:
2 June 2003

Qualifications:
- Degree in Economics and Accounting from the University of Newcastle-upon-Tyne, United Kingdom.
- Fellow of the Institute of Chartered Accountants in England and Wales.

Present Directorships:
Listed Companies:
Nil

Other Public Companies:
- Maxis Communications Berhad Group
- Yu Cai Foundation

Skill and Experiences:
Chan Chee Beng has more than 42 years of experience in general and financial management, investment banking and accounting including stints with Ernst & Young and Morgan Grenfell & Co. Ltd prior to joining the Usaha Tegas Sdn Bhd ("UTSB") Group in 1992 as Head of Corporate Finance. He is currently a Director of UTSB Management Sdn Bhd.

He serves on the boards of several other companies in which UTSB has significant interests, such as Sri Lanka Telecom PLC, Binariang GSM Sdn Bhd and Maxis Communications Berhad (holding company of Maxis Berhad), having an operational base in Malaysia.

Chan Chee Beng has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

MAUREEN TOH SIEW GUAT

Non-Independent Non-Executive Director

Country: Malaysia
Age: 54
Gender: Female

AC RC RMC

Date of Appointment:
23 April 2014

Qualifications:
- Bachelor of Law (LL.B) from University Malaya, Malaysia.
- Master of Law (LL.M) from Harvard Law School, United States of America.

Present Directorships:
Listed Companies:
Nil

Other Public Companies:
Nil

Skill and Experiences:
Maureen Toh Siew Guat ("Maureen Toh") has more than 20 years of legal experience, primarily in corporate, commercial and banking matters and equity/capital markets, including stints with law firms in Kuala Lumpur and Singapore.

She is a Director of Usaha Tegas Sdn Bhd ("UTSB"), which is a Malaysian based investment holding company which has significant interests in companies operating across diverse industries such as telecommunications, media and entertainment, energy and real estate and leisure, including the following companies which are listed on Bursa Malaysia Securities Berhad – Maxis Berhad (integrated communications services group) and Astro Malaysia Holdings Berhad (integrated consumer media entertainment group). She was previously the Group General Counsel of UTSB.

Maureen Toh has no family relationship with any Director and/or major shareholder of the Company and she has no conflict of interest with the Company.

She has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

GARY NEAL CHRISTENSON

Executive Director/Chief Executive Officer

Country: United States of America
Age: 64
Gender: Male

Dates of Appointment:
NED – 2 May 2018
CEO – 16 May 2019

Qualifications:
- Stanford Executive Programme ("SEP"), Stanford University, United States of America ("USA")
- Ph.D. programme in Structural Geology (thesis not completed), Cornell University, USA
- Bachelor of Arts, Geology, Hamline University, USA
- United States Air Force ("USAF") and USAF Reserve, Aircrew for C-130A Hercules aircraft

Present Directorships:
Listed Companies:
Nil

Other Public Companies:
- Black Platinum Energy Ltd

Skill and Experiences:
Gary Neal Christenson ("Gary Christenson") has over 35 years of technical and managerial experience in the petroleum exploration and production industry with a focus on South East Asia and Africa. His experience includes Management positions at Tenneco Oil E&P, British Gas Indonesia, Unocal Indonesia Co. ("Unocal") and Santos Indonesia ("Santos").

At Unocal he was the Senior Vice President of Unocal E&P Indonesia and President of Unocal Makassar and developed and produced the West Seno field utilising a min-TLP, semisubmersible TAD and a barge hull FPU. At Santos he was the President of Santos Indonesia and developed and produced the Maleo and Oyang fields. He was the Chairman and CEO of Black Gold Energy in partnership with Goldman Sachs and Temasek.

Gary Christenson has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

Senior Management Team Profile

Executive Director/ Chief Executive Officer

GARY NEAL CHRISTENSON

Please refer to his profile in the Board of Director's profile section.

Chief Financial Officer

Country: Australia

Age: 54

LUKE C. TARGETT

Date of Appointment:
29 October 2018

Qualifications:
- Bachelor of Commerce Degree from Melbourne University

Directorship in Listed Issuers and Public Companies:
Nil

Skill and Experiences:
Luke C. Targett ("Luke") is responsible for leading Bumi Armada's current operations and growth trajectory through Financial Services, Treasury, Corporate Finance & JV Management, Group Tax, Investor Relations, Communications & Sustainability, Information System & Technology and Insurance.

He has more than 30 years experience in financial advisory roles which include restructuring, mergers & acquisitions, pre-lending reviews, transaction advisory, independent business reviews and non-performing loan management in numerous jurisdictions including London, Singapore, Indonesia, Myanmar and Thailand. Luke started his career with Coopers & Lybrand, Melbourne in 1988 and subsequently spent more than 12 years at Ernst & Young. In 2005, he joined Interra Resources Limited, a dual SGX and ASX listed oil & gas producer and explorer as CEO in Singapore for 4 years. Prior to joining Bumi Armada, he was a Partner in Melbourne at Cor Cordis, an Australian national business advisory firm. He is a member of the Institute of Chartered Accountants Australia and New Zealand and has also attained a Graduate Diploma in Applied Finance and Investment.

Head of Floating Production and Operations ("FPO")

Country: Australia

Age: 56

MARK ANDREW NEWBY

Date of Appointment:
17 October 2016

Qualifications:
- Master Class 1 Certificate of Competency & Diploma of Nautical Science

Directorship in Listed Issuers and Public Companies:
Nil

Skill and Experiences:
Mark Andrew Newby ("Mark") is responsible for Bumi Armada Floating Production and Operations Division. This Division encompasses all aspects of Floating Production from engineering design, construction, commissioning and operation of new developments through to safely operating and maintaining Bumi Armada's existing fleet of FPSOs and FSU.

Mark has over 30 years of wide-ranging experience in the Oil and Gas industry and has held senior positions both offshore and onshore, with extensive knowledge of Floating Production Systems and significant involvement in developing industry best practice for FPSO operations through involvement with Oil Companies International Marine Forum ("OCIMF") and the Society of International Gas Tanker and Terminal Operations ("SIGTTO").

Before joining Bumi Armada in 2016, he was with BG Group for 5 years, with the last 2 years as the Regional Operations Manager.

Prior to that, he was at ConocoPhillips as the Global Production Marine Operations Manager.

Head of Offshore Marine Services ("OMS")

Country: Malaysia

Age: 52

MEGAT ZARIMAN BIN ABDUL RAHIM

Dates of Appointment:
- 11 April 2013 (Appointed as Senior General Manager, Sales & Marketing – Malaysia)
- 1 March 2018 (Appointed as Head of Offshore Marine Services)

Qualifications:
- Bsc Electrical Engineering, Worcester Polytechnic Institute, Worcester, Massachusetts, USA

Directorship in Listed Issuers and Public Companies:
Nil

Skill and Experiences:
Megat Zariman Abdul Rahim ("Megat") is responsible for the running of our OMS business which includes the OSV and SC sub-segments. He has held various positions within Bumi Armada for the last five years with the scope of building, managing and growing the Company's activities within Malaysia and the Asia Pacific region.

He is a certified Professional Engineer by the Malaysian Board of Engineers since 1997, and Professional Technologist from Malaysian Board of Technologies since 2018. Before joining Bumi Armada, Megat spent over 21 years with Schlumberger, in various technical, commercial, and Management roles globally.

Concurrently, Megat is also the Vice President in the Malaysian Oil & Gas Service Council ("MOGSC"). MOGSC is a leading non-profit association, which promotes the interests of the Malaysian Oil & Gas service providers, with the mission to champion the Malaysian Oil & Gas services sector as a regional hub and with the scope of aiding in the development of the Malaysian Oil & Gas services sector.

Head of Health, Safety, Security, Environment and Quality ("HSSEQ")

Country: Malaysia

Age: 39

LEONG WEI KIT

Date of Appointment:
15 March 2018

Qualifications:
- Bachelor (First Class), Chemical Engineering with Environmental Protection, Loughborough University
- Certified Sustainability Reporting Specialist (CSRS), License No. TR114747

Directorship in Listed Issuers and Public Companies:
Nil

Skill and Experiences:
Leong Wei Kit ("Gary") is responsible for overseeing Bumi Armada's HSSEQ function as well as driving governance and assurance on HSSEQ matters related to corporate, operations and projects across the organisation.

Before joining the Company, Gary was the Head of Health, Safety, Security & Environment ("HSSE") Performance at Group HSSE, PETRONAS where he was responsible for HSSE performance management, sustainability reporting, digitalisation of HSSE performance management and C-level reporting to PETRONAS Executive Leadership Team and Board.

Gary has also worked with DuPoint and Accenture, where he held various positions in driving HSSE excellence for clients in the energy and mining industry. His experiences span across strategy development, governance audits, risks assessment, safety culture transformation, organisation improvement, project management and performance improvement in the realm of HSSE. He is also a member of the HSE Technical Committee for the MOGSC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Senior Management Team Profile

Head of Business & Corporate Partnering

Country: Malaysia

Age: 45

SASHA VIJAYANANTHAN

Date of Appointment:
10 June 2019

Qualifications:
- CPA Australia
- Bachelor of Commerce (Accounting), Monash University, Australia

Directorship in Listed Issuers and Public Companies:
Nil

Skill and Experiences:
Sasha Vijayananthan ("Sasha") is responsible for the Supply Chain Management, Human Resources and Administration functions of Bumi Armada. This would include responsibilities and accountabilities over the areas of vendor quality management, procurement, logistics management, inventory management as well as all people and administrative matters.

Prior to her appointment to this role, Sasha was the Head of Internal Audit and Risk. This was a position that she held from March 2016 to June 2019. It was during her tenure as Head of Internal Audit that she built her in-depth knowledge of the processes within Bumi Armada hence her progression into her current role.

She has over 23 years' experience in the Governance, Risk and Control space and was Vice President of Group Risk Management at Sime Darby Berhad, before joining Bumi Armada.

Sasha was previously an auditor at Ernst & Young, starting as an associate and working her way up to Director level. She has a wealth of experience, specialising in governance reviews, financial control framework implementations, transformation projects, internal and external auditing for a broad range of industries including the oil and gas industry.

Head of Asset Integrity and Engineering Floating Production Operations and Technology

Country: United Kingdom

Age: 52

STEPHEN MATTHEW WILLIAMSON

Date of Appointment:
1 December 2019

Qualifications:
- Class 1 Marine Engineer General and Motor Diploma in Engineering

Directorship in Listed Issuers and Public Companies:
Nil

Skill and Experiences:
Stephen Matthew Williamson ("Steve") is responsible for ensuring that FPO assets are maintained and operated in a safe, compliant and efficient manner.

He is also responsible for the direct management of the FPO Technology team, providing appropriate technical design competence and capability to the FPO business.

Steve has 36 years of experience of technical operations and risk management in the Shipping and Oil and Gas industry.

He started his career as a sea going Engineer Officer, serving predominantly on tanker vessels. In 2001 he moved to BP where he held several technical and senior operations management roles over a period of 17 years. These included; Engineering Standards Superintendent, Technical Authority and Regional Fleet Manager (East) based in Singapore.

Prior to joining Bumi Armada, he had spent the previous 4 years as Manager of the BP Gas Fleet, based in the UK.

Joint Company Secretary/Head, Corporate Secretarial Services

Country: Malaysia

Age: 43

NOREEN MELINI BINTI MUZAMLI

Dates of Appointment:
- 1 September 2015 (joined Bumi Armada)
- 10 September 2015 (appointed as Joint Company Secretary)

Qualifications:
- Bachelor of Laws (Hons) from University of Bristol, United Kingdom (1999)
- Certificate of Legal Practice (2005)
- Company Secretary license from the Companies Commission of Malaysia (since 2001)

Directorship in Listed Issuers and Public Companies:
Nil

Skill and Experiences:
Noreen Melini binti Muzamli ("Noreen") is responsible for ensuring the provision of effective corporate secretarial services at Bumi Armada and advising the Board and Management of Bumi Armada on the compliance with relevant regulations and best practices on corporate governance.

She has more than 18 years of corporate secretarial experience in various sectors which included property development and financial services. Prior to joining Bumi Armada, Noreen was attached to the Maybank Group for nine years and her last position was as the Company Secretary of Maybank Investment Bank Berhad and its group of companies, a position she held since November 2010.

She was also Regional Head, Corporate Secretarial Services of Maybank Kim Eng Group ("Group"), the investment banking division of Maybank Group and was responsible for ensuring the adoption of group policies and best practices on corporate governance in the 10 countries in which the Group operated. Before Maybank Group, she was with a public listed property developer for more than five years and was assigned to its Legal and Secretarial Department.

Notes:
1. None of the Management has any family relationships with any Directors and/or major shareholders of the Company.
2. None of the Management has any conflict of interest with the Company.
3. None of the Management has any convictions for offences within the past five years (other than traffic offences, if any).
4. None of the Management has any public sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Governance Framework

BUMI ARMADA SHAREHOLDERS

THE BOARD

Ultimate responsibility for the Management of the Group rests with the Board.

The Board focuses primarily on strategic and policy issues and is responsible for:
- leadership of the Group;
- implementing and monitoring effective controls to assess and manage risk;
- supporting the senior leadership team to formulate and execute the Group's strategy;
- monitoring the performance of the Group; and
- setting the Group's values and standards.

There is a specific schedule of matters reserved for the Board. These matters can be found in our Board Charter which is accessible online at www.bumiarmada.com

Audit Committee

Reviews the BAB Group's financial reporting process, the system of internal control and management of enterprise risk, the audit process, and the Group's process for monitoring compliance with law and regulations and its own code of business conduct.

Remuneration Committee

Reviews policies and procedures on remuneration for Directors and key Management, remuneration for Executive Directors based on annual performance, share scheme for employees as well as long term incentive plans.

Nomination & Corporate Governance Committee

Reviews the composition of Board and Board Committees, selection of Directors and key Management, succession planning for Board and key Management, assess the annual performance of Directors and Board, ensures continuous training for Directors and best practices on corporate governance for the Group.

Risk Management Committee

Oversees the Group's risk management systems, practices and procedures to ensure Enterprise Risk Management ("ERM") processes and culture are embedded throughout the Group, and promotes a Group wide governance culture with respect to risk management and internal controls.

INTERNAL AUDIT

CHIEF EXECUTIVE OFFICER

RISK

MANAGEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

BOARD MEETING FOCUS DURING 2019

GOVERNANCE & RISK

- Identified principal risks relating to the business and operations and ensured the implementation of appropriate internal controls and mitigation measures with oversight from the RMC;
- Deliberated on litigation cases involving the Group and the strategies in managing these cases;
- Maintained robust regulatory compliance at all times with oversight from the AC, including adherence to the provisions of anti-corruption legislations such as the Malaysian Anti-Corruption Commission Act, Foreign Corrupt Practices Act and UK Bribery Act;
- Strengthened the Company's Integrated Management Systems with governance and operational controls that are in line with OHSAS 18001:2007 (Occupational Health and Safety Management System), ISO 14001:2015 (Environmental Management System) and ISO 9001:2015 (Quality Management System) across all wholly-owned assets and operations; and
- Discussed safety cases and matters at each Board meeting in demonstrating commitment to safety culture at the Company.

STRATEGY

- Reviewed and approved the strategy and business plan of the Group for the FY2019 and FY2020 based on input from the various heads of department and insights on market outlook by an external consultant;
- Considered the strategy and business plans which were in line with the Company's vision and mission, reviewed the action plans, resource requirements and timelines for implementation of the plans;
- Reviewed the operations of key assets including technical matters and collection;
- Discussed and approved the sustainability initiatives for FY2019 as recommended by the Sustainability Committee; and
- Reviewed and approved the corporate simplification exercise which included the voluntary liquidation and dissolution of inactive companies in BAB Group.

FINANCIAL REPORTING

- Reviewed and approved the budget for FY2020 with key assumptions based on the 2020 strategy and business plan;
- Reviewed the corporate debt refinancing exercise and funding requirements of BAB Group;
- Reviewed proposals on new projects including JVs in line with the business plan as well as the respective project financing;
- Reviewed quarterly operational review reports;
- Reviewed related party transactions;
- Reviewed and approved the quarterly financial results and the full year financial results for FY2019 of the Group and their release to Bursa Securities as recommended by the AC to the Board; and
- Considered and approved the contents of the Company's 2018 Annual Report, which included the AC Report, Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control and Directors' Responsibility Statement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

BOARD MEETING FOCUS DURING 2019

LEADERSHIP & PEOPLE

- Ensured that there are programmes in place for succession planning for Senior Management with monitoring from the Nomination and Corporate Governance Committee ("NC") as well as participated in interviews of potential candidates for new Independent Directors;
- Deliberated on the annual remuneration of staff including Management for FY2019 as per the recommendation of the Remuneration Committee ("RC"); and
- Deliberated and approved the offer, grant and/or allotment of shares to the ED pursuant to the Management Incentive Plan ("MIP") as per the recommendation of the RC, as well as recommended the proposal to shareholders for approval.

SHAREHOLDERS & ENGAGEMENT

- Ensured effective implementation of shareholders and stakeholders communication which enabled feedback received to be considered when making business decisions; and
- Ensured information used in communication material or statements is balanced and representative of the Company's performance.

SUCCESSION PLANNING

Succession planning ensures that appropriate senior executive leadership resources are in place to achieve the Group's strategic objectives. The plans are reviewed annually by the NC. The Board further develops its knowledge and gains greater visibility of executive talent and Management succession meeting with key talent and senior executives.

BOARD EVALUATION

The Board undertakes a formal and objective annual evaluation to determine the effectiveness of the Board, its Committees and each Director. The assessment criteria cover the Board's duties and responsibilities (Part A), Board and Board Committees' composition and meeting processes (Part B) and observations by the ED (Part C). Under Part B, the Board Committees are also assessed on whether they have performed their duties as per their respective TORs during the year. The Chairman also meets with each Director in one-on-one sessions for direct feedback.

The results of the assessment were presented to the NC and the Board and overall the Board and Committees have performed according to its TOR with areas for improvement. The NC and Board approved the Actionable Improvement Programme ("AIMP") that identified certain areas for improvement. The areas for improvement included conducting periodic review of development and succession planning for key senior executives, and adequate Director programmes including visits to the Group's operation sites and branches. The AIMP sets out clear action plans and persons responsible for each plan and timelines which progress will be reviewed by the Board on a half-yearly basis.

DIRECTORS' TRAINING AND INDUCTION

Following appointment to the Board, all new Directors receive an induction tailored to their individual requirements. They are encouraged to meet and be briefed on the roles of key people across the Group and have open access to all business areas and employees to build up an appropriate level of knowledge of the business that extends beyond formal papers and presentations to the Board. All Directors have received an appropriate induction for their roles within the Group, including some or all of the following:

Ongoing training and briefings are also given to all Directors, including external courses as required.

- The nature of the Group, its business, markets and relationships.
- Meetings with the external auditor, lawyers, brokers and relevant operational and functional Senior Management.
- Board procedures, including meeting protocols, committee activities and terms of reference, and matters reserved for the Board.
- Overviews of the business via Monthly reports.
- The Group's approach to risk management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Ongoing training and briefings are also given to all Directors, including external courses as required. The table additionally includes the professional training of the Company Secretaries.

Courses/Seminars/ Programmes/Workshops/ Conference Attended	Date	Name of Directors & Company Secretaries	Company Sponsoring/ Organiser
Tsinghua PBCSF Belt & Road EMBA – Module 11	9-11 January 2019	TA	Tsinghua PBCSF
Outlook on Offshore Marine Services	1 April 2019	TA, AS, CCB, MT, GC, NM	Pareto Securities
Special Presentation on Board Fundamentals – What Every Director Should Know	30 April 2019	MT	Messrs. Lee Hishammuddin Allen & Gledhill
Revisiting MFRS 9	25 June 2019	TA	Bangkok Bank Berhad
Tsinghua PBCSF Belt & Road EMBA – Behavioural Finance	3-5 July 2019	TA	Tsinghua PBCSF
MAICSA Annual Conference	2-3 July 2019	NH	Malaysian Institute of Chartered Secretaries and Administrators
SSM National Conference	23-24 July 2019	NM	Companies Commission of Malaysia
Directors' Duties and Bumi Armada Berhad's Key Reporting Obligations under the Companies Act, 2016 and Bursa Malaysia Main Market Listing Requirements	28 August 2019	AS, VU, MT, GC	Bumi Armada Berhad
Lessons Learnt from Litigation with Woodside (Armada Claire FPSO)	29 August 2019	TA, AS, VU, CCB, MT, GC, NM	Bumi Armada Berhad
Tsinghua PBCSF Belt & Road EMBA – Chinese Economy and Financial Market	5-8 September 2019	TA	Tsinghua PBCSF
E-Signing: What You Need to Know	30 September 2019	NH	Malaysian Institute of Chartered Secretaries and Administrators
Technical Briefing on FPSO	16 October 2019	TA, AS, VU, CCB, MT, GC, NM	Bumi Armada Berhad
Presentation on RMiT	29 October 2019	TA	Oliver Wyman
Market Insights	30 October 2019	MT	Messrs. Allen & Overy LLP
Corporate Governance and Anti-Corruption	31 October 2019	VU, MT	Bursa Securities & Securities Commission Malaysia

Courses/Seminars/ Programmes/Workshops/ Conference Attended	Date	Name of Directors & Company Secretaries	Company Sponsoring/ Organiser
Tsinghua PBCSF Belt & Road EMBA - Global Competition in Emerging Economic National Culture and Business Management South East Investment Opportunities	7-10 November 2019	TA	Tsinghua PBCSF
Directors' Duties under the Capital Market and Services Act 2007	20 November 2019	AS, VU, MT	Bumi Armada Berhad
Risk Management & Internal Control – Key Reporting Obligations & Directors' Duties	20 November 2019	AS, VU, MT, NM	Bumi Armada Berhad
Malaysian Anti-Corruption Commission (Amendment) Act 2018	20 November 2019	TA, AS, VU, CCB, MT, GC, NM	PricewaterhouseCoopers
Anti-Money Laundering Act Training	8 December 2019	TA	Bangkok Bank Berhad

TA - Tunku Ali
AS - Alexandra Schaapveld
VU - VU Kumar
CCB - Chan Chee Beng
MT - Maureen Toh Siew Guat
GC - Gary Christenson
NM - Noreen Melini binti Muzamli
NH - Noor Hamiza binti Abd Hamid

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Nomination & Corporate Governance Committee Report

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Chairman of the Nomination & Corporate Governance Committee

Dear Shareholders,

As Nomination & Corporate Governance Committee Chair, I am pleased to present the Committee's Report for the period.

The Committee reviews the structure, size and composition of the Board and its committees and makes recommendations to the Board with regard to any changes considered necessary in the identification and nomination of new Directors, the reappointment of existing Directors and appointment of members to the Board's committees. It also assesses the roles of the existing Directors in office to ensure that there continues to be a balanced Board in terms of skills, knowledge, experience and diversity. The Committee reviews the senior leadership needs of the Group to enable it to compete effectively in the marketplace and advises the Board on succession planning for Executive Director appointments, although the Board itself is responsible for succession generally.

The Committee has standing items that it considers regularly under its terms of reference; for example, the Committee reviews its own terms of reference annually, or as required, to reflect changes to the Code or as a result of changes in regulations or best practice.

During the year, the Committee continued to focus on succession planning for the Board and its leadership team which included the appointment of the new CEO and General Counsel. The search for suitable candidates as new Independent Directors is ongoing.

Nomination & Corporate Governance Committee Report

The Committee continues to play a vital role in ensuring the right individuals are appointed to the Board and senior leadership and best practice on corporate governance remain the foundation of the organisation.

2019 KEY ACTIVITIES

The Committee has assisted the Board in the assessment of potential candidates as new Independent Directors, the annual evaluation of the Board and Board Committees, reviewed the succession planning and talent management for key positions and provided guidance on corporate governance matters affecting the Board and Company.

The Committee deliberated on the following matters during 2019:

- reviewed the Board and Board Committees' composition and the eligibility, skills, competencies and experience of potential candidates nominated for appointment to the Board and those seeking election/re-election to the Board;
- reviewed the annual Board evaluation for FY2018 and proposed AIMP;
- discussed talent review and succession planning for Senior Management and their direct reports and followed through on actions relating to succession planning for the key Management team;
- deliberated on changes to the positions of the CEO and General Counsel;
- reviewed and recommended the re-designation of an Independent Director to the ED/CEO to the Board for approval;
- reviewed the TOR of the Committee;
- set a timeline and facilitated the FY2018 Board and Board Committees assessment process including assessing, reviewing, and reporting the findings and making the appropriate recommendations to the Board;
- assessed the training needs of Directors further to a formal analysis done and recommended the Directors' Training Plan 2020 which included the continued practice of briefing to Directors by reputable external experts on relevant topics and vessel visits; and
- reviewed policies, initiatives, measures and procedures to strengthen and give effect to matters pertaining to corporate governance, having regard to provisions of the MCCG and ASEAN CG Scorecard in line with best practices.

COMMITTEE EVALUATION

The annual evaluation of the Committee was undertaken together with the evaluation of the Board and other Board Committees. Based on feedback from Committee members as well as other Directors through a self-assessment questionnaire, it was concluded that the Committee has discharged its duties according to its TOR.

DIVERSITY AND INCLUSION

We are a people business. Our strength comes from an inclusive and welcoming environment, where we recognise that the experiences and perspectives which make us unique come together in our shared values and vision. We strongly believe that the more our people reflect the diversity of our customers, the better equipped we are to service their needs. At Board level, our approach to the appointment of new Directors and senior executives reflects our Board Diversity Policy to develop people and value diversity, to ensure the optimal balance of experience and backgrounds on our Board and Board Committees. Prior to making an appointment, the Committee evaluates the balance of skills, knowledge, independence, experience and diversity on the Board and, in light of this evaluation, prepares a description of the role and capabilities required, with a view to ensuring that the best placed individual for the role is recommended to the Board for appointment. As a Board we promote an environment which is supportive of all individuals from diverse backgrounds and thus in identifying suitable candidates, we normally:

- Keep in mind the corporate governance best practices recommendation of 30% female representation on Boards;
- Consider candidates from a wide range of backgrounds; and
- Consider candidates on merit and against objective criteria, ensuring that appointees have sufficient time to devote to the position, in light of other potentially significant commitments.

The Committee's aim is for the Board to consist of individuals with diverse experience who can add value to Board debates, and contribute to the progression of our strategic objectives.

RE-ELECTION OF DIRECTORS

The Board, on the recommendation of the Committee, is satisfied that Directors standing for re-election or election will continue to share their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions based on their performance thus far or their skills and competence.

NC AT A GLANCE

Committee Membership and Meeting Attendance

The NC members and the number of meetings they each attended during the year were as follows:

Directors	Committee meetings attended in 2019
Tunku Ali Independent NED (Chairperson)	4/4 (100%)
Alexandra Schaapveld Independent NED (Member)	3/4 (75%)
VU Kumar Independent NED (Member)	3/4 (75%)
Chan Chee Beng Non-Independent NED (Member)	4/4 (100%)

The Chairman of the Committee is Tunku Ali, an Independent NED. All of the Committee members are Non-Executives and majority of members (3/4) are Independent Directors.

Roles and Responsibilities

The Committee's foremost priority is to advise the Board on the Group's leadership, and develop a clear plan for both ED and NED succession. Its prime focus is, therefore, to concentrate on the strength of the Board, for which appointments will be made on merit against objective criteria, selecting the best candidate for the post. The Committee advises the Board on these appointments, and also on retirements and resignations from the Board, and its other Committees.

The Committee will regularly review its succession planning based on the Board's balance of skills and overall diversity.

Process for Board Appointment

When considering Board appointments, the Committee will draw up a criteria for a Director, taking into consideration the balance of skills, knowledge and experience of its existing Board members, the diversity of the Board, the independence of continuing Board members, together with the ongoing requirements and strategic development of the Group. The search process can then focus on appointing a candidate with a balance of skills that will enhance the Board.

The Committee will, when appropriate, utilise the services of an independent executive search firm to identify appropriate candidates, ensuring that the search firm appointed does not have any other conflicts with the Group. A list of potential appointees will then be reviewed, followed by the shortlisting of candidates for interview, based upon the objective criteria identified at inception. Care is taken to ensure that all proposed appointees will have sufficient time to devote to the role and any conflict of interests are disclosed and properly managed. The Committee will recommend a preferred candidate and the members as well as other Directors will meet the candidate. Following these meetings, and assuming acceptance, the Committee will make a formal recommendation to the Board on the appointment. Wherever possible, the Committee will arrange for all Directors to meet the preferred candidate.

The NC TOR can be found at www.bumiarmada.com.

Remuneration Committee Report

ALEXANDRA SCHAAPVELD
Chairman of the
Remuneration Committee

Dear Shareholders,

On behalf of the Board and in my capacity as the Chairman of the Remuneration Committee,
I present to you the Remuneration Committee report for the year under review.

The Board sets the Company's Remuneration Policy and the Committee is responsible, within the authority delegated by the Board, for determining specific remuneration packages and the terms and conditions of employment for the members of the Board (including Executive Directors) and other senior executives. The Committee ensures that the members of the Board are provided with the appropriate incentives to enhance the Group's performance and to reward their personal contribution to the success of the business. The Committee reviews the remuneration arrangements for CEO and his direct reports, and administers the Company's share incentive plans. The Committee has regard for the wider remuneration philosophy of the organisation when considering executives' packages. The determination of the remuneration of the ED is decided by the Board as a whole and the remuneration (fees and benefits) for NEDs will be recommended by the Board to the shareholders for approval. Directors will abstain on any proposal regarding their own remuneration packages at the general meeting where the proposal is tabled. The Committee maintains an active dialogue with shareholder representatives and its full TOR is set out on the Company's website.

"

The Committee ensures that the Company operates a remuneration structure that is both simple and transparent, which will deliver value to shareholders in the medium to long term.

2019 KEY ACTIVITIES

The determination of the remuneration of Directors is a matter for the Board as a whole based on the recommendation of the RC. Individual Directors do not participate in decisions regarding their own remuneration packages.

The RC dealt with the following matters during 2019:

- deliberated on the evaluation of performance of the ED for 2018 and recommended the proposal to the Board;
- reviewed and recommended the proposal on the MIP for allotment of shares to the ED which was approved by the shareholders at the Annual General Meeting ("AGM") in May 2019;
- setting of 2019 KPIs for key Management team;
- reviewed the broad parameters and criteria for employee increments and bonuses for FY2019;
- reviewed the remuneration framework for NEDs; and
- assessment of talent review for key positions and aligned them towards the Company's strategy and structure including continuing with current practice of giving high potential talents the exposure to the Board by making presentations.

RC AT A GLANCE

Committee Membership and Meeting Attendance

The RC members and the number of Committee meetings they each attended during the year are as follows:

Directors	Committee meetings attended in 2019
Alexandra Schaapveld Independent NED (Chairperson)	6/6 (100%)
VU Kumar Independent NED (Member)	5/6 (83%)
Maureen Toh Siew Guat Non-Independent NED (Member)	6/6 (100%)

The Chairman of the RC is Alexandra Schaapveld, an Independent NED. All of the Committee members are Non-Executives and a majority of members are Independent Directors i.e. 2 out of 3 members are independent.

ROLES AND RESPONSIBILITIES

The RC is charged with the following primary responsibilities

- recommend to the Board the policy and framework for Directors' remuneration as well as the remuneration and terms of service of the EDs;
- evaluate the annual performance and reward of the EDs;
- review Management remuneration policies and proposals; and
- review and endorse broad parameters and criteria for the determination of eligibility and basis and criteria for allocations and grant of options under the Company's MIP.

The RC's TOR is posted on BAB's website at www.bumiarmada.com.

Remuneration Committee Report

OVERVIEW OF OUR REMUNERATION POLICY

The objective of the Group's policy on Directors' remuneration is to attract, retain and incentivise Directors with the right experience, expertise and calibre needed to manage the Group successfully. In this regard, the RC is responsible to review and recommend to the Board the policy and framework for Directors' remuneration as well as the remuneration and terms of service of the EDs.

Bumi Armada, as a Malaysian based company that competes globally, needs to attract the right talent, including Directors from a global base who have international experience. One way to achieve this is by offering competitive remuneration packages.

In the case of NEDs, their remuneration reflects their experience, expertise and the level of responsibility and duties undertaken, as well as the roles they are to play on the Board and Board Committees. The Board may draw advice from independent consultants in determining remuneration.

The policy on remuneration of Directors was stated under the Explanatory Note 3 to the Notice of the 24th AGM and posted on BAB's website. Briefly, the NEDs' remuneration comprises fees and meeting allowances. The Board Chairman also receives a monthly car allowance.

The remuneration of the ED is structured so as to link rewards to individual responsibilities and to corporate and individual performance. The ED remuneration package comprises an all-in fixed component which includes a base salary, benefits-in-kind/emoluments such as company car, driver, health insurance premium coverage, and a variable component which includes short-term incentives in the form of a performance-based bonus and long-term incentives in the form of performance-based shares allotment. The ED is not entitled to receive any fees and meeting allowances for Board or Board Committee meetings that he attends.

The payment of Directors' fees and benefits requires the approval of shareholders at a general meeting in line with the CA 2016.

BAB has 2 share based incentive plan for employees, the Employee Share Option Scheme ("ESOS") and the MIP. Under the By-Laws governing the ESOS, the total number of new shares which may be issued under options granted pursuant to ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any time during the subsistence of the ESOS. In addition, the total number of shares which may be issued under options granted to the EDs and Senior Management shall not exceed in aggregate 50% of the total number of shares to be issued under the ESOS ("ESOS Permissible Allocation").

Under the By-Laws of the MIP, the total number of shares which may be made available under the MIP shall not when aggregated with the total number of new shares allotted and issued under the ESOS exceed 10% of the issued and paid-up share capital of the Company (excluding treasury shares)at any time during the duration of the MIP. In addition, the total number of shares which may be made available under the MIP to the EDs and Senior Management shall not exceed in aggregate 50% of the total number of shares to be issued under the MIP and ESOS ("Total Permissible Allocation").

Since the commencement of the ESOS and the MIP up to 31 December 2019, the options granted under the ESOS and shares under the MIP which have been offered to the EDs and Senior Management were 8.14% of the Total Permissible Allocation and 0.81% of the total issued and paid-up share capital of the Company as at 31 December 2019.

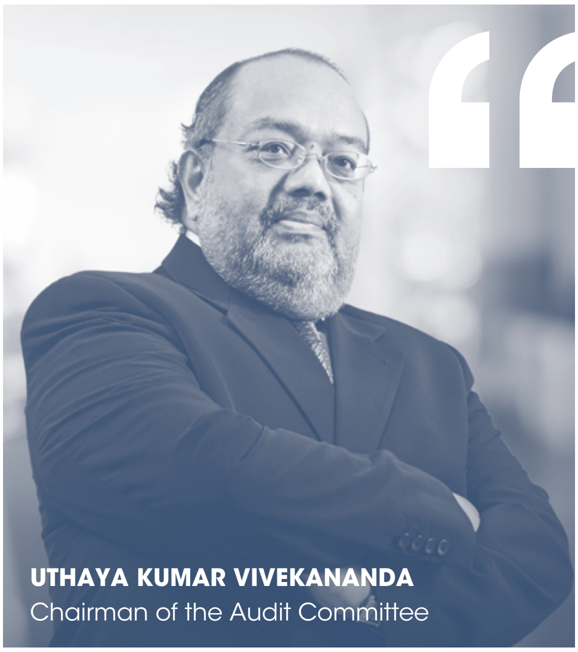
The Company had offered 3 options Grant to the eligible employees under the ESOS in FY2011, FY2012 and FY2014. All Grants including the remaining unexercised options under the last i.e. the 3rd Grant (FY2014) have lapsed following its expiry date in February 2019. Further to this, there are no other outstanding options under the Company ESOS scheme. No further options under the ESOS scheme will be granted as future share grants are expected to be made under the MIP.

The Company is seeking shareholders' approval on the offer and grant of shares under the MIP to the ED at the forthcoming AGM.

REMUNERATION OF DIRECTORS

The details of Directors' Remuneration (both Executive and Non-Executive) is shown under Note 7 of the Company's audited financial statements for the FY2019 on pages 146 to 148 of this Annual Report.

Audit Committee Report



Dear Shareholders,

On behalf of the Audit Committee ("AC"), I present our annual AC Report. The role of the AC is to assist the Board in fulfilling its statutory and fiduciary responsibilities under CA 2016, MMLR and the CG Guide issued by Bursa Securities.

The CG Guide has set out the following as the key roles and responsibilities of the AC:

- overseeing financial reporting
- assessing the internal control environment
- evaluating the internal audit process
- evaluating the external audit process
- reviewing conflict of interest situations and related party transactions

In addition to the CG Guide, the AC also monitors the management of financial risk processes of Bumi Armada Berhad and its subsidiaries ("the Group") along with its accounting and financial reporting practices, reviewing the Group's business processes and ensuring the efficacy of the Group's system of internal controls.

My role as AC Chairman includes acting as a key contact between the AC members and the Board members, as well as key Management, the Internal Audit Department ("IAD"), and the External Auditors ("EA"). During the year, I have held a significant number of meetings with various members of Management to ensure that key matters are being highlighted, actions to address them are progressing and to understand and assess the main areas in the Group that need the guidance and the focus of the AC. I also meet with the Head of IAD on a regular basis to deliberate on matters arising from internal audits, investigative reviews as well as to decide on the most effective way that we can enhance the state of governance and internal controls in the organisation. The AC has also met the EA at various quarterly meetings and a number of meetings prior to those to discuss various issues pertaining to the business.

In 2019, the Group encountered a myriad of issues pertaining to its business. These issues had presented significant challenges with ramification to the financial situation of the Group, its controls, processes and financial reports. This has led to the AC focusing on key areas such as:

- **Refinancing of high levels of corporate debts** – continued focus on reducing corporate debts by stringent management of operating expenses, and looking at opportunities to further re-finance debts to manage cashflow
- **Assessment and impairment of Armada Claire, Offshore Support Vessels ("OSV") and Subsea Construction Vessels** – expediting the sale of vessels identified to be disposed to support the Group's fund requirements and focus on new business for the remaining vessels to avoid impairment
- **Monitoring the performance** of FPSO vessels to ensure constant uptime
- **Monitoring** the actions for dealing with **high levels of receivables and payables**
- **Management of joint ventures** and resolution of joint venture issues with partners
- **Control and process matters** and a focus on the enhancement of the compliance function

As performance of the Group in 2019 begins to stabilise, the primary role of the AC is to ensure that significant issues are addressed and have also been appropriately recorded in the financial statements. The AC spends a significant amount of time with Management, the EA and the IAD to ensure that proper work and appropriate judgement is applied in the preparation of the financial statements and disclosures. In meeting this role, the AC had to ensure that there has been proper governance and transparency within the Group. Whilst I would like to look at the work of the AC as having made progress and having a positive impact, there is still much improvement needed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ACCOUNTABILITY

Audit Committee Report

ROLES AND RESPONSIBILITY

The AC is governed by its own terms of reference ("TOR") which is subject to annual review. A review of the TOR was conducted early this year. The TOR has been reviewed and amended to reflect the changes in line with the amendments to the MMLR, the Malaysian Code on Corporate Governance and the CG Guide. The TOR is available on the Company's website at www.bumiarmada.com.

The function of the AC is to assist the Board in fulfilling its oversight responsibilities.

The AC has been tasked with reviewing the following:

i The System of Internal Controls and Management of Enterprise Risk

- Review systems of risk management
- Review systems of internal controls

ii BAB Group's Financial Reporting Process

- Review financial statements
- Review other accounting, audit and financial matters
- Review related party transactions
- Review conflict of interest situations and internal investigations

iii The Audit Process

Internal Audit

- Review independence of internal auditors
- Review internal audit plans
- Review internal audit reports
- Review internal audit department's performance
- Appointment/Termination of Head of Internal Audit or senior internal audit staff
- Take cognisance of internal auditor's resignation
- Approve the internal audit charter

External Audit

- Appointment, resignation and dismissal of external auditors
- Review independence of external auditors
- Review external audit plans
- Conduct of external audits
- Review external audit results
- Review recommendations of external auditors
- Review performance of external auditors

iv The Group's Process for Monitoring Compliance with Law and Regulations and its own Code of Business Conduct

- Review the process for monitoring compliance with legal, regulatory and statutory requirements

v Other Matters

- Speak Up/Whistleblowing arrangements
- Group's Statement on Internal Control
- Efficiency and efficacy of operations of the Group and any other matters which would improve governance
- Other matters as deemed appropriate or as defined by the Board

COMPOSITION AND ATTENDANCE

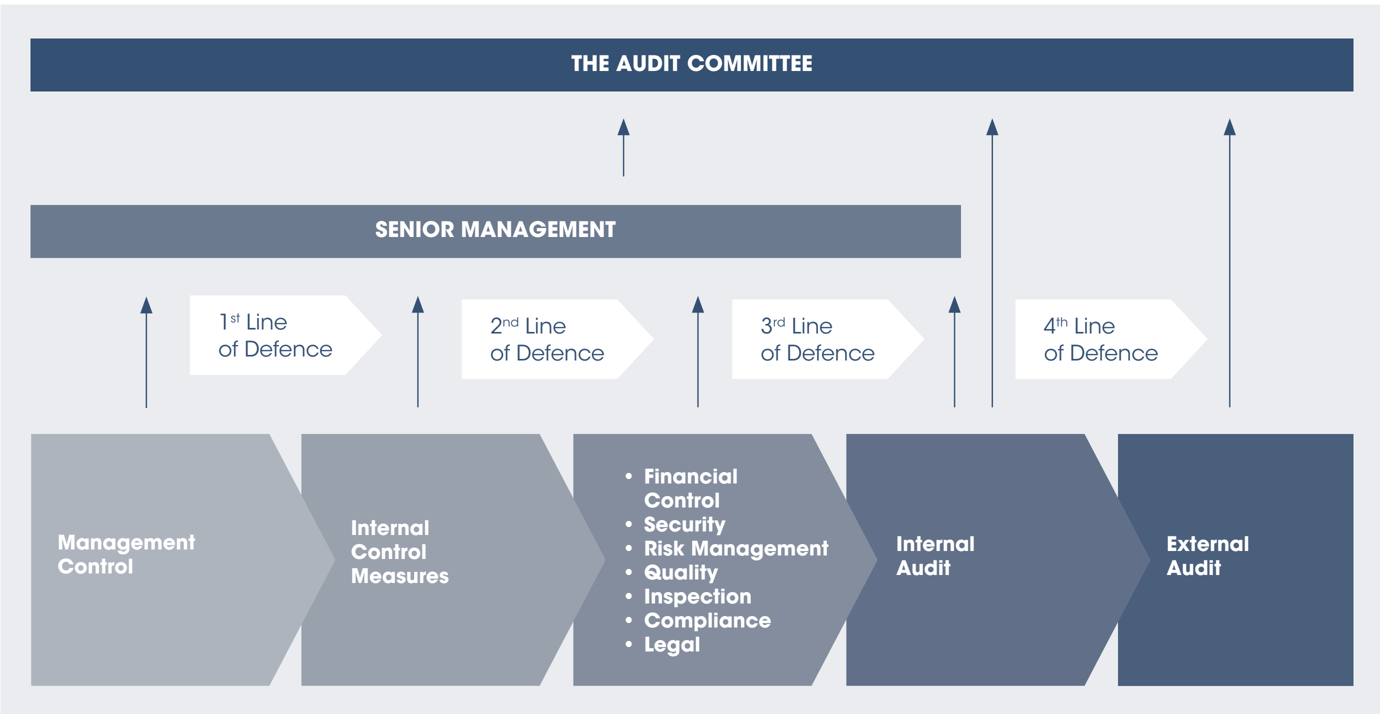
The AC members and the number of Committee meetings they each attended during the year are as follows:

Director	Committee meetings attended in 2019
VU Kumar Independent Non-Executive Director (Chairperson)	5/5 (100%)
Alexandra Schaapveld Independent Non-Executive Director (Member)	5/5 (100%)
Maureen Toh Siew Guat Non-Independent Non-Executive Director (Member)	5/5 (100%)

The AC presently comprises three members, all of whom are NEDs and majority are independent. The AC Chairman is Mr Uthaya Kumar Vivekananda, an Independent NED. He also chairs the Risk Management Committee ("RMC"). The current composition of the AC complies with Paragraph 15.09(1) of the MMLR which requires all members to be NEDs, with a majority of them being independent and at least one member fulfilling the requisite qualification under Paragraph 15.09(1)(c) of the MMLR.

THE AC REPORTING FRAMEWORK

An AC Reporting Framework is used in the Group to ensure that there are clear lines of accountability via our various lines of defence. The Reporting Framework and the matters that are reported via this framework to the AC have been mapped to the TOR of the AC to ensure that all areas of responsibility are covered and to enhance the quality of reporting.



Audit Committee Report

Quarterly Reporting to the Audit Committee:

1. Finance report on consolidated results of the Group
2. External Auditors report
3. Internal Auditors report
4. Finance controls and compliance report
    - Financial reporting process
    - IT controls
    - Limits of Authority
    - Contractual arrangements – avoidable loss
    - Cash flow, debt, financing & treasury matters
    - Departures from procurement process
    - Tax compliance
5. Joint Venture management report
6. Risk Management – finance process and financials
7. Compliance & General Counsel report
8. Related Party Transactions
9. CEO/CFO representation

The Agenda of all AC meetings is developed according to the matters listed above and presentations are done by the Management responsible for the respective area.

SUMMARY OF THE WORK DONE BY THE AC FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019 (FY2019)

Financial Reporting

- Reviewed the quarterly results for announcements to Bursa Securities before recommending the same for approval by the Board. This was done upon being satisfied that the reporting has complied with the applicable approved Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board ("MASB"), MMLR and other relevant regulatory requirements.
- Reviewed the Company's annual and quarterly management accounts.
- Reviewed the audited financial statements of the Group prior to submission to the Board for the Board's consideration and approval upon the AC being satisfied that, inter alia, the audited financial statements were drawn up in accordance with the provisions of the CA 2016 and the applicable approved MFRS issued by MASB.
- The AC also reviewed the status of accounting provisions and estimates, changes in accounting policies and significant judgemental accounting matters affecting its interim and audited financial statements.
- Detailed review of the impairments that were made during the financial year.

The AC reviewed significant accounting and auditing matters with a focus on the following:

Recoverable amounts of Vessels

As at 31 December 2019, the carrying value of vessels and vessel equipment was RM5,899.3 million. The prolonged periods of certain vessels being idle were indicators of impairment, hence an assessment was performed to determine the recoverable amounts of the vessels.

The recoverable amounts are determined based on the fair value less costs to sell ("FVLCTS") and the value-in-use ("VIU") for assets at year end.

Management's assessment for impairment was evaluated and validated by the EA. An impairment loss of RM41.5 million for the Subsea Construction assets and RM2.2 million for the OSV vessels was recorded for FY2019. This was then presented to the AC who agreed with the assessment.

Recoverability of amounts in relation to FPSO vessel Armada Claire

Following the termination of the service agreement between Armada Balnaves Pte Ltd ("ABPL") and Woodside Energy Julimar Pty Ltd ("Woodside") on 4 March 2016, ABPL filed a Writ of Summons in the Supreme Court of Western Australia ("Supreme Court") against Woodside on 14 March 2016 seeking damages for the repudiation of the Contract.

The case went to trial on 18 February 2019 and on 24 January 2020, the Supreme Court delivered the judgment, ruling in favour of Woodside. ABPL has filed an appeal against the decision of the Supreme Court.

Management has assessed the lifetime expected credit losses ("ECL") of the amount by taking into consideration of the likelihood and timing of the appeal process, quantum of damages claimed and accordingly an impairment of RM233.6 million was made for FY2019.

The EA focused its audit on this area in view of the financial implication and the judgment involved on the recoverability of the receivables and agree with Management's decision.

Liquidity position of the Group

As at 31 December 2019, the Group's current liabilities position exceeded its current assets by RM1,260.1 million.

In assessing the liquidity position of the Group, Management has considered the following:

- Availability of cash flow forecast from operations for the next 12 months to meet the operating, investing and financing obligations of the Group. The Group also continues to monitor cash flows very closely to ensure that all obligations can be met;
- Ability of the Group to meet the covenants of various financing obligations; and
- Effect of the Reservation of Rights ("ROR") Letter dated 19 August 2019 on the Kraken financing. In February 2020, the Kraken project lenders agreed to remove the risk of having to prepay the loan.

The Group also embarked on an asset divestment plan of the OMS business in 2019 and continues to pursue the divestment of the remaining vessels.

The AC has considered the funding plans for the Group to meet its obligations over the next 12 months and is in agreement that the assessments and plans laid out by Management are reasonable.

Recoverability of investments in subsidiaries and amounts due from subsidiaries

As at 31 December 2019, the Company's amounts due from subsidiaries and investments in subsidiaries amounted to RM514.9 million and RM4.5 billion respectively.

The Company recognised an impairment loss on these balances amounting to RM1.9 billion as at 31 December 2019 based on impairment triggers identified, resulting in a shortfall in projected cashflows.

Audit Committee Report

Governance & Internal Controls

- Reviewed the effectiveness of the system of internal controls, taking account of findings from internal and external audit reports as well as the reports of any investigative or special reviews.
- Reviewed and suggested improvements to the Group's contractual governance process.
- Reviewed improvements on the procurement process and tracked the progress of these improvements.
- Management and the Company Secretary also presented to the AC for its review the status and changes in material litigation, law and regulations, compliance with loan covenants and regulatory updates where applicable.
- Reviewed speak-up reports as presented by either the Head of IAD or the General Counsel.
- Reviewed and made recommendations to the Board on proposed related party transactions to be entered into by the Group.
- Reviewed the Statement on Risk Management and Internal Controls ("SORMIC"), which was supported by an independent review by our EA.

Internal Audit

- Reviewed the annual internal audit plan for the year including its scope, basis for assessment and actions taken and accountability assigned for actions to the relevant parties. In reviewing the audit plan, consideration was also given to the risk ratings in relation to the various auditable areas proposed in the plan.
- Reviewed and deliberated on reports of all audits that were conducted by the IAD.
- Provided oversight and guidance for all forensic, fraud or speak up investigation reviews led by the IAD.
- Reviewed all corrective actions on audit findings identified by the IAD via reporting done from the Internal Audit Monitoring Mechanism developed by IAD during the year. This included the monitoring of all action items until resolution and closure.

External Audit

- Reviewed the EA's audit strategy and scope for the quarterly audits for FY2019 and statutory audit of the Company's financial statements for FY2019.
- Reviewed with the EA the results of the statutory audit and the audit report.
- Reviewed and endorsed the proposed fees of the EA.
- Reviewed and approved the non-audit services provided by the EA while ensuring that there was no impairment of independence or objectivity. This included monitoring the fees of the non-audit work carried out by the EA so as not to jeopardise their independence status.
- Reviewed the performance of the EA and their independence.

INTERNAL AUDIT

The internal audit process for the Group is conducted by its IAD which has been established by the AC. The IAD is independent of the activities it audits, and audits are performed with impartiality, proficiency, and due professional care. Internal Audit Reports are tabled at the AC meetings. The AC will review, assess and approve the internal audit plans and programmes and provides guidance to the IAD as and when necessary.

The AC also reviews and monitors the responsiveness of Management to significant audit findings and the recommendations of the IAD. To ensure that Management effectively close out all significant audit findings in a timely manner, the AC has directed that part of the Management's annual key performance indicators include the proper close out of key audit findings.

The IAD also attempts to assist the Group to accomplish its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the various processes and controls within the Group. The IAD maintains its impartiality and proficiency and due professional care by having its plans and reports directly under the purview of the AC.

The Audits conducted for the BAB Group during the financial year under review were:

Audits conducted:

1. IT Audit – Follow-up Review
2. OSV – Desktop Financial Review
3. Surabaya Operations – Specific Scope Review
4. Audit of Angola Operations
5. Supply Chain – Data support analysis for process improvement
6. Audit of Insurance coverage and adequacy
7. India JV Operations – Limited scope desktop review
8. Audit of Vietnam Operations

Apart from the audits that are listed above, there were ad-hoc and investigative reviews that were conducted by the IAD throughout the year. The outcome from the planned audit and ad-hoc/investigative reviews performed were findings around the areas of operations, finance, supply chain process governance and controls, recruitment and human resource management. These areas are all being monitored closely by IAD via the monitoring mechanism and improvements are being implemented by the respective Business Units ("BU") and Departments.

The reports from any reviews performed by the IAD were also shared with the head of that BU, the CEO and CFO. Management is responsible for ensuring that corrective actions are taken within the stipulated time frame and all outstanding/open items are reported.

The IAD adopts the main standards and principles outlines in the International Professional Practices Framework of The Institute of Internal Auditors and this has been incorporated in the practical IAD methodology that is used to guide the ways of working of the IAD.

The department is staffed by 3 personnel and is headed by the Head of Internal Audit. These personnel come from a diverse background of audit, risk, engineering and finance. The IAD undertakes to ensure that the staff are competent and adequately equipped in carrying out their duties and responsibilities by providing them with the relevant training.

Total costs incurred in FY2019 for the Group's internal audit function amounted to RM2.4 million.

EXTERNAL AUDITORS

During FY2019, the AC assessed the EA's performance, independence, objectivity and terms of engagement before recommending its reappointment and remuneration. The AC together with Management conducted an evaluation on the EA's performance and effectiveness which was coordinated by the Company Secretary.

The assessment which covered independence, objectivity and professional scepticism, financial stability, risk and audit strategy, communication and interaction, audit finalisation and level of knowledge, capabilities and experience and sufficiency of resources was conducted in April 2019.

In addition, the AC also reviewed the EA's representation on its quality control procedures with respect to engagement performance which included the involvement of a quality review partner, access to the EA's accounting technical support on complex accounting matters, periodic assurance quality reviews by the EA's Global Assurance Quality Review team, internal guidance on accounting standards interpretation and application and International Standards of Auditing guidelines.

The AC also holds private sessions with the lead engagement partner from the EA every quarter, without the presence of Management. These sessions allow the AC and the EA to focus on areas that might not have been specifically addressed as part of the audit and where the EA can provide additional confidential comments to the AC. Some of the matters discussed include the EA's assessment of the tone at the top, ethical values and integrity of Management, quality of financial

Audit Committee Report

management and reporting, existence of pressure to meet aggressive financial targets and profitability expectations and cooperation from that various levels of Management and Internal Audit.

The AC remains satisfied with the level of independence of the EA and is of the view that they have not been impaired by any event or services that give rise to conflict of interest. The amount of non-audit fees incurred for services rendered by the EA to the Company and its subsidiaries for the financial year ended 31 December 2019 was RM1.1 million, which did not exceed the EA's audit fees.

MOVING FORWARD – THE AC'S KEY FOCUS FOR 2020

For FY2020, the key priorities of the AC will continue to be focused on the integrity of the Group's financial accounting and reporting, including all the key financial indicators taking into consideration the challenging environment that the Group continues to operate in.

The Group is in the process of enhancing its Corporate Compliance Framework and Policies. In 2020, in line with the increased regulatory requirements in Malaysia and globally, the AC will focus in ensuring the following enhanced policies are rolled out effectively groupwide:

1. Corporate Compliance Framework
2. Code of Business Conduct and Ethics for Directors and Employees
3. Speak Up Policy
4. Gifts and Hospitality Policy
5. Anti-Bribery and Corruption Policy
6. Sanctions and Anti Money Laundering Policy

In 2020, the AC will continue to focus on the following areas:

1. External audit efficacy and efficiency
2. Cost optimisation
3. Cash flow management and reporting
4. Collection initiatives
5. Joint Venture management reporting
6. Subsidiary reporting
7. Processes and Controls

In 2020 the Group also faces two global challenges – the COVID-19 and the decline in global oil prices since March 2020. These two challenges have caused significant issues to the Group. At this juncture, Management is unable to reliably estimate the financial impact of these two challenges to the Group. The AC will be working with Management to monitor the situation closely and assess their impact on the operations and financial performance of the Group, which includes assessing the carrying value of the Group's assets.

RELATIONSHIP WITH STAKEHOLDERS

The Board encourages and supports constructive communication with all investors and stakeholders and recognises the importance of timely dissemination of information to the investor community and shareholders. The Board also recognises the importance of communicating its business strategies, updates on the progress of the Group's current business initiatives as well as its financial performance during the year.

In addition to the required timely announcements and public statements made to Bursa Securities, the Company issues media releases and conducts analyst briefings in conjunction with the release of the Group's quarterly and annual financial results.

The Company maintains a corporate website at www.bumiarmada.com which provides access to corporate information about the Group, including the Company's corporate profile, Directors' and Senior Managements' profiles, share and dividend information, financial and annual reports, announcements, press releases and investor presentations.

The Company's Annual Report provides a comprehensive report of the Group's operations, business and financial performance as well as corporate information.

At the AGM, all Directors attend and are allocated responsibility to respond to questions that may be raised by shareholders in accordance with their Board or Board Committee roles.

The Group's Investor Relations function plays an important role in providing a direct communication channel to engage with shareholders, investors and the investment community broadly, both in Malaysia and internationally.

The Company has an Investor Relations Policy in place providing for the following:

- Timely, transparent, consistent and credible information on corporate events, strategies, trends and financial data to the investing public;
- Attending to shareholders or investor enquiries or requests for information;
- Attendance at investor presentations, conferences or other forums or meetings to ensure that the Company's businesses and strategies are understood by as wide an investor base as possible; and
- Ensuring that information provided and distributed by the Company to the investing public is consistent and in accordance with the regulatory requirements.

The Investor Relations unit has frequent one-on-one and group discussions, with both domestic and international shareholders, analysts, investors and potential investors throughout the year to provide constant communications and updates with the investment community. During 2019, apart from the quarterly financial results briefings, the Company met analysts and investors at conferences and meetings in Malaysia.

Investors may direct their queries regarding the Group to Jonathan Duckett, Senior Vice President, Investor Relations, Communications & Sustainability, at his email address: jonathan@bumiarmada.com

VISIT BUMIARMADA.COM

- Investor relations information;
- Company announcements and shareholder presentations;
- Past announcements and presentations on historical financial performance; and
- Information about our businesses.

ADDITIONAL COMPLIANCE INFORMATION

Material contract

Save as disclosed in the financial statements and below, there are no other material contracts entered into by the Company and its subsidiaries which involved the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year:

- A 3-year term loan facility of up to USD30.0 million between Bumi Armada 98/2 Holdings Pte. Ltd. and Mezzanine Equities N.V. ("MENV") together with option agreements and security documents as announced by the Company on 26 September 2019.

- A 6-year term loan facility of up to USD45.0 million entered into between Armada Floating Gas Storage Malta Ltd. and MENV together with security documents as announced by the Company on 26 September 2019 and 11 October 2019.

  Usaha Tegas Sdn Bhd ("UTSB"), via its wholly-owned subsidiary, Objektif Bersatu Sdn Bhd is a major shareholder of Bumi Armada Berhad ("BAB"). MENV is a related party to BAB as MENV is a subsidiary of UTSB.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide this Statement on Risk Management and Internal Control which outlines the nature of risk management and internal controls within the Group for the financial year ended 31 December 2019 ("FY2019").

This Statement is made pursuant to Paragraph 15.26(B) of the MMLR where the Board of Directors of Public Companies are required to publish a statement about the state of internal control.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for having sound risk management and strong internal controls. This responsibility is addressed, managed and discharged by Board Committees, namely the Risk Management Committee ("RMC") and the Audit Committee. These Committees report to the Board who provides an oversight on their performance.

The Group has in place an ongoing process for identifying, evaluating, monitoring and managing all significant risks faced by the Group and continues to take measures towards enhancing the adequacy and effectiveness of the risk management and internal control system.

There is a system of internal control that is being applied by the Group. This system, whilst addressing the inherent and identified gaps, only provides reasonable but not absolute assurance against material misstatement or losses or the occurrence of unforeseeable circumstances.

RISK MANAGEMENT FUNCTION

The Board affirms its overall responsibility for the Group's system of internal control and risk management. Each Business Unit ("BU") or Department implements its own internal control and risk management process under the stewardship of the Chief Executive Officer ("CEO"), who is the overall risk owner of the Group.

The risk management function is governed by 3 pillars, namely the:

a. Risk Management Department
b. Risk Management Committee
c. Enterprise Risk Management ("ERM") Framework

A. Risk Management Department

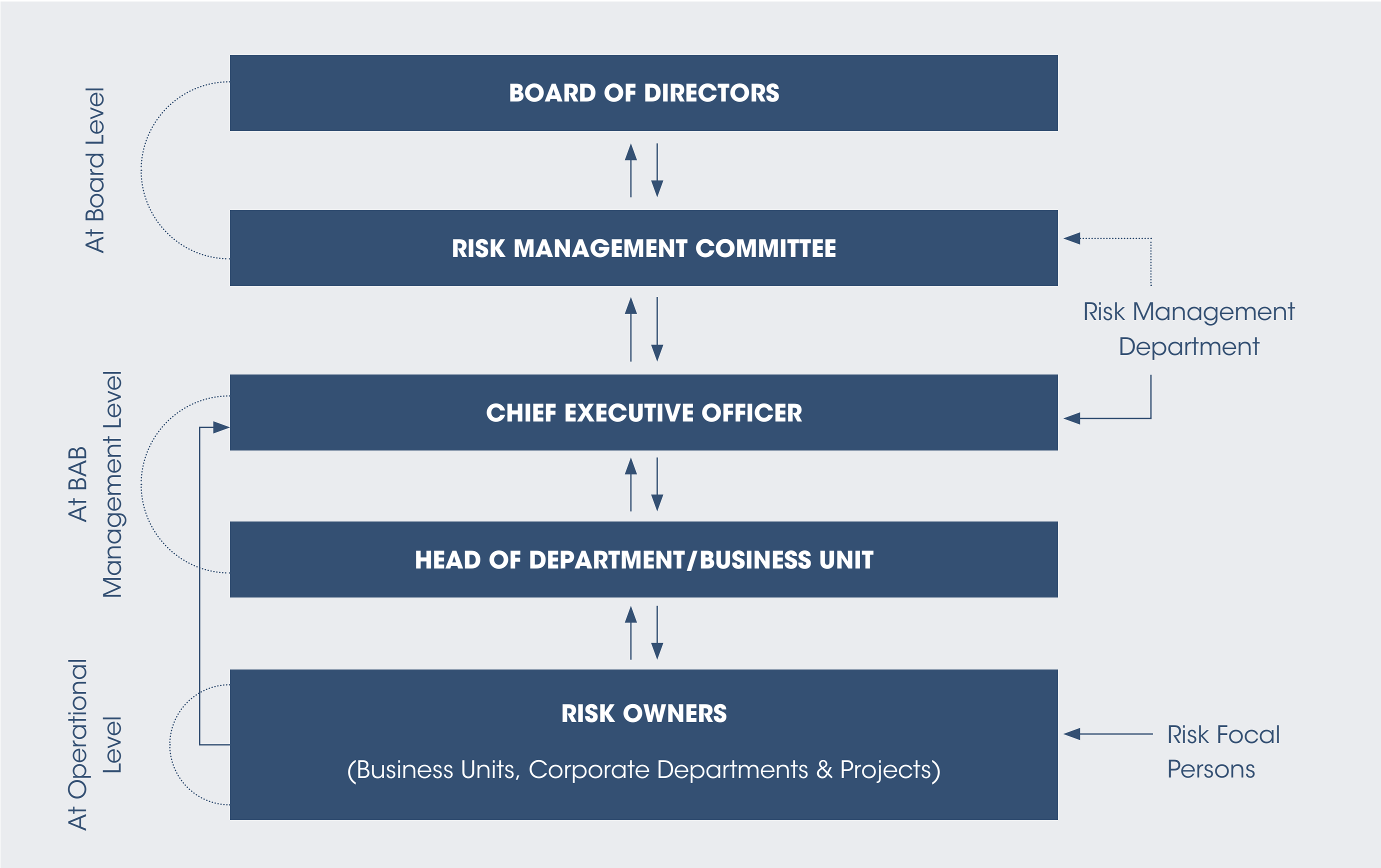
The Risk Management Department ("RMD") is headed by the Head of Risk Management and functionally reports to the CEO, with oversight by the RMC.

The RMD establishes the processes that needs to be complied by the Group and is guided by the approved Enterprise Risk Management ("ERM") Framework and Risk Assessment Procedures. It is also primarily responsible for facilitating and implementing the ERM Framework in the Company. Amongst others, the Department is also responsible for:

1. promoting the ERM Framework across the Group, including facilitating the development of risk profiles within all business/operations units and subsidiaries;
2. recommending ERM policies, including defining roles and responsibilities, risk assessment process, risk-reporting process for RMC consideration;
3. fostering integration of ERM with other business planning and management activities;
4. facilitating respective business/operations units in developing risk reporting protocols, including quantitative and qualitative thresholds, and monitoring the reporting process including installing appropriate tools and capabilities for risk assessment, quantification and management;
5. reporting to RMC on the progress and status of the overall ERM Framework; and
6. provide risk management training to Risk Focal Persons.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's ERM organisational structure is as depicted below:



The CEO includes risk management as a permanent agenda item during his weekly meetings with Heads of BUs and Departments. The CEO liaises with the RMC on any risks that require the RMC's attention.

B. Risk Management Committee

The RMC's role is primarily to provide oversight and set the tone and culture towards managing key risks. The RMC ensures that there is a Risk Management Framework which identifies significant risks and addresses them.

High risk matters are brought to the RMC by the CEO for deliberation, advice and endorsement prior to the RMC recommending these matters to the Board for approval.

This Risk Management Framework includes the necessary policies and mechanisms to manage and monitor the overall risk exposure of the Group including the need to establish a risk awareness and response culture. Additionally, the RMC reviews the effectiveness of the Risk Management Framework and the results of risk assessments of the various business units within the Group.

The Group RMD reports to the CEO and assists the RMC in discharging its responsibilities. The ERM Framework allows risk information flow for effective oversight of risk management at all levels. Risks are reviewed at various levels namely the various shore base operations including the Joint Ventures, BUs and the Corporate Departments and then at the CEO level from a collation of Enterprise Risks standpoint. The CEO reports the results of the ERM Framework to the RMC for further deliberation.

C. Enterprise Risk Management Framework

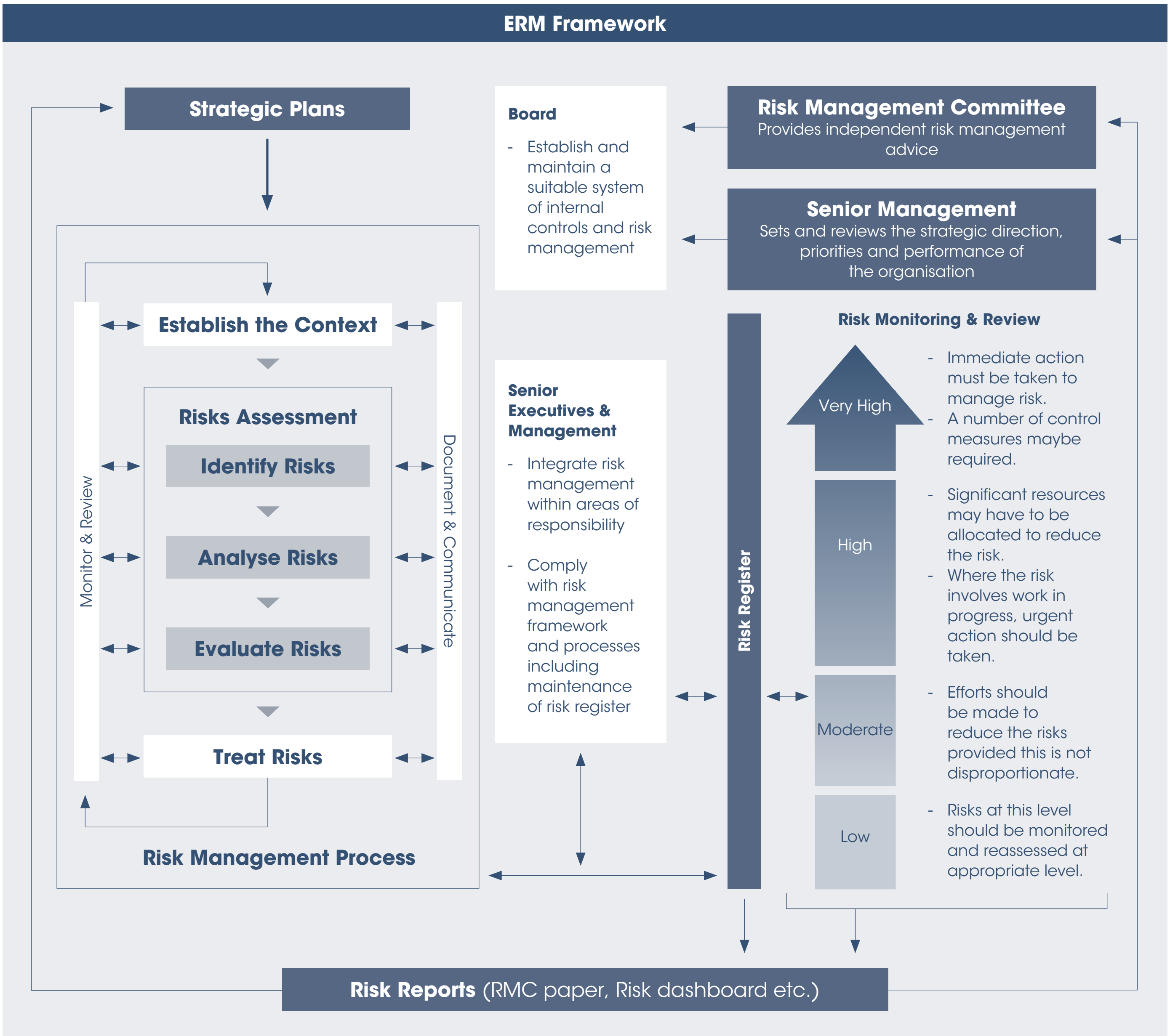
The Group has a risk management framework that is integrated and embedded into the day-to-day business activities and management decision making of the various BUs and functions of the Group. The framework also aims to provide a consistent approach for identifying, evaluating and managing the significant risks faced by the Group and facilitating a reasonably accurate perception of the acceptable risks. Managing risks is a shared responsibility and is integrated within the Group's governance, business processes and operations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's ERM Framework as endorsed by the RMC contains the following key elements:

1. Risk Representatives in each BU to spearhead the coordination of risk management activities. These Risk Representatives are responsible for ensuring the timely updating of risks, controls, issues and action plans within their own BUs. Their updates are then independently validated by the RMD.
2. Specified roles and responsibilities at each level of Management in the Group in relation to risk management.
3. Guidance on risk reporting. Risk reports are prepared for the RMC and include an assessment of risks, actions to mitigate the risks and their status.

The ERM framework and an overview of how the steps in the Group's ERM process interrelate to the Group's planning, reviewing and reporting cycle. Risk governance components of the Framework, and the actions required from the risk monitoring and reviewing process are as depicted below:

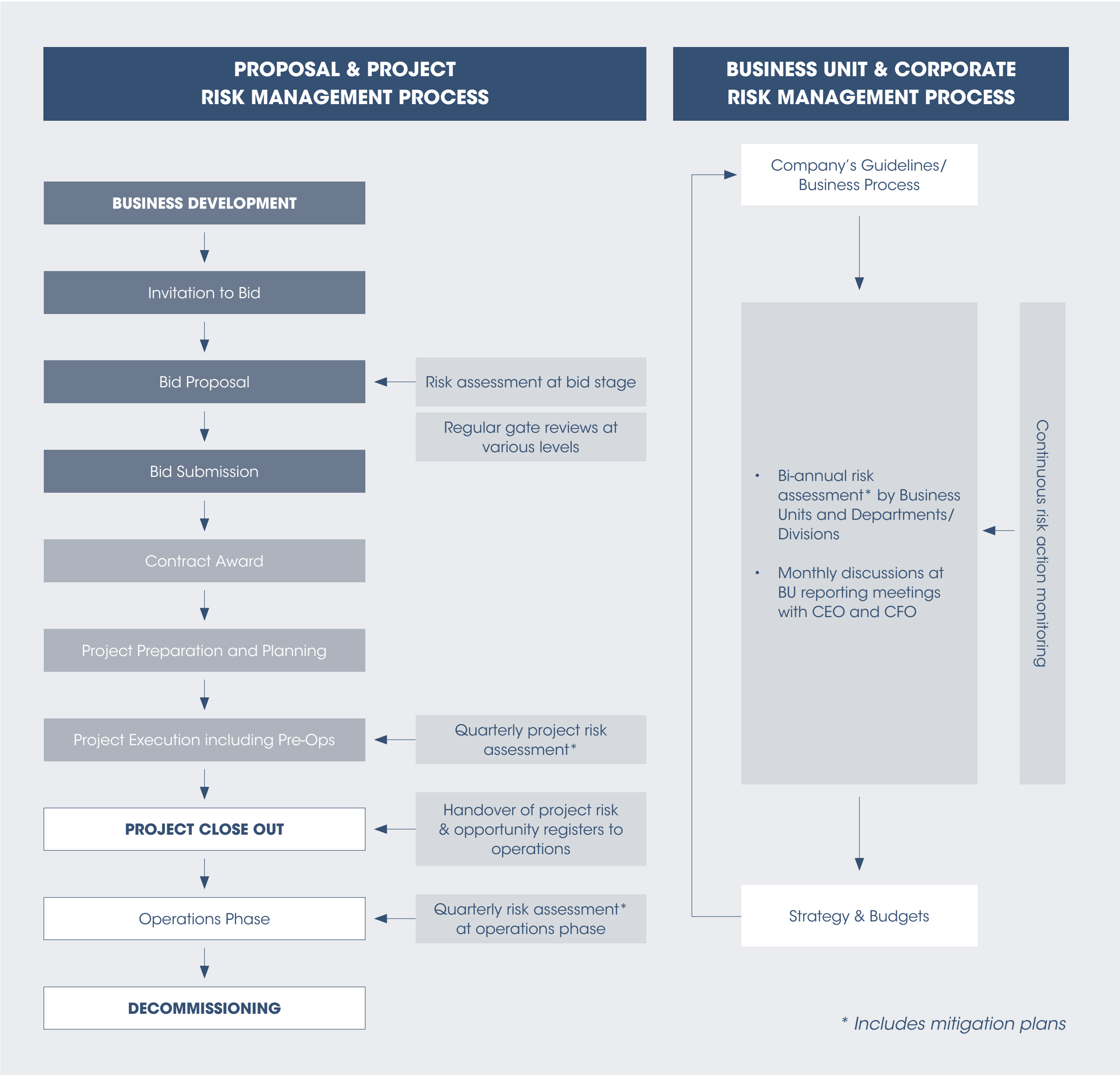


STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Management Responsibilities

Management is responsible for implementing the approved frameworks, policies and procedures on risk management and internal control. Management acknowledges their responsibility to identify and evaluate the risks faced and to monitor the achievement of business goals and objectives within the risk appetite parameters as discussed and approved by the Board. In line with these, key Management responsibilities would include setting the right examples through behaviors and actions, encourage, reinforce the importance of good business behaviors and apply the required rules and regulations.

An overview of the ERM requirements for the BUs and Corporate functions is as depicted below:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Key Risk Management Activities for FY2019

The following key activities pertaining to risk management were undertaken during FY2019:

- The Group continued to focus on mitigating and addressing the risks which were highlighted in FY2018 such as Kraken operations, high debt ratio and low utilisation of our Offshore Marine Services ("OMS") fleet. As a result of the implementation of various action plans to address these risks, we have managed to reduce the exposure of these risks to the Group.
- Continued HSSEQ controls and initiatives. As a result, we have successfully achieved zero LTI in FY2019 and remain committed to maintain this target on an ongoing basis for all our operations.
- Monthly RMC meetings with detailed risk presentations by the various BUs and departments within the organisation. Risks and their action plans are discussed and deliberated in great detail during those meetings.

Despite the ERM Framework and mechanism that has been put in place, a number of key risks to the Group occurred during FY2019 due to either internal or external factors which have resulted in significant issues to the Group. Below is the list of specific risks to the Group:

Risk Context	Current State & Mitigation
Safety, security, reliability and integrity in the delivery of projects and operations are key to our success	Risk In FY2019, the Group successfully achieved zero LTI cases. As safety and security are inherent risks within the industry, the Group is committed and consistently prioritising safety and security aspects of all our operations in order to maintain this achievement for the years to come. Actions The Group has thoroughly investigated and reviewed any incidents albeit near miss cases to improve our safety procedure. The Group has a Corporate HSSEQ plan in place, aimed at minimising HSE incidents, and it complies with the applicable global HSE standards. In addition, the Group has dedicated HSE teams at the operational BUs that set stringent safety standards to be followed on all our vessels.
Resource capabilities are key for operational excellence	Risk During FY2019, there have been a number of Management restructuring exercises. The Group's talent retention and resource capabilities have been realigned to ensure the Group is well equipped to deal with financial and operational challenges as failure to do so would result in the inability to achieve the current strategic objectives. Actions The Group is concentrating on two key areas given the state of the business and in consideration of the strategy for moving forward, i.e. to retain the right talent and to optimise costs. The organisation needs have been mapped against the strategy of the Group moving forward. The Group continues to work on various people initiatives in order to ensure key talent is retained and available to support the operations of the Group and to steer the Group into the future.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Context	Current State & Mitigation
Liquidity position of the Group is key to continued successful operations. The Group has had to deal with high levels of corporate debt falling due and the risk of potential default	Risk As a result of the capital-intensive nature of the Group's FPSO projects, the Group had to incur significant borrowings to fund the construction of its vessels. This has resulted in high levels of corporate debt which put the liquidity position of the Group at risk should repayment obligations for such debt and other loan covenants not be met. Actions The Group successfully completed the refinancing of its Term Loan and Revolving Credit corporate debt with a repayment profile that better aligns the Group's corporate debt profile with the cash flow profile of the Group's main FPO business. The Group continues to manage costs tightly and monitors cash flows very closely to ensure that all payment obligations are met. The Group has also embarked on an asset divestment plan of the OMS business. The Group has refinanced the Armada TGT 1 FPSO and Armada LNG Mediterrana FSU to generate upfront cashflow. Furthermore, the Group has obtained new debt to fund the 98/2 project.
Compliance and integrity are key virtues to be upheld in the way we conduct business	Risk Bribery and corruption may tarnish the Group's integrity and reputation within the industry and in the countries where the Group operates. Hence, the Group has adopted zero tolerance for non-compliance of applicable laws and policies relating to bribery and corruption. Actions The Group has put in place a Compliance programme which includes the Code of Business Conduct and Ethics as well as a Speak Up Policy which encourages employees and stakeholders to report any wrongdoing. This has been rolled out throughout the organisation. The Group continuously enhances and strengthens Compliance programmes to meet changing applicable legislation and regulations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Context	Current State & Mitigation
Low utilisation of assets from the OMS business	Risk The inability to mobilise or utilise our OMS assets may hamper our OMS business sustainability and growth. Idle assets are liabilities to the Group in terms of operating expenditures to maintain the vessel, lay-up costs and the possible impairment accounting exposure. Actions The Group has assessed the OMS business risks and has decided to monetise the assets. In this regard, a divestment programme was initiated in FY2019 to divest assets within the OMS business. This divestment plan will continue throughout the financial year ending 31 December 2020.
Access to capital for continued growth and success for the Group	Risk Inability to finance new projects may hamper the Group's continued growth and success. As the Group's gearing remains at high levels, access to capital for any accelerated growth is a challenge. Actions The Group has entered into joint ventures (JV) with reputable partners to mitigate the project financing risks and reduce the exposure to project related risks as risks are shared with the JV partners. The Group also remains selective in new projects it will enter into, in terms of jurisdiction and clients. The Group continues to focus on delivering excellent service to existing clients.
Maintaining the expected level of performance for Armada Kraken is crucial	Risk Armada Kraken faced various technical issues that affected her performance in FY2019, thus affecting her ability to generate revenue at expected levels. Actions In FY2019, Management focused on resolving most of the technical and contractual issues. Vessel performance is constantly monitored, and Management remains vigilant in ensuring that the vessel performance and uptime is maintained.
Contagious disease or pandemic impacting safety of our people, disrupting operations and potential viability issue of our clients	Risk The recent pandemic caused by the uncontrolled spread of the COVID-19 around the world has impacted the safety of our people and has caused disruption in operations globally due to lockdowns by Governments around the world, restricted movements and several operational limitations. Furthermore, as the world economies are in lockdown, the demand for oil and gas has substantially reduced. This may impact the ability of our clients to continue producing due to lack of demand and storage capacity, which in turn may impact on their ability to pay.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Context	Current State & Mitigation
Contagious disease or pandemic impacting safety of our people, disrupting operations and potential viability issue of our clients (continued)	Actions Group HSSEQ has taken several initiatives to protect the safety and health of our people by implementing several precautionary measures, which include body temperature screenings for all employees and visitors upon entering the office, health declaration by visitors, daily updates on COVID-19 development, communicating travel advisories to all employees. This is in addition to the daily communication and coordination work between BUs and other offices (Malaysia and overseas). Specific guidelines were also issued to our vessels to mitigate COVID-19 impact on vessel operations in addition to guidelines issued by the regulators. Important Management meetings are also convened virtually to ensure the continuity of business. Supply Chain Management ("SCM") has assessed the COVID-19 impact on its operations and is currently implementing several mitigation actions to ensure continuous supply of critical materials and services. At this juncture, Management is unable to reliably estimate the financial impact of this challenge to the Group. Management is monitoring the situation closely and is assessing its impact on the operations and financial performance of the Group.

An overview of other general material risks is as summarised below:

Risk Context	Current State & Mitigation
Legal and Contractual requirements in our contracts are key drivers	Our charter contracts are broadly in line with industry practice. Key terms of these charter contracts would include key milestones on the construction and delivery schedules, as well as operational performance of the facilities. Failure to meet material contract terms will expose the Group to potential penalty payments, liquidated damages and in a worst-case, termination of contract. The Group has established "Golden Contracting Rules" which set out the guiding principles to be adopted for contracts. Any deviations from these rules will require Board approval. The Group Legal Department will monitor all charter contracts to ensure that we are compliant with our contractual obligations.
A high level of operational performance and excellence are critical to our success	The success of our operations is dependent on the operating efficiency and reliability of our vessels in terms of vessel performance, people capability as well as HSSEQ performance. The compromise of any of these could have an adverse impact to the Group both monetarily and reputationally. The FPO Business Unit continues to work via the shore base office and the offshore crew in ensuring that the vessels are performing and that all technical issues that arise are investigated and solutions developed for resolution.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Context	Current State & Mitigation
Access to capital, capital allocation and management of financial risks underpin our business performance	The Group very closely monitors our debt and repayment obligations. Cash flows are regularly reviewed by Management and the Board to ensure debt can be serviced and future funding requirements can be met. The Group also closely monitors our compliance with existing debt covenants.
Managing contracts efficiently and effectively	The Group manages various type of contracts in its business. Compliance to the contract terms is important for the success of the Group as it will translate into repeat orders from the existing clients and potential orders from prospective clients. The Group has a dedicated contract management team at the BU level as well as strong support from Corporate Departments such as Legal, Corporate Finance etc.
Political and security risks affecting business around the world	Political and security risks include expropriation, capital controls, adverse regulatory changes, as well as war, terrorism, and civil disturbance. The Group is constantly monitoring the world's political development and security advisories are shared whenever necessary by our Corporate Security personnel. Our vessels are also equipped with the Ship Security System to protect the vessels against untoward incidents e.g. piracy.
Proper and well-structured project execution is vital for the success of a project	When there is a project in progress, monthly project reviews are held between Project Managers and Management to highlight risks and issues that have arisen, so that they can be dealt with in a timely manner. We have implemented robust processes which are applied at a very early stage where proposals are made and where schedules and budgets are developed. After contract award, the project team works accordingly and follows through until the end of contract, where lessons learnt are identified and recorded as feedback for any future contracts.
Our business relies on a variety of information technology systems	The Group has a cyber security programme in place to mitigate any potential data breach vulnerabilities internally or from external sources. In addition, as part of the governance and reporting process, the Head of IT presents to the board the IT strategy, plan, risks and mitigation plans. The IT systems have also been audited by internal audit and findings are presented to the Board. There is also an IT Disaster Recovery Plan ("DRP") to recover critical IT systems in the event of a major disruption.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Context	Current State & Mitigation
Right business model is the key for success	The Group is assessing and restructuring for the most optimised business model to maintain sustainability and generate a good return to our shareholders. Currently, the Group focuses on: 1. Health and safety; 2. Client service; and 3. Risk management in delivering exemplary service to our clients.
Low oil prices impact on business sustainability and growth	The decline in oil prices since March 2020 as a result of the price war and COVID-19 has impacted the demand for oil globally. This may increase risks associated with our counterparties, such as the reduced demand for our services or the inability to pay promptly. Management is actively monitoring the counterparty risks and are constantly engaging with existing and potential clients and monitoring payment trends as part of monthly reporting. Several austerity measures have been planned to keep operational costs low during the low oil prices period. At this juncture, Management is unable to reliably estimate the financial impact of this risk to the Group. Management is constantly monitoring the situation closely and assessing any counterparty risks which may impact on the financial performance of the Group and will take necessary actions to mitigate the risks.

Plans for 2020

In 2020, the Group will continue to focus on the key risks that have been realised and the mitigation actions to ensure that these risks are managed to acceptable levels. Key areas of focus will be on the safety and security of operations, capability of people in line with the strategy of the Group and the financial position of the Group. In addition, we will continue to enhance and instil a risk management culture. A few of the improvements expected in 2020 are:

1. Continued focus on safety management where robust HSSEQ plans for vessel operations and offices will be implemented to maintain zero LTI success.
2. Setting up of a Corporate Compliance function with proper manning including roll out of compliance related programs to meet changing applicable legislation and regulations such as Section 17A of Malaysian Anti-Corruption Commission ("MACC") Act and any other applicable laws and regulations in other countries we operate.
3. Enhancement of the current risk management framework by including Bribery & Corruption Risk Management and the enhancement of the current compliance related policies and procedures.
4. Update of relevant Risk Management Policy and Procedures (where necessary).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

5. Selective bidding with clear hurdle rate for Return on Investment ("ROI") with support from reputable strategic partners.

6. Focus on locations where the Group has a competitive advantage over competitors.

7. Sharing of profit and liabilities with reputable partners for vessel ownership going forward.

8. Better project and contract management including quality assurance and focus based on lessons learned from previous projects.

9. More sustainable remuneration package for senior talent and leadership with a long-term incentive plan for continuity of service and performance.

10. Addressing risks associated with low oil prices on the financial performance of the Group and develop action plans to mitigate these risks.

11. Addressing risks associated with the COVID-19 on the Group which may affect safety of people and disruption in operations which includes business continuity and several measures to prepare ourselves post lockdown operations.

INTERNAL CONTROL ENVIRONMENT

Board

The Board meets at least once a quarter, in order to maintain its full and effective oversight of the overall governance of the Group. In arriving at any decisions, based on recommendations by Management, thorough deliberations and discussion by the Board is a prerequisite. The Board reviews all significant issues arising from changes in the business or operating landscape of the Group which may result in significant risks.

Audit Committee

The AC comprises wholly of NEDs, the majority of whom are independent Directors. The AC assists the Board in fulfilling the Board's responsibilities by focusing on the integrity of the Group's financial reporting process, management of governance, financial risks, internal control systems, external and internal audit processes, compliance with legal and regulatory matters as well as the Code. The detailed activities of the AC are detailed in the AC Report.

Internal Audit

The Board recognises that the internal audit function is an integral part of the governance process of the Group. The Internal Audit ("IA") function provides independent assurance on the adequacy and effectiveness of the internal control systems implemented by the Group and reports its findings directly to the AC. The IA function reviews the Group's system of internal controls, its operations and selected key activities based on the risk assessment and in accordance with the annual audit plan that is approved by the AC.

The AC receives and reviews all IA reports including the agreed actions that are to be taken in order to mitigate and close the highlighted control gaps. All issues raised

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

and action plans to close gaps are monitored via the monitoring mechanism that has been developed until closure and the status is reported on a quarterly basis to the AC. The key activities of the IA function during the year comprised audits and investigations. These are set out in the AC report section of this annual report.

External Auditors

The external auditors provide the AC with a report on the internal control environment of the Group during the 3rd quarter and the 4th quarter of the year under review. The external auditors are also continuously challenged by the AC to provide value added recommendations around the area of internal controls and potential enhancements that could heighten the level of governance in the Group.

Organisation Structure

The organisation structure of the Group defines the formal lines of responsibility and the lines of accountability of our Management. The structure also defines the lines of authority that is in place to assist in implementing the Group's strategies and day-to-day business activities. The Group has a Management team that meets weekly to discuss pertinent issues. RMC also provides guidance to the CEO in accomplishing the vision, mission, strategies and objectives that have been set for the Group.

Budgeting, Monitoring & Reporting

The various BUs and departments in the Group collaborate closely to prepare the Company's budget on an annual basis. The budget is then subject to a review process by CFO, CEO and the relevant Management team members prior to submission to the AC and the Board for approval. The Company's approved budget is then monitored monthly against the actual performance of the Company. A reporting system which highlights significant variances against the budget is in place to track and monitor performance. On a quarterly basis, the results are presented to and reviewed by the AC and Board to enable them to gauge the Group's overall performance against the budget and prior periods.

Limits of Authority

A documented Limits of Authority ("LOA") with clear lines of accountability and responsibility serves as a tool of reference to identify the appropriate approving authority at various levels of Management including matters that require the approval of the RMC, AC and the Board. The LOA is reviewed and updated periodically to reflect business, operational and structural changes and needs.

Health, Safety, Security, Environment and Quality ("HSSEQ")

The Corporate HSSEQ Department is responsible for setting the overall direction on HSSEQ implementation within the Group and drives strategies and monitors performance to ensure HSSEQ risks are managed to as low as reasonably practicable. During the year, the Group has achieved zero LTI incidents.

The overall management of Group security falls under the purview of the Head of HSSEQ. It is the policy of the Company to ensure the protection of all Company related interests against negative security incidents that have the potential to adversely impact the Group's personnel, assets and the business. Such protective activities are conducted in a manner which commensurate with international best practice and statutory compliance. The systems and processes adopted promote compliance with local regulations and respect for local cultures. Ultimately, the Company considers security a major business enabler, facilitating operational integrity and business continuity across the Group's global portfolio.

Project Sales Tender Evaluation and Approval Policy

The Group has in place a Tender Evaluation and Approval Policy to ensure that all tenders participated in by the Group for potential contracts and projects with clients have been reviewed and evaluated for appropriate balance in risk and reward and is consistent with the Group's strategy and risk profile. The policy provides guidelines to mitigate risks and unplanned events which would jeopardise the successful execution and financial outcome of projects. All proposed tenders are required to be comprehensively and thoroughly reviewed by Management at various phases via a gate review process in order to make an early assessment of the merits of submitting a tender, assigning appropriate Management resources setting accountabilities, procuring timely approvals, and ensuring optimum project outcome. The Company's LOA specifies the various authority levels for approval, with the Board having the ultimate responsibility. However, at this point in time, there is very selective participation in tenders.

Code of Business Conduct and Ethics ("Code") and Speak Up Policy

The Group has implemented the Code as well as the Speak Up Policy. These documents are made accessible to all employees of the Group as well as to the public via the Group's intranet and official website at www.bumiarmada.com respectively. The Code places significant importance in upholding the principle of discipline, good conduct, professionalism, loyalty and integrity that are critical to the success and well-being of the Group. The Code includes policy statements on the standards of behavior and ethical conduct expected of each individual to whom the Code applies. The Group also expects that contractors, sub-contractors, consultants, agents and representatives and any other entity or person performing work or services for or on behalf of any of the companies in the Group to comply with the Code. The Code also expressly prohibits improper solicitation, bribery and other corrupt activity not only by employees and Directors but also by any third party that is performing work or services for or on behalf of any of the companies in the Group.

In line with the Code, the Group has also revised the Speak Up Policy which provides a confidential and secure avenue for employees and the public to disclose any improper conduct committed or about to be committed in accordance with procedures as provided under the Policy. The Group has also implemented an independent external speak-up hotline to receive any complaints.

ASSURANCE FROM MANAGEMENT

The CEO and CFO have provided their assurance to the RMC, the AC and the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for FY2019 and up to the date of approval of this statement. Based on Management's assurance as well as input from the relevant assurance providers, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively. There will also be continuous improvement in this area and the systems and processes of the Group, as appropriate.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

For the year under review, and up to the date of approval of this Statement, based on inquiry, presentations during the year and information and assurances provided by the CEO and CFO, the Board is of the view that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects. There were no significant internal control weaknesses that have not been reported based on the risk management and internal control system of the Group and the internal control procedure of the Group will continue to be reviewed in order to improve and strengthen the system to ensure adequacy, integrity and effectiveness to safeguard the Group's assets and shareholders' investments.

This Statement is made in accordance with a resolution of the Board of Directors dated 11 March 2020. This Statement has been updated up to 4 May 2020 to take into account any subsequent Risks to the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

Directors of the Company are required to prepare financial statements for each financial year in accordance with the requirements of the Companies Act, 2016 ("CA 2016"), Malaysian Financial Reporting Standards and the International Financial Reporting Standards, and to lay these before the Company at its Annual General Meeting. In addition, the Main Market Listing Requirements of Bursa Securities requires that a listed issuer prepares the annual audited financial statements on a consolidated basis.

Directors are also responsible to ensure that the financial statements provide a true and fair view of the financial position of the Group and the Company as at the financial year ended 31 December 2019 and of their financial performance for the said financial year.

The Act also requires the Directors to keep such accounting and other records that will enable them to sufficiently explain the transactions and financial position of the Group and the Company, and to prepare true and fair financial statements and any documents required to be attached thereto, as well as to keep such records in such manner as to enable them to be conveniently and properly audited.

The Directors have used certain key accounting estimates and assumptions in preparing the financial statements for FY2019 as well as exercised their judgement in applying the appropriate and relevant accounting policies.

The Directors have also relied on the internal control systems to ensure that the assets of the Company are safeguarded against loss from unauthorised use or disposition and all transactions are properly authorised and recorded for the preparation of the financial statements are true and fair and are free from material misstatement.

Incorporated on pages 79 to 230 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2019.

OUR NUMBERS

DIRECTORS' REPORT

The Directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of provision of marine transportation, Floating Production Storage and Offloading ("FPSO") operations and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:		
- Owners of the Company	58,618	(1,822,563)
- Non-controlling interests	(20,460)	-
	38,158	(1,822,563)

DIVIDENDS

No dividend has been paid or declared since 31 December 2018. The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, the Company issued 5,587,200 shares pursuant to Management Incentive Plan ("MIP" or "Plan") to eligible employees and the Executive Director of the Group. The salient features and other terms of the Plan are disclosed in Note 36 to the financial statements.

MANAGEMENT INCENTIVE PLAN

On 23 May 2016, the Company's shareholders approved the establishment of a MIP for eligible employees and the Executive Director of the Company and its subsidiaries by the grant of shares which will be awarded annually and/or every 3-year period. The Plan was effected on 10 October 2016 following the submission of the final copy of the by-laws governing the Plan to Bursa Malaysia Securities Berhad, the receipt of all required approvals and compliance with the requirements pertaining to the Plan by the Company.

The salient features and other terms of the Plan are disclosed in Note 36 to the financial statements.

DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are as follows:

Tunku Ali Redhauddin ibni Tuanku Muhriz	
Alexandra Elisabeth Johanna Maria Schaapveld*	
Chan Chee Beng	
Maureen Toh Siew Guat	
Uthaya Kumar K Vivekananda	
Gary Neal Christenson	
Leon Andre Harland	(Resigned on 15 May 2019)

* She is also referred to as Alexandra Schaapveld in the other sections of this report and the financial statements

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits as disclosed in Note 7 to the financial statements and the premium paid for the Directors and Officers Liability insurance for the year 2019/2020 amounting to RM0.2 million with a coverage of RM250.0 million (2018/2019: premium paid amounted to RM0.2 million with a coverage of RM250.0 million)) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than shares granted under the MIP.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests of the Directors in office at the end of the financial year, in shares and options over unissued shares in the Company or its subsidiaries during the financial year are as follows:

In the Company - Direct Interests

	Number of ordinary shares			
	As at 1.1.2019	Acquired	Disposed	As at 31.12.2019
Tunku Ali Redhauddin ibni Tuanku Muhriz[(1)]	20,000	-	-	20,000
Alexandra Schaapveld[(2)]	900,000	-	-	900,000
Chan Chee Beng[(3)]	2,511,200	-	-	2,511,200

(1) Held through a nominee, namely Maybank Securities Nominees (Tempatan) Sdn Bhd.
(2) Held through a nominee, namely CIMSEC Nominees (Asing) Sdn Bhd.
(3) Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn Bhd.

	Number of ordinary shares under the MIP				
	As at 1.1.2019	Granted	Awarded	Vested	As at 31.12.2019
Gary Neal Christenson					
2019 MIP*					
Annual grant	-	up to 14,964,200	-	-	up to 14,964,200
2-year grant	-	up to 19,952,300	-	-	up to 19,952,300

* Offered and granted, but yet to be awarded

Save as disclosed above, no other Directors in office at the end of the financial year held any interest in shares or options over shares in the Company or in its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses; and

(b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for impairment losses in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) 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.

OTHER STATUTORY INFORMATION

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, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations 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; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature 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.

SUBSEQUENT EVENTS

No material events have arisen subsequent to the end of the financial year except as follows:

(a) On 24 January 2020, the Supreme Court of Western Australia ruled in favour of Woodside Energy Julimar Pty Ltd on Armada Balnaves Pte. Ltd.'s claim of the repudiation of the contract for the provision of floating production storage and offloading services dated 30 September 2011.

The judgment is disclosed in Note 42.

(b) In February 2020, the project lenders of AKPL agreed to remove the risk of having to prepay the loan, the details of which are disclosed in the Preface to the Financial Statements Section E – Liquidity risk.

SUBSIDIARIES

Details of subsidiaries and subsidiaries' holding of shares in other related corporations are set out in Note 12 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 5 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 11 March 2020. Signed on behalf of the Board of Directors:

GARY NEAL CHRISTENSON
DIRECTOR

UTHAYA KUMAR K VIVEKANANDA
DIRECTOR

Kuala Lumpur

PREFACE TO THE FINANCIAL STATEMENTS

Sections A to E form part of the notes to the financial statements and provide the general information, basis of preparation and underlying considerations used in preparing the financial statements of the Group and the Company.

A GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of provision of marine transportation, Floating Production Storage and Offloading ("FPSO") operations and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company is incorporated and domiciled in Malaysia and is listed and quoted on the Official List of the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is as follows:

Level 21, Menara Perak
24, Jalan Perak
50450 Kuala Lumpur
Malaysia.

B BASIS OF PREPARATION

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

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies as stated in Section C.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Section D.

As at 31 December 2019, the Group's current liabilities exceeded its current assets by RM1,260.1 million mainly due to classification of non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM1,332.0 million as current liabilities.

B BASIS OF PREPARATION (CONTINUED)

In assessing the appropriateness of a going concern basis to prepare the financial statements of the Group, the Directors prepared a cash flow forecast for the next 12 months from the date of approval of the financial statements. Based on the cash flow forecast (which is elaborated further in Section E - Liquidity risk), the Directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements.

(a) Standards, amendments to published standards and interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2019:

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 128 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation
- Annual improvements to MFRS Standards 2015–2017 Cycle:
  - Amendments to MFRS 3 "Business Combinations" – Previously Held Interest in a Joint Operation
  - Amendments to MFRS 11 "Joint Arrangements" – Previously Held Interest in a Joint Operation
  - Amendments to MFRS 112 "Income Taxes" – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
  - Amendments to MFRS 123 "Borrowing Costs" – Borrowing Costs Eligible for Capitalisation

The adoption of the above standards, amendments and interpretations to MFRS did not have any significant impact on the financial statements of the Group and the Company, except as disclosed in Note 44.

(b) Amendments to published standards and interpretations that have been issued but are not yet effective:

(i) Amendments to MFRS, annual improvements and interpretation which are applicable to the Group and the Company effective for annual periods beginning on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
  - Amendments to MFRS 2 "Share-Based Payment"
  - Amendments to MFRS 3 "Business Combinations"
  - Amendments to MFRS 101 "Presentation of Financial Statements"
  - Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
  - Amendments to MFRS 134 "Interim Financial Reporting"
  - Amendment to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets"
  - Amendment to MFRS 138 "Intangible Assets"
  - Amendment to IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments"
  - Amendment to IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Amendments to MFRS 3 "Business Combinations" – Definition of a Business
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material
- Amendments to MFRS 9 "Financial Instruments", MFRS 139 "Financial Instruments: Recognition and Measurement" and MFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform

The adoption of the above amendments to MFRS and interpretation may result in a change in accounting policy. The Group and the Company will quantify the effect of adopting these standards when the full standards are effective.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement are recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(iv) Joint arrangements

A joint arrangement is an arrangement in which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iv) Joint arrangements (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in joint venture is impaired. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(v) Associates

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

The Group's interests in associates are accounted for in the consolidated financial statements using the equity method, similar to the accounting policy disclosed in Section C(a)(iv).

(b) Investments in subsidiaries, joint ventures and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses (see the accounting policy disclosed in Section C(h)). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future and has no contractual terms of repayment are considered as part of the Company's capital contribution in subsidiaries (net investments).

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, assets dismantling costs, and restoration costs for the site. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see the accounting policy disclosed in Section C(i)).

Drydocking expenditures represent major inspection and overhaul costs and are depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent drydocking generally performed. The Group has included these drydocking costs as a component within vessel costs in accordance with MFRS 116 "Property, Plant and Equipment".

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Property, plant and equipment are depreciated on a straight-line basis to allocate the cost to their residual values over their estimated useful lives. Depreciation on assets under construction commences when the assets are ready for their intended use. Vessels are depreciated on a systematic basis to reflect the pattern in which future economic benefits are expected to be consumed over their estimated useful lives.

The estimated useful lives of the categories of property, plant and equipment are summarised as follows:

Office premise	25 years
Drydocking expenditure	2.5 to 5 years
Vessels	10 to 25 years
Equipment, furniture, fittings and office equipment	2 to 10 years
Spare parts	1 to 3 years
Motor vehicles	5 years

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see the accounting policy disclosed in Section C(h)).

(d) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

(ii) Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in the statement of income together with foreign exchange gains and losses. Impairment losses are presented within the statement of income.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in other operating income using the effective interest rate method. Foreign exchange gains and losses are presented in administrative expenses and impairment expenses are presented within the statement of income and statement of comprehensive income as applicable.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within the statement of income in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss as applicable.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets

Impairment for debt instruments

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(a) Simplified approach for trade receivables, accrued lease rental and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL, which uses a lifetime ECL for trade receivables, accrued lease rental and contract assets.

(b) General 3-stage approach for all financial assets except trade receivables, accrued lease rental and contract assets

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Section E – Credit risk sets out the measurement details of ECL.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information, incorporating indicators such as significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

A significant increase in credit risk is presumed if a debtor is more than 180 days past due in making a contractual payment, which the Group determined based on historical repayment trends before risk of default is heightened.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

(a) Quantitative criteria

The Group defines a financial instrument as default, when the counterparty fails to make contractual payments within a year of when they fall due.

(b) Qualitative criteria

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- The debtor is in breach of financial covenants;
- Concessions have been made by the lender relating to the debtor's financial difficulty;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Continuous default in the repayment plan;
- The debtor is insolvent.

Financial instruments that are credit-impaired are assessed on an individual basis.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Groupings of instruments for ECL measurement

Financial assets are assessed on an individual basis for ECL measurement, as credit risk information is obtained and monitored based on each debtor, joint venture and subsidiary.

Write-off

Financial assets are written off when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

Impairment losses are presented as net impairment losses within cost of sales in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

(v) De-recognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When financial assets at FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial Instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

(g) Derivative and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as fair value through profit or loss and accounted for in accordance with the accounting policy set out in Section C(d). Derivatives that qualify for hedge accounting are designated as a cash flow hedge of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivative and hedge activities (continued)

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 33. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity. Where a portion of a derivative financial instrument is expected to be realised within 12 months after the end of the reporting period, that portion should be presented as a current asset or liability, the remainder of the derivative financial instrument should be shown as non-current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance cost.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects the profit or loss. The gain or loss relating to the ineffective portion of interest rate swaps and cross currency interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedge transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to profit or loss in the same period that the hedged cash flows affect profit or loss. When hedged future cash flows or forecast transactions are no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to profit or loss within finance costs.

Hedge documentation

The Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Costs of hedging requirements: Foreign currency basis spread of cross currency interest rate swap

When swaps are used to hedge forecast transactions, the Group generally designates only the change in fair value of the swaps related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the swaps are recognised in the cash flow hedge reserve within equity. The change in the foreign currency basis spread of the swaps that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income ("OCI") in the costs of hedging reserve within equity. The deferred amounts are reclassified to profit or loss in the same period that the hedged item affects profit or loss.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

Assets that have an indefinite useful life (e.g. goodwill) are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserves.

(i) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is capitalised as prepayment until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within finance costs.

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 end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents material and attributable cost of acquisition and is determined using the first in, first out method.

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

(k) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and financial assets, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the statement of financial position.

(l) Revenue recognition

<u>Revenue from contracts with customers</u>

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customers. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, value added tax, returns, rebates and discounts.

Revenue from contracts with customers is measured at its transaction price, which is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct goods or services promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

When there is a change order, variation or amendment to the contract, the Group will account for it as a separate contract if there is an increase in the scope of work with distinct performance obligations.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition (continued)

Revenue from contracts with customers (continued)

The Group recognises revenue as follows:

(i) Vessel charter fees and support services

FPO segment

The Group is contracted to provide charter of vessels and support services such as operation and maintenance of the vessels. Charter of vessels are accounted in accordance to lease accounting as disclosed in Section C(n)(ii).

The contracts may include vessel demobilisation services and major maintenance works which are treated as distinct performance obligations and will be satisfied in the period when the services are performed. The transaction price of the contracts is allocated to these performance obligations based on its standalone selling price, estimated by using the expected costs to be incurred and a rate of return which is applicable to the individual performance obligation.

The contracts of the Group are negotiated separately for charter of vessels and for support services. The Group treats vessel demobilisation services to be part of the contract for charter of vessels. The Group treats major maintenance works to be part of the contract for support services. These performance obligations are measured and recognised over time when the services are performed.

Any supplementary payments included in contracts are assessed as part of variable considerations and adjusted to the transaction price of the contracts.

OMS segment

The Group is contracted to provide time charter services using offshore support vessels ("OSV") fleets. Time charter services relates to short-term vessel charter operated by the Group.

The Group determines time charter services as a single performance obligation. Other scope of work includes provision of meals, accommodation, ship management services, agency services, mobilisation and demobilisation services which are considered as separate performance obligations and are recognised over time when services are rendered to the customers. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices specific to each OSV fleet and is recognised on a straight-line basis over the tenure of the contract.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition (continued)

Revenue from contracts with customers (continued)

The Group recognises revenue as follows: (continued)

(ii) Construction and vessel conversion works

The Group generates revenue from vessel conversion works where vessels are built to customers' specifications comprising multiple deliverables which are treated as a significant integration service.

The Group also enters into construction contracts with customers specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose for use.

The Group has regarded the vessel conversion works and construction contracts as single performance obligations. When one of the following criteria is met, the Group recognises revenue from construction and vessel conversion works over time:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price of the contracts will be recognised as revenue progressively based on the percentage of completion determined by reference to the costs incurred to date relative to the total expected costs.

The Group provides warranties on completed projects against potential defects and do not treat these warranties as a separate performance obligation.

(iii) Sale of goods

Sale of goods such as scraps, if any, are recognised at a point in time upon delivery of products and customer acceptance or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

(iv) Central overhead fees

The Company earns central overhead fees from its subsidiaries and joint ventures. Central overhead fees are recognised over time when services are rendered.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition (continued)

Revenue from contracts with customers (continued)

The Group recognises revenue as follows: (continued)

(v) Management fees

The Group earns management fees from its subsidiaries and joint ventures. Management fees are recognised over time when services are rendered.

(vi) Engineering services

The Group earns revenue from engineering services and cost recovery, net of discounts and rebates, which are recognised over time when the services are rendered.

Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:

(i) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

(ii) Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised as part of other operating income in the profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of vessel charter contracts and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

The impairment loss of contract asset is charged to profit or loss (see the accounting policy disclosed in Section C(d)(iv)).

Contract liability is the obligation to transfer goods or services to a customer for which the Group has received the consideration in advance or has billed the customer. In the case of vessel charter contracts and construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition (continued)

Costs incurred in obtaining a contract

Prior to securing a contract with customers, the Group will undergo a project bidding process. Costs incurred during the project bidding process are determined as costs to obtain a contract. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer in which case, it will be recognised as an asset. The asset recognised will be amortised on a systematic basis consistent with the transfer of goods or services to the customer to which the asset relates.

(m) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within finance costs.

Translation difference on non-monetary financial assets, such as equities classified as financial assets at FVOCI, are included in other comprehensive income.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future with no contractual terms of repayment, are treated as part of the parent's capital contribution in subsidiaries (net investment in foreign entities). On consolidation, exchange differences arising from translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of joint control over a joint venture that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures that do not result in the Group losing joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Accounting by lessee

Accounting policies applied until 31 December 2018

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the lease period.

Contingent rents are recognised as an expense in profit or loss when incurred.

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The Group accounts for the non-lease components by applying other applicable standards.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that

- is within the control of the Group; and
- affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

(i) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented within property, plant and equipment in the statement of financial position.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used. The Group has adopted discount rate of the Group's weighted average borrowing rate.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

(i) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease liabilities (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of income.

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(ii) Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance leases

Leases where the Group has transferred substantially risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised in the statement of financial position as "finance lease receivables". The finance lease receivables is subject to MFRS 9 impairment (refer to the accounting policy disclosed in Section C(d)(iv)). The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (continued)

(ii) Accounting by lessor (continued)

Finance leases (continued)

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Any direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

When there is a change in estimates, renewal and modification of a lease agreement that does not result in reclassification of the lease, the Group will apply MFRS 9 derecognition guidance to decide whether the lease receivable should be de-recognised and the modified agreement accounted for as a new lease.

Operating leases

Leases where the Group retains substantially the risks and rewards incidental to ownership of the leased assets are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

Sublease classification

Until the financial year ended 31 December 2018, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then the Group classifies the sublease as an operating lease.

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15 (See the accounting policy disclosed in Section C(l)).

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Current and deferred income tax

Tax expense for the period comprises current, withholding and deferred taxes. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and joint ventures operate and generate taxable income.

The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables and accruals in the statement of financial position.

(ii) Defined contribution plan

The Group's contributions to Employees Provident Fund, a defined contribution plan, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further financial obligations.

(iii) Share-based payment

The Group operates two equity-settled, share-based compensation plans ("Employee Share Options Scheme" or "ESOS" and "Management Incentive Plan" or "MIP") under which the Group receives services from employees as consideration for equity options ("ESOS Options") or shares granted ("MIP shares") over ordinary shares of the Company. The fair value of the ESOS options or the MIP shares granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share option reserve within equity. The total amount to be expensed is determined by reference to the fair value of the ESOS options or MIP shares granted:

- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions and service conditions are included in assumptions about the number of ESOS options or MIP shares that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of ESOS options or MIP shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(iii) Share-based payment (continued)

When the ESOS options are exercised, or when the MIP shares are issued, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the ESOS options are exercised. When ESOS options are not exercised and lapsed, the share option reserve is transferred to retained earnings. For MIP shares, the share option reserve is transferred to retained earnings if the employment is terminated or ceased prior to the vesting date. Where the options are granted by shareholders of the Company, the credit in equity is retained as "Other Reserves" until the options are exercised and/or lapsed.

If the terms of an equity-settled amount are modified, at a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance (see the accounting policy disclosed in Section C(d)(iv)).

(r) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(s) Trade payables and accruals

Trade payables and accruals represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables and accruals are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

(i) Provision for demobilisation costs

Provision for demobilisation costs is made based on the estimated cost of demobilising the vessels at the end of contract periods. When this provision relates to an asset with sufficient future economic benefits, a demobilising asset is recognised as property, plant and equipment and accounted for in accordance with the accounting policy set out in Section C(c).

(u) Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities, but disclose its existence in the financial statements, if any.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(v) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

(iii) Dividends

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the Group's profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer. The Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified to make strategic decisions. Segment revenue and expenses are those directly attributable to the segments and include any expenses where a reasonable basis of allocation exists.

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes 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 to the Group'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:

(a) Classification of lease contracts

The following are the areas of judgement applied in determining the classification of lease contracts between finance lease and operating lease under MFRS 16 "Leases" (2018: MFRS 117 "Leases") to the recognition of revenue by the Group:

(i) Determination of lease term

The Group determines the lease term based on the "non-cancellable period" for which the Group has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, when at lease inception it is reasonably certain that the lessee will exercise the option.

(ii) Determination of purchase option

The lessee's purchase option is considered in classifying the lease contract. At lease inception, if it is not reasonably certain that the option will be exercised, the option will not be a part of the basis for classification. If the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable, the exercise of the option is regarded as reasonably certain. The evaluation of the term "reasonably certain" involves judgement.

(b) Revenue

Allocation of total consideration to performance obligation

Contracts for leasing and operation of vessels are usually negotiated together. As the consideration for the leasing component and operation component of vessels are contracted together, they may not represent the fair value of the individual component separately. The total consideration paid is allocated between each component based on fair value of each component. This requires estimation based on expected costs to be incurred and a rate of return which is applicable to the performance obligation to be determined at lease inception.

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of non-financial assets

Property, plant and equipment and non-current assets held-for-sale

The recoverable amount of each vessel is based on estimates and judgement with respect to key assumptions such as utilisation rates, daily charter rates, discount rate and residual value. Several of the Group's contracts are long-term in nature and there can be no certainty that the continuity of these contracts will not be materially affected by conditions such as a deterioration in the oil and gas market or a specific client's financial condition. Should the actual conditions be different to those in our assumptions, there may be an adverse effect on the recoverable amount of property, plant and equipment or non-current assets held-for-sale.

Investment in subsidiaries

The recoverable amounts of investment in subsidiaries have been determined based on value-in-use ("VIU") calculations and is based on estimates and judgement with respect to key assumptions such as revenue growth, ability to secure future contracts, funding requirements, exchange rates, and discount rate. The calculations of projected future cash flows from the subsidiaries are inherently judgemental and susceptible to change from period to period due to the assumptions stated above.

(d) Impairment of financial assets

The Group measures impairment of financial assets through the ECL model which incorporates elements of probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money, and information about past events, current conditions and forecasts of future economic conditions. The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

In assessing the ECL of amounts due from subsidiaries and joint ventures, the Company further considers recovery strategies of repayment in the event if the amount is demanded to be repaid and expected future cash flows in the event the Company is not expected to fully recover the amount outstanding. The calculations of projected future cash flows of the subsidiaries and joint ventures are inherently judgemental and susceptible to change from period to period due to the assumptions made.

(e) Vessels' useful lives and residual values

Depreciation depends on the estimated useful lives of the vessels and residual values at the end of their useful lives. The estimated useful lives are based on previous experience, knowledge and condition of the vessels owned by the Group and is normally equal to the design life of the vessel. Assumptions about residual value are based on prevailing market conditions and expected value to be obtained for these vessels at the end of their useful lives in the future. These assumptions by their nature may differ from actual outcome in the future.

(f) Liquidated damages ("LD") and supplementary payments

The Group is subject to LD and supplementary payments arising from delays in completion of FPSO conversion projects. The assessment of likelihood of LD requires significant judgement relating to the time of completion and the contracted costs to be incurred upon finalisation of the projects and outcome of negotiation with customers.

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Demobilisation costs

Demobilisation costs are capitalised as part of property, plant and equipment based on estimate of costs that are expected to be incurred upon the end of the vessel's useful life. Provisions for demobilisation costs are measured at the present value of expected expenditures by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

This section presents information about the Group's and the Company's exposure to risks resulting from its use of financial instruments, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board of Directors identifies and evaluates the financial risks in close co-operation with the Group's management.

Foreign currency exchange risk

The Group is exposed to various currencies, primarily, United States Dollar ("USD") and Russian Ruble ("RUB") (2018: USD and RUB). The Group's foreign currency exchange risk arises from balances relating to trade receivables, deposits, cash and bank balances and trade payables and accruals.

The objectives of the Group's foreign currency exchange risk management policies are to allow the Group to effectively manage the foreign exchange fluctuation that may arise from future commercial transactions and recognised assets and liabilities through foreign currency exchange forward contracts and cross currency interest rate swap contracts.

The Group's exposure to foreign currency at the end of the financial year is as follows:

	Denominated in currencies other than functional currencies				
At 31 December 2019	**United States Dollar RM'000**	**Russian Ruble RM'000**	**Others RM'000**	**Denominated in functional currencies RM'000**	**Total RM'000**
Trade receivables	651	-	-	416,135	416,786
Deposits, cash and bank balances	84,052	71,665	19,386	919,273	1,094,376
Trade payables and accruals	(986)	(1,236)	(6,672)	(257,088)	(265,982)
	83,717	70,429	12,714	1,078,320	1,245,180

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency exchange risk (continued)

The Group's exposure to foreign currency at the end of the financial year is as follows: (continued)

	Denominated in currencies other than functional currencies				
At 31 December 2018	**United States Dollar RM'000**	**Russian Ruble RM'000**	**Others RM'000**	**Denominated in functional currencies RM'000**	**Total RM'000**
Trade receivables	7,779	-	-	747,504	755,283
Deposits, cash and bank balances	42,118	217,689	38,580	928,037	1,226,424
Trade payables and accruals	(4,549)	(2,432)	(26,867)	(529,679)	(563,527)
	45,348	215,257	11,713	1,145,862	1,418,180

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and RUB (2018: USD and RUB) denominated balances as illustrated in the following table:

		Impact on profit/(loss) before taxation [Increase/(Decrease)]	
Currency	**Strengthened by**	**2019 RM'000**	**2018 RM'000**
USD	10%	8,372	(4,535)
RUB	10%	7,043	(21,526)

A similar percentage decrease in the exchange rate would have an equal but opposite effect.

The Company's exposure to foreign currency at the end of the financial year is as follows:

	Denominated in currencies other than functional currency			
	United States Dollar RM'000	**Others RM'000**	**Denominated in functional currency RM'000**	**Total RM'000**
At 31 December 2019				
Deposits, cash and bank balances	76,097	-	31,682	107,779
At 31 December 2018				
Deposits, cash and bank balances	40,307	65	18,931	59,303

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency exchange risk (continued)

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD (2018: USD) denominated balances as illustrated in the following table:

		Impact on (loss)/profit before taxation [Increase/(Decrease)]	
Currency	**Strengthened by**	**2019 RM'000**	**2018 RM'000**
USD	10%	(7,610)	4,031

A similar percentage decrease in the exchange rate would have an equal but opposite effect.

The Group is exposed to foreign currency exchange risk on intercompany balances, where the balances are not denominated in functional currencies of the entities involved. Foreign currency exchange differences arising from net investments in foreign operations are recognised in other comprehensive income.

Foreign currency exchange differences arising from translation of financial position of Group entities that has a functional currency different from Ringgit Malaysia are also recognised in other comprehensive income.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's borrowings with floating interest rates. In respect of managing interest rate risks, the floating interest rates of certain long-term loans are hedged in accordance with the Group's policy by fixed rate swaps to mirror the maturity period. Short-term facilities which bear interest at floating interest rates are not hedged.

The contractual interest rates on borrowings and derivative financial instruments are disclosed in Notes 32 and 33 respectively.

As at the reporting date, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

Group	**2019 RM'000**	**2018 RM'000**
Variable rate instruments		
Financial liabilities, comprising term loans and revolving credits	7,960,515	8,850,523
Less: Interest rate swap contracts	(3,565,962)	(4,102,923)
Total variable rate instruments not hedged	4,394,553	4,747,600

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The sensitivity of the Group's profit/(loss) before taxation for the financial year and equity to a reasonable possible change in interest rates with all other factors held constant and based on composition of liabilities with floating interest rates as at the reporting date are as follows:

	Impact on profit/(loss) before taxation [Increase/(Decrease)]		Impact on equity[1] [Increase/(Decrease)]	
Group	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
- increased by 0.5% (2018: 0.5%)	(22,356)	24,140	(17,830)	(20,515)
- decreased by 0.5% (2018: 0.5%)	22,356	(24,140)	17,830	20,515

(1) Represents hedging reserve

The impact on profit/(loss) before taxation for the financial year is mainly as a result of interest expenses on floating interest rate borrowings not in a designated hedging relationship. For borrowings in a designated hedging relationship, as these are effectively hedged, the interest rate movements will not have any impact on profit or loss.

Credit risk

Credit risk arises from contractual cash flows of favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to external customers and related parties, including outstanding receivables.

The Group's activities limit the exposure and credit risk concentration to a few major customers. The Group employs a credit policy that ensures customers are subjected to credit checks and outstanding accounts are followed up on a timely basis.

Several of the Group's contracts are long-term. The Group's credit risk continues for the entire contractual period. There can be no guarantee that the financial position of the Group's major customers will not materially change during the contracted period. Given the limited number of major customers of the Group and the significant portion they represent to the Group's income, the inability of one or more of them to make full payment may have a significant adverse impact on the financial position of the Group.

The carrying amount of each class of financial assets mentioned in Note 43 to the financial statements represents the Group's maximum exposure to credit risk.

The Company is exposed to credit risk arising from financial guarantee contracts given to banks for subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the subsidiaries and the interest charged on the borrowings.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Measurement of ECL Model

The Group and the Company has the following financial assets and contract assets that are subject to the ECL model:

- Finance lease receivables
- Accrued lease rental
- Trade receivables
- Other receivables and deposits excluding prepayments
- Contract assets
- Amounts due from joint ventures
- Amounts due from associates
- Amounts due from subsidiaries

While deposits, cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

Simplified approach for trade receivables, accrued lease rental and contract assets

Debtors are segregated into 5 credit ratings (A to E) based on financial position, expected risk of default on payments, and receivables aging as at the reporting date. Accrued lease rental and contract assets are similarly categorised together with the debtors based on assigned credit ratings.

The expected loss rates are based on payment profiles over a period of 5 years before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on conditions specific to the debtors which may affect their ability to settle the receivables.

The Group has considered expected oil price and geographical area which the debtor operates in and concluded that the effect on expected changes in these factors do not significantly affect the historical loss rates. No significant changes to estimation techniques or assumptions were made during the reporting period.

General 3-stage approach for all financial assets except trade receivables, accrued lease rental and contract assets

The Group uses the following categories which reflect their credit risk and how the loss allowance is determined for each of these categories.

Category	Group's definition of category	Basis for recognition ECL
Performing	Debtors have low risk of default and a strong capacity to meet contractual cash flows	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant credit risk is presumed if repayments are 180 days past due	Lifetime ECL
Non-performing	Repayments are 365 days past due and there is evidence indicating the asset is credit-impaired	Lifetime ECL
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Measurement of ECL Model (continued)

General 3-stage approach for all financial assets except trade receivables, accrued lease rental and contract assets (continued)

Based on the above, loss allowance is measured on either 12-month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ("probability of default") – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ("loss given default") – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ("exposure at default") – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group considers historical data and assessed forward-looking macroeconomic data which may be applicable to each debtor. The Group has considered expected oil price and geographical area which the debtor operates in and concluded that the effect on expected changes in these factors do not significantly affect the historical loss rates. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

For amounts due from subsidiaries which are repayable on demand, the ECL is based on the assumption that repayment of the loan is demanded at reporting date. The Company assesses the recovery strategies of repayment from the subsidiaries in the event if the amount is demanded to be repaid and if the Company is expected to fully recover the amount outstanding, the ECL will be limited to the effect of discounting the amount due from the subsidiary at an effective interest rate of 0% if the loan is interest free. Impairment would be recognised if the Company does not expect to fully recover the amount outstanding.

Reconciliation of loss allowance

The loss allowance for trade receivables and accrued lease rental as at the reporting periods which was assessed using the simplified approach reconciles to the opening loss allowance as disclosed in Note 21 and Note 22 respectively.

The loss allowance for amounts due from joint ventures and other receivables and deposits, as at the reporting periods which was assessed using the general 3-stage approach is disclosed in Note 17 and Note 23 respectively.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

As at 31 December 2019, the Group's current liabilities exceeded its current assets by RM1,260.1 million due to the classification of non-current borrowings for AKPL of RM1,332.0 million as current liabilities. The classification was made due to existing non-compliances by AKPL under this loan, in particular Armada Kraken FPSO project not achieving final acceptance by the scheduled date, where project lenders currently have the right to issue, but have to-date not issued, a notice for full prepayment of the loan. Thus, AKPL did not have an unconditional right to defer payment of the non-current borrowings for at least 12 months after the balance sheet date.

In February 2020, the AKPL project lenders agreed to remove the risk of having to prepay the loan.

Based on the cash flow forecast for the next 12 months from the date of approval of the financial statements, the Group's obligations are expected to be funded by available cash balances and cash flows from the Group's existing vessel charter contracts and proceeds from asset monetisation of non-core assets. The Group also expects distributions from joint ventures.

In order to further manage and strengthen the cash flow position, the Group is taking the following measures:

(i) Pursue collections from customers; and
(ii) Optimise cost structure.

The Directors are of the opinion that the Group will be able to discharge its liabilities in the normal course of business over the next 12 months from the date of approval of the financial statements.

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2019					
Borrowings – others	1,104,971	1,411,666	5,359,695	1,568,328	9,444,660
Borrowings – Armada Kraken Pte Ltd	1,970,460	-	-	-	1,970,460
Amounts due to joint ventures	1,550	-	-	-	1,550
Net settled derivative financial instruments					
- interest rate swaps	(4,836)	4,790	9,581	6,999	16,534
- cross currency interest rate swaps	10,497	9,124	471,140	-	490,761
Trade payables and accruals	265,982	-	-	-	265,982
Other payables and accruals*	249,237	-	-	-	249,237
Lease liabilities – Lessee	3,655	1,572	3,353	488	9,068

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows: (continued)

Group	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2018					
Borrowings – others	3,504,108	481,860	1,477,985	2,056,803	7,520,756
Borrowings – Armada Kraken Pte Ltd	2,332,805	-	-	-	2,332,805
Borrowings – Sukuk Murabahah	1,595,250	-	-	-	1,595,250
Amounts due to joint ventures	34,667	-	-	-	34,667
Net settled derivative financial instruments					
- interest rate swaps	(71,141)	(16,678)	(31,349)	(15,556)	(134,724)
- cross currency interest rate swaps	513,042	-	-	-	513,042
Trade payables and accruals	563,527	-	-	-	563,527
Other payables and accruals*	285,619	41,851	13,951	-	341,421

* Excludes non-refundable advances from customers and statutory liabilities.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Company	Within 1 year RM'000	More than 1 year and within 2 years RM'000	Total RM'000
At 31 December 2019			
Other payables and accruals excluding statutory liabilities	20,175	-	20,175
Amounts due to subsidiaries	14,976	-	14,976
Amount due to a joint venture	1,472	-	1,472
Lease liabilities – Lessee	2,139	85	2,224

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

As at 31 December 2018, all financial liabilities of the Company are assessed as current and correspondingly, no detailed maturity analysis is deemed necessary.

Corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiaries. The maximum amount of the financial guarantees issued by the Company to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies and the interest charged on the borrowings, amounting to RM6,181.8 million as at 31 December 2019 (2018: RM10,215.3 million). The earliest period that the financial guarantees can be called upon by the banks is upon an event of default which could not be remedied. The Company believes that the liquidity risk in respect of the financial guarantees is minimal as it is unlikely that the subsidiary companies will not make payment to the banks when due.

Capital risk management

The Group's and the Company's objectives when managing capital, are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure, the Company may issue new shares or issue new debt and return capital to shareholders or adjust the amount of dividends paid to shareholders.

The capital structure of the Group and the Company consists of borrowings (excluding cash and cash equivalents) and total equity, comprising issued share capital, reserves and non-controlling interests as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Total borrowings	9,490,661	10,380,530	-	-
Less: Cash and cash equivalents	(1,094,376)	(1,226,424)	(107,779)	(59,303)
	8,396,285	9,154,106	(107,779)	(59,303)
Total equity	3,213,140	3,370,140	3,228,513	5,045,255
	11,609,425	12,524,246	3,120,734	4,985,952

The Group is required to maintain a certain ratio of total net debt to adjusted earnings before interest, taxation, depreciation, amortisation and impairment, as defined in the facilities agreement. During the financial year, the Group has complied with these requirements.

STATEMENTS OF INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	2	2,070,705	2,418,739	250,722	303,412
Cost of sales		(1,517,264)	(1,917,530)	(93,228)	(139,500)
Gross profit		553,441	501,209	157,494	163,912
Other operating income	3	141,607	65,483	914	621
Selling and distribution costs		(10,858)	(29,955)	-	-
Administrative expenses		(150,417)	(234,801)	(63,344)	(31,188)
Operating profit before impairment		533,773	301,936	95,064	133,345
Impairment	5	(43,656)	(2,242,908)	(1,917,255)	(18,332)
Operating profit/(loss)		490,117	(1,940,972)	(1,822,191)	115,013
Finance costs	4	(555,502)	(522,149)	(337)	-
Share of results of joint ventures and associates	13,14	147,576	166,249	-	-
Profit/(Loss) before taxation	5	82,191	(2,296,872)	(1,822,528)	115,013
Taxation	8	(44,033)	(22,276)	(35)	(325)
Profit/(Loss) for the financial year		38,158	(2,319,148)	(1,822,563)	114,688
Attributable to:					
Owners of the Company		58,618	(2,302,769)		
Non-controlling interests		(20,460)	(16,379)		
		38,158	(2,319,148)		
Earnings per share (sen)	9				
- basic		1.00	(39.23)		
- diluted		1.00	(39.23)		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) for the financial year	38,158	(2,319,148)	(1,822,563)	114,688
Other comprehensive (expense)/income:				
Items that may be reclassified subsequently to profit or loss:				
- Fair value (loss)/gain on cash flow hedges	(179,080)	61,091	-	-
- Costs of hedging	11,479	32,814	-	-
- Foreign currency translation differences	(36,636)	142,333	-	-
- Share of other comprehensive (expense)/ income of joint ventures	(4,308)	4,613	-	-
Items that will not be reclassified to profit or loss:				
- Financial assets at fair value through other comprehensive income:				
- Gain/(Loss) on fair value change	7,566	(9,171)	-	-
Other comprehensive (expense)/income for the financial year, net of tax	(200,979)	231,680	-	-
Total comprehensive (expense)/income for the financial year	(162,821)	(2,087,468)	(1,822,563)	114,688
Total comprehensive (expense)/income attributable to:				
- Owners of the Company	(142,050)	(2,066,205)		
- Non-controlling interests	(20,771)	(21,263)		
	(162,821)	(2,087,468)		

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,940,608	6,692,694
Investment in joint ventures	13	1,056,059	1,022,870
Investment in associates	14	11,501	5
Financial assets at fair value through other comprehensive income	15	22,986	15,158
Finance lease receivables	16	4,789,815	5,011,820
Accrued lease rental	22	81,821	-
Contract assets	24	24,168	44,090
Amount due from a joint venture	17	22,857	26,069
Amount due from an associate	18	122,730	-
Derivative financial instruments	33	6,498	65,060
Deferred tax assets	19	21,958	21,660
TOTAL NON-CURRENT ASSETS		12,101,001	12,899,426
CURRENT ASSETS			
Inventories	20	5,635	7,298
Finance lease receivables	16	171,783	156,639
Trade receivables	21	416,786	755,283
Accrued lease rental	22	-	315,555
Other receivables, deposits and prepayments	23	81,496	58,810
Contract assets	24	28,780	5,574
Amounts due from joint ventures	17	40,411	30,055
Amount due from an associate	18	8,739	-
Derivative financial instruments	33	8,888	65,804
Tax recoverable		11,041	19,734
Deposits, cash and bank balances	26	1,094,376	1,226,424
		1,867,935	2,641,176
Non-current assets classified as held-for-sale	27	10,227	114
TOTAL CURRENT ASSETS		1,878,162	2,641,290
TOTAL ASSETS		13,979,163	15,540,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
LIABILITIES			
LESS: CURRENT LIABILITIES			
Trade payables and accruals	28	265,982	563,527
Other payables and accruals	29	282,072	492,897
Contract liabilities	24	26,395	26,635
Amounts due to joint ventures	17	1,550	34,667
Amount due to an associate	18	725	-
Provisions	30	-	85,587
Lease liabilities	31	35,934	5,549
Borrowings – others	32	1,145,446	3,781,099
Borrowings – Armada Kraken Pte Ltd	32	1,332,047	1,782,895
Borrowings – Sukuk Murabahah	32	-	1,499,352
Derivative financial instruments	33	10,442	426,299
Taxation		37,654	35,467
TOTAL CURRENT LIABILITIES		3,138,247	8,733,974
NET CURRENT LIABILITIES		(1,260,085)	(6,092,684)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals	29	92,436	55,802
Contract liabilities	24	20,640	15,616
Lease liabilities	31	3,953	-
Borrowings	32	7,013,168	3,317,184
Derivative financial instruments	33	449,558	7,044
Deferred tax liabilities	19	48,021	40,956
TOTAL NON-CURRENT LIABILITIES		7,627,776	3,436,602
NET ASSETS		3,213,140	3,370,140
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	34	4,319,029	4,314,815
Reserves	37	(1,092,021)	(951,578)
		3,227,008	3,363,237
NON-CONTROLLING INTERESTS		(13,868)	6,903
TOTAL EQUITY		3,213,140	3,370,140
NET ASSETS PER SHARE (RM)*		0.55	0.57

* Based on 5,876,524,744 (2018: 5,870,937,544) ordinary shares in issue per the Companies Act, 2016.

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,658	1,475
Investment in subsidiaries	12	2,594,293	4,511,584
Investment in joint ventures	13	38,242	101,979
Investment in an associate	14	19	16
Deferred tax assets	19	4,008	3,745
TOTAL NON-CURRENT ASSETS		2,639,220	4,618,799
CURRENT ASSETS			
Other receivables, deposits and prepayments	23	3,610	6,161
Amounts due from subsidiaries	25	514,861	417,099
Amounts due from joint ventures	17	860	19,529
Tax recoverable		2,994	7,205
Deposits, cash and bank balances	26	107,779	59,303
TOTAL CURRENT ASSETS		630,104	509,297
TOTAL ASSETS		3,269,324	5,128,096
LIABILITIES			
LESS: CURRENT LIABILITIES			
Other payables and accruals	29	22,304	36,477
Amounts due to subsidiaries	25	14,976	45,147
Amount due to a joint venture	17	1,472	1,217
Lease liabilities	31	1,981	-
TOTAL CURRENT LIABILITIES		40,733	82,841
NET CURRENT ASSETS		589,371	426,456
LESS: NON-CURRENT LIABILITIES			
Lease liabilities	31	78	-
TOTAL NON-CURRENT LIABILITIES		78	-
NET ASSETS		3,228,513	5,045,255
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	34	4,319,029	4,314,815
Reserves	37	(1,090,516)	730,440
TOTAL EQUITY		3,228,513	5,045,255
NET ASSETS PER SHARE (RM)*		0.55	0.86

* Based on 5,876,524,744 (2018: 5,870,937,544) ordinary shares in issue per the Companies Act, 2016.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to Owners of the Company									
2019	**Note**	**Number of shares 34 '000**	**Share capital 34 RM'000**	**Foreign exchange reserve 37(a) RM'000**	**Share option reserve 37(b) RM'000**	**Hedging reserve 37(c) RM'000**	**Other reserves 37(d) RM'000**	**Accumulated losses RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January		5,870,937	4,314,815	1,240,259	10,151	58,275	1,298	(2,261,561)	3,363,237	6,903	3,370,140
Profit/(Loss) for the financial year		-	-	-	-	-	-	58,618	58,618	(20,460)	38,158
Other comprehensive (expense)/income for the financial year, net of tax		-	-	(36,325)	-	(171,909)	7,566	-	(200,668)	(311)	(200,979)
Total comprehensive (expense)/income for the financial year, net of tax		-	-	(36,325)	-	(171,909)	7,566	58,618	(142,050)	(20,771)	(162,821)
Transactions with owners:											
- Shares issued pursuant to the management incentive plan	36	5,588	4,214	-	(4,214)	-	-	-	-	-	-
- Management incentive plan granted	36	-	-	-	5,821	-	-	-	5,821	-	5,821
- Employee share options forfeited	35	-	-	-	(6,469)	-	-	6,469	-	-	-
At 31 December		5,876,525	4,319,029	1,203,934	5,289	(113,634)	8,864	(2,196,474)	3,227,008	(13,868)	3,213,140

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to Owners of the Company									
2018	**Note**	**Number of shares 34 '000**	**Share capital 34 RM'000**	**Foreign exchange reserve 37(a) RM'000**	**Share option reserve 37(b) RM'000**	**Hedging reserve 37(c) RM'000**	**Other reserves 37(d) RM'000**	**Retained earnings/ (Accumulated losses) RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January		5,866,269	4,311,294	1,080,241	19,352	(40,257)	16,708	109,991	5,497,329	23,702	5,521,031
Effect on the adoption of MFRS 9	46	-	-	-	-	-	-	(15,473)	(15,473)	-	(15,473)
Effect on the adoption of MFRS 15	46	-	-	-	-	-	-	(48,402)	(48,402)	-	(48,402)
At 1 January (Restated)		5,866,269	4,311,294	1,080,241	19,352	(40,257)	16,708	46,116	5,433,454	23,702	5,457,156
Loss for the financial year		-	-	-	-	-	-	(2,302,769)	(2,302,769)	(16,379)	(2,319,148)
Other comprehensive income/(expense) for the financial year, net of tax		-	-	147,202	-	98,533	(9,171)	-	236,564	(4,884)	231,680
Total comprehensive income/(expense) for the financial year, net of tax		-	-	147,202	-	98,533	(9,171)	(2,302,769)	(2,066,205)	(21,263)	(2,087,468)
Transactions with owners:											
- Changes in non-controlling interest		-	-	12,816	-	(1)	-	(17,279)	(4,464)	4,464	-
- Shares issued pursuant to the management incentive plan	36	4,668	3,521	-	(3,521)	-	-	-	-	-	-
- Management incentive plan granted	36	-	-	-	452	-	-	-	452	-	452
- Employee share options forfeited	35	-	-	-	(6,132)	-	-	6,132	-	-	-
- Call options forfeited		-	-	-	-	-	(6,239)	6,239	-	-	-
At 31 December		5,870,937	4,314,815	1,240,259	10,151	58,275	1,298	(2,261,561)	3,363,237	6,903	3,370,140

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2019	Note	Number of shares 34 '000	Share capital 34 RM'000	Share option reserve 37(b) RM'000	Retained earnings RM'000	Total RM'000
At 1 January		5,870,937	4,314,815	10,151	720,289	5,045,255
Total comprehensive expense for the financial year, net of tax		-	-	-	(1,822,563)	(1,822,563)
Transactions with owners:						
- Shares issued pursuant to the management incentive plan	36	5,588	4,214	(4,214)	-	-
- Management incentive plan granted	36	-	-	5,821	-	5,821
- Employee share options forfeited	35	-	-	(6,469)	6,469	-
At 31 December		5,876,525	4,319,029	5,289	(1,095,805)	3,228,513

2018	Note	Number of shares 34 '000	Share capital 34 RM'000	Share option reserve 37(b) RM'000	Other reserves 37(d) RM'000	Retained earnings RM'000	Total RM'000
At 1 January		5,866,269	4,311,294	19,352	6,239	593,230	4,930,115
Total comprehensive income for the financial year, net of tax		-	-	-	-	114,688	114,688
Transactions with owners:							
- Shares issued pursuant to the management incentive plan	36	4,668	3,521	(3,521)	-	-	-
- Management incentive plan granted	36	-	-	452	-	-	452
- Employee share options forfeited	35	-	-	(6,132)	-	6,132	-
- Call options forfeited		-	-	-	(6,239)	6,239	-
At 31 December		5,870,937	4,314,815	10,151	-	720,289	5,045,255

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES					
Profit/(Loss) for the financial year		38,158	(2,319,148)	(1,822,563)	114,688
Adjustments for non-cash items:					
Share of results of joint ventures and associates		(147,576)	(166,249)	-	-
Depreciation of property, plant and equipment	5	440,528	499,350	6,230	2,070
Fair value gain on ineffective portion of cash flow hedges	4	(6,385)	(1,869)	-	-
(Gain)/Loss on disposal of property, plant and equipment and non-current assets classified as held-for-sale	3,5	(33,624)	(14,823)	1	(38)
(Gain)/Loss on disposal of joint ventures	3,5	(36,111)	-	30,331	-
Impairment of:					
- property, plant and equipment	5	43,656	2,199,735	-	-
- non-current assets classified as held-for-sale	5	-	43,173	-	-
- investment in subsidiaries	5	-	-	1,917,255	18,332
Investment in a subsidiary written off		-	-	35	-
Bad debts (written back)/written off	5	(3,209)	8,223	-	938
Net allowance for impairment losses	5	239,787	276,358	-	-
Unrealised foreign exchange loss/(gain)	5	19,056	17,436	1,342	(1,586)
Share-based payment		5,821	452	5,821	452
Interest income	3	(26,552)	(33,679)	(891)	(517)
Interest expense	4	559,986	515,885	-	-
Accretion of interest	4	1,901	8,133	337	-
Dividend income	2	-	-	(144,430)	(147,197)
Taxation	8	44,033	22,276	35	325
Operating profit/(loss) before changes in working capital		1,139,469	1,055,253	(6,497)	(12,533)
Changes in working capital:					
Inventories		1,625	(3,041)	-	-
Finance lease receivables		153,031	385,887	-	-
Trade and other receivables		288,192	(54,457)	2,569	358
Trade and other payables		(264,435)	214,745	(14,173)	3,521
Intercompany balances		-	-	(90,408)	410,259
Joint ventures and associates		(25,622)	9,637	4,233	-
Cash from/(used in) operations		1,292,260	1,608,024	(104,276)	401,605
Interest paid		(543,719)	(505,930)	(337)	-
Tax (paid)/refunded (net)		(14,216)	(34,728)	3,913	(2,260)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		734,325	1,067,366	(100,700)	399,345

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(104,590)	(534,254)	(497)	(165)
Proceeds from disposal of property, plant and equipment and non-current assets held-for-sale		73,103	85,779	-	373
Interest received		27,691	35,048	873	514
Proceeds from disposal of investment in joint ventures		4,293	-	-	-
Additional investment in joint ventures		-	(224,083)	-	-
Additional investment in an associate		(9)	-	(3)	-
Proceeds from redemption of redeemable preference shares	B	78,779	33,467	48,097	29,334
Dividends received from subsidiaries		-	-	105,564	147,197
Dividend received from a joint venture		-	64,650	-	-
Repayments from/(advances to) joint ventures		-	183,511	-	(172)
Advances to an associate		(122,730)	-	-	-
Advances to subsidiaries		-	-	-	(580,487)
Investment in subsidiaries		-	-	-	(42)
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(43,463)	(355,882)	154,034	(403,448)
FINANCING ACTIVITIES					
Repayment of borrowings		(3,685,077)	(1,366,713)	-	-
Repayment of hire purchase ("HP") creditors		-	(286)	-	-
Proceeds from borrowings		2,877,505	-	-	-
Principal elements of operating lease payments		(5,950)	-	(4,858)	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(813,522)	(1,366,999)	(4,858)	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(122,660)	(655,515)	48,476	(4,103)
CURRENCY TRANSLATION DIFFERENCES		(9,388)	35,825	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,226,424	1,846,114	59,303	63,406
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	C	1,094,376	1,226,424	107,779	59,303

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Notes to the statements of cash flows:

A Additions to property, plant and equipment (Note 11) which were acquired during the financial year were as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash	104,590	534,254	497	165
Movement in property, plant and equipment creditors	(37,591)	(354,252)	-	-
	66,999	180,002	497	165

B Redemption of redeemable preference shares

During the financial year, the Group redeemed RM78.8 million (2018: RM33.5 million) of redeemable preference shares in Armada D1 Pte Ltd and Armada C7 Pte Ltd.

During the financial year, the Company redeemed RM48.1 million (2018: RM29.3 million) of redeemable preference shares in Armada D1 Pte Ltd.

C Cash and cash equivalents consist of:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Deposits with licensed banks	772,189	1,029,016	49,445	49,568
Cash and bank balances	322,187	197,408	58,334	9,735
	1,094,376	1,226,424	107,779	59,303

D Non-cash transactions

(a) During the financial year, Armada Oyo Ltd ("AOL") entered into an Addendum Agreement to the Memorandum of Agreement (collectively "Agreements") with Century Energy Services Limited ("CESL") for the sale of Armada Perdana FPSO for a consideration of USD40.0 million. Pursuant to the Agreements, USD11.6 million of the purchase price was deemed to be paid as a set-off against all amounts owed by the Group to CESL up to 31 July 2019.

Included in the consideration amount is an unpaid portion of USD23.5 million, which will be payable subsequent to the sale. The amounts will be recognised in the profit or loss as and when received.

The gain on disposal of Armada Perdana FPSO takes into account the sale proceeds net of the unpaid portion, extinguishment of the net amount due to CESL and reversal of provision for demobilisation costs.

(b) During the financial year, the Group has recognised a gain on disposal of joint ventures of RM36.1 million which was partially derived from the extinguishment of the net amount payable to the joint ventures which were disposed. The detail on the disposal of joint ventures is further disclosed in Note 13 of the notes to financial statements.

Notes to the statements of cash flows: (continued)

E This section sets out an analysis of liabilities from financing activities for the financial year. (continued)

Group	Note	Borrowings due within 1 year	Borrowings due after 1 year	Derivative financial instruments	Lease liabilities - lessee	Total
		Liabilities from financing activities				
		32	32	33	31	
		RM'000	RM'000	RM'000	RM'000	RM'000
2019						
Net liabilities from financing activities as at 1 January		7,063,346	3,317,184	302,479	-	10,683,009
Effect on adoption of MFRS 16		-	-	-	11,709	11,709
Interest expense	4	529,388	-	30,598	-	559,986
Interest paid		(510,121)	-	(33,004)	(594)	(543,719)
Accretion of interest	31	-	-	-	518	518
Proceeds from bank borrowings		-	2,877,505	-	-	2,877,505
Repayment of bank borrowings		(3,685,077)	-	-	-	(3,685,077)
Principal elements of lease payments		-	-	-	(5,950)	(5,950)
Additions during the year		-	-	-	1,180	1,180
Changes in fair value of derivatives financial instruments		-	-	140,889	-	140,889
Foreign exchange differences		(57,359)	(44,205)	3,652	251	(97,661)
Reclassification		(862,684)	862,684	-	-	-
Net liabilities from financing activities as at 31 December		2,477,493	7,013,168	444,614	7,114	9,942,389

Notes to the statements of cash flows: (continued)

E This section sets out an analysis of liabilities from financing activities for the financial year. (continued)

		Liabilities from financing activities					
Group	Note	Borrowings due within 1 year 32 RM'000	Borrowings due after 1 year 32 RM'000	Derivative financial instruments 33 RM'000	HP creditors due within 1 year RM'000	HP creditors due after 1 year RM'000	Total RM'000
2018							
Net liabilities from financing activities as at 1 January		5,497,923	6,024,982	355,500	88	198	11,878,691
Interest expense	4	494,376	-	21,509	-	-	515,885
Interest paid		(487,331)	-	(18,599)	-	-	(505,930)
Repayment of bank borrowings		(1,366,713)	-	-	-	-	(1,366,713)
Repayment of HP creditors		-	-	-	(88)	(198)	(286)
Changes in fair value of derivative financial instruments		-	-	(50,594)	-	-	(50,594)
Foreign exchange differences		128,819	88,474	(5,337)	-	-	211,956
Reclassification		2,796,272	(2,796,272)	-	-	-	-
Net liabilities from financing activities as at 31 December		7,063,346	3,317,184	302,479	-	-	10,683,009

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Notes to the statements of cash flows: (continued)

E This section sets out an analysis of liabilities from financing activities for the financial year. (continued)

		Liabilities from financing activities
		Lease liabilities - lessee
Company	**Note**	**31** **RM'000**
2019		
Net liabilities from financing activities as at 1 January		-
Effect on adoption of MFRS 16		7,052
Interest paid		(337)
Accretion of interest		337
Principal elements of lease payments		(4,858)
Remeasurement of lease liabilities		(135)
		2,059

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1 SEGMENT INFORMATION

The Group is organised into 2 main business segments based on the type of operations carried out by its vessels and barges:

(i) Floating Production and Operations ("FPO") – consists of Floating Production Storage Offloading ("FPSO") and Floating Gas Solutions ("FGS").

- FPSO – own, operate and provide FPSO vessels that are used for receiving hydrocarbons sourced from oilfields.
- FGS – focus on innovative solutions for the offshore liquefied natural gas industry.

(ii) Offshore Marine Services ("OMS") – consists of Offshore Support Vessel ("OSV") and Subsea Construction ("SC").

- OSV - own, operate and charter vessels to provide support for exploration, development and production activities in the offshore oil and gas industry.
- SC - provision of conventional installation, floater installation and installation of umbilicals, risers and flexibles as part of FPSO completion or as standalone SC projects.

The remaining operations of the Group are in "Corporate and others" and comprise management and other corporate support services provided to subsidiaries which are considered incidental to the Group's operating business.

The external revenue reported to the Chief Executive Officer is measured in a manner consistent with the Group's statement of income. The cost of sales and allocation of expenses attributable to each segment is based on management's internal allocation basis and may not individually be consistent with the Group's statement of income. Inter-segment revenue comprises mostly of engineering services provided to the marine charter hire companies and central overhead fees allocated within the Group. These transactions are conducted based on terms and conditions negotiated with related parties.

1 SEGMENT INFORMATION (CONTINUED)

2019	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	1,742,575	328,130	-	-	2,070,705
Inter-segment revenue	-	-	90,584	(90,584)	-
Total revenue	1,742,575	328,130	90,584	(90,584)	2,070,705
Results					
Segment results	952,808	113,044	3,420	-	1,069,272
Depreciation of property, plant and equipment	(278,381)	(156,018)	(6,129)	-	(440,528)
Bad debts written back	3,209	-	-	-	3,209
Net (allowance for impairment losses)/writeback of allowance for impairment losses	(245,733)	5,946	-	-	(239,787)
Impairment	-	(43,656)	-	-	(43,656)
Share of results of joint ventures and associates	159,209	(11,633)	-	-	147,576
Subtotal	591,112	(92,317)	(2,709)	-	496,086
Other operating income					141,607
Finance costs					(555,502)
Taxation					(44,033)
Profit for the financial year					38,158

1 SEGMENT INFORMATION (CONTINUED)

2018	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	1,693,896	724,843	-	-	2,418,739
Inter-segment revenue	-	-	101,986	(101,986)	-
Total revenue	1,693,896	724,843	101,986	(101,986)	2,418,739
Results					
Segment results	810,431	197,983	11,970	-	1,020,384
Depreciation of property, plant and equipment	(282,094)	(215,466)	(1,790)	-	(499,350)
Bad debts written off	(8,218)	(5)	-	-	(8,223)
Impairment	(1,656,374)	(586,534)	-	-	(2,242,908)
Net (allowance for impairment losses)/writeback of allowance for impairment losses	(68,690)	(207,690)	22	-	(276,358)
Share of results of joint ventures and associate	166,566	(317)	-	-	166,249
Subtotal	(1,038,379)	(812,029)	10,202	-	(1,840,206)
Other operating income					65,483
Finance costs					(522,149)
Taxation					(22,276)
Loss for the financial year					(2,319,148)

The Group is managed in Malaysia, and operates in the following main geographical areas:

- Asia (excluding Malaysia) and Australia, Africa, Europe and Latin America - mainly charter hire of vessels and construction/conversion works.
- Malaysia - mainly charter hire of vessels, marine engineering and consultancy services.

Revenue by locations of the Group's operations are analysed as follows:

	Group	
	2019 RM'000	2018 RM'000
Malaysia	155,138	100,084
Asia (excluding Malaysia) and Australia	310,121	823,895
Africa	908,781	906,774
Europe	666,082	547,991
Latin America	30,583	39,995
	2,070,705	2,418,739

1 SEGMENT INFORMATION (CONTINUED)

The Group's largest customers (by revenue contribution) are in the FPO segment (2018: FPO segment). In 2019, 2 customers, on an individual basis, contributed revenue exceeding 10% of total revenue for the financial year, amounting to RM860.3 million and RM598.8 million respectively. In 2018, 4 customers, on an individual basis, contributed revenue exceeding 10% of total revenue for the financial year, amounting to RM865.4 million, RM491.6 million, RM472.9 million and RM265.4 million respectively.

2 REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contract with customers				
Vessel charter fees and support services rendered	727,161	714,670	-	-
Construction and conversion work	6,260	404,829	-	-
Central overhead fees	-	-	97,889	146,476
Management fee income	-	-	8,403	9,739
	733,421	1,119,499	106,292	156,215
Revenue from other sources				
Finance lease income	705,548	779,974	-	-
Operating lease income	631,736	519,266	-	-
Dividend income	-	-	144,430	147,197
	2,070,705	2,418,739	250,722	303,412

Disaggregation of the Group's revenue from contracts with customers

The Group derives revenue by satisfying the performance obligation over time in the following segment:

2019	FPO RM'000	OMS RM'000	Total RM'000
Vessel charter fees and support services rendered	401,030	326,131	727,161
Construction and conversion work	6,260	-	6,260
	407,290	326,131	733,421
Timing of revenue recognition:			
- Over time	407,290	326,131	733,421

2 REVENUE (CONTINUED)

Disaggregation of the Group's revenue from contracts with customers (continued)

The Group derives revenue by satisfying the performance obligation over time in the following segment: (continued)

2018	FPO RM'000	OMS RM'000	Total RM'000
Vessel charter fees and support services rendered	379,839	334,831	714,670
Construction and conversion work	14,817	390,012	404,829
	394,656	724,843	1,119,499
Timing of revenue recognition:			
- Over time	394,656	724,843	1,119,499

During the financial year ended 31 December 2019, the Group has recognised revenue from contracts with customers amounting to RM10.1 million (2018: RM0.2 million) that was included in contract liabilities at the beginning of the reporting period (Note 24).

The Company recognises revenue over time.

Revenue from other sources

The Group's revenue from finance leases and operating leases falls within the scope of MFRS 16 "Leases" (2018: MFRS 117 "Leases").

3 OTHER OPERATING INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on disposal of property, plant and equipment and non-current assets classified as held-for-sale	33,624	14,823	-	38
Gain on disposal of joint ventures	36,111	-	-	-
Interest income				
- deposits with licensed banks	26,552	33,679	891	517
Accretion of interest	-	1,187	-	-
Management and engineering services charged to joint ventures	24,879	-	-	-
Others	20,441	15,794	23	66
	141,607	65,483	914	621

4 FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense	559,986	515,885	-	-
Accretion of interest	1,901	8,133	337	-
Fair value gain on ineffective portion of cash flow hedges	(6,385)	(1,869)	-	-
	555,502	522,149	337	-

5 PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- fees for statutory audit:				
- PricewaterhouseCoopers Malaysia				
- current year	1,615	1,819	208	208
- member firms of PricewaterhouseCoopers International Limited	825	906	-	-
- non-PwC member firms	533	645	-	-
- fees for audit related services:				
- PricewaterhouseCoopers Malaysia	365	365	365	365
- fees for non-audit services:				
- PricewaterhouseCoopers Malaysia	216	805	216	805
- member firms of PricewaterhouseCoopers International Limited	870	463	608	-
Impairment of:				
- property, plant and equipment (Note 11)	43,656	2,199,735	-	-
- non-current assets classified as held-for-sale (Note 27)	-	43,173	-	-
- investment in subsidiaries (Note 12)	-	-	1,917,255	18,332
Investment in a subsidiary written off	-	-	35	-
Bad debts (written back)/written off	(3,209)	8,223	-	938
Net (writeback of allowance for impairment losses)/allowance for impairment losses				
- Trade receivables (Note 21)	(1,714)	101,494	-	-
- Accrued lease rental (Note 22)	233,615	-	-	-
- Other receivables and deposits (Note 23)	2,404	141,234	-	-
- Amount due from a joint venture (Note 17)	5,482	33,630	-	-

5 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loss on disposal of property, plant and equipment	-	-	1	-
Loss on disposal of joint ventures	-	-	30,331	-
Depreciation of property, plant and equipment (Note 11)	440,528	499,350	6,230	2,070
Travel and freight	22,081	20,148	3,322	4,683
Repairs and maintenance	156,314	166,138	8,416	13,591
Management fees	16,224	15,544	7,310	6,721
Insurance	21,124	78,033	-	-
Fuel and oil	15,454	37,712	-	-
Staff costs (Note 6)	352,255	461,443	80,066	112,293
Other crew costs	75,345	111,529	-	-
Rental of buildings	1,900	11,666	-	7,278
Hiring of equipment	37,963	55,142	-	-
Net foreign exchange (gain)/loss:				
- realised	(19,786)	81,670	4,149	332
- unrealised	19,056	17,436	1,342	(1,586)
Maintenance and service costs	8,975	21,962	-	-
Survey fees	13,369	9,979	-	-
Consultancy fees	13,004	13,070	652	1,011
Communication expenses	11,088	16,404	1	114

6 STAFF COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages, salaries and bonuses	286,687	378,694	66,529	100,279
Defined contribution plan	6,423	12,381	3,936	5,164
Share-based payments	5,821	452	5,821	452
Termination benefits	173	11,288	44	2,789
Other staff related costs	53,151	60,744	3,736	3,609
Total staff costs	352,255	463,559	80,066	112,293

Executive Directors' remuneration as disclosed in Note 7 is included in staff costs. In the previous financial year, of the total staff costs incurred, RM2.1 million has been capitalised in the Group's property, plant and equipment.

7 DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and receivable by Directors from the Group and the Company during the financial year were as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Executive Directors:				
- fees	1,907	2,077	1,907	2,077
- allowances	405	756	405	756
Executive Directors:				
- salaries, bonuses, allowances and other staff related costs	7,146	10,212	7,146	8,197
- defined contribution plan	-	23	-	-
- share-based payments[(1)]	4,947	1,364	4,947	1,324
	14,405	14,432	14,405	12,354

(1) Share-based payments for the Executive Directors are expenses recognised to the profit or loss over the vesting period for ESOS and MIP in accordance with Section C(p)(iii).

Benefits-in-kind ("BIK") received by the Executive Directors from the Group and the Company amounted to RM30,471 (2018: RM35,877).

	Non-Executive Directors' remuneration for financial year ended 31 December 2019			
		Other emoluments		
	Fees RM'000	Meeting allowance[(1)] RM'000	Car allowance RM'000	Total RM'000
Tunku Ali Redhauddin Ibni Tuanku Muhriz	488	32	144	664
Alexandra Schaapveld	330	88	-	418
Chan Chee Beng	210	18	-	228
Maureen Toh Siew Guat	354	44	-	398
Uthaya Kumar K Vivekananda	432	42	-	474
Gary Neal Christenson[(2)]	93	37	-	130
	1,907	261	144	2,312

(1) Meeting allowance includes the allowance for travel days to attend meetings.
(2) Re-designated from Non-Executive Director to Executive Director on 27 March 2019 and assumed the Chief Executive Officer role on 16 May 2019.

The Non-Executive Directors did not receive any BIK during the financial year ended 31 December 2019.

7 DIRECTORS' REMUNERATION (CONTINUED)

	Executive Directors'[1] remuneration for financial year ended 31 December 2019		
	Gary Neal Christenson[2] RM'000	Leon Andre Harland[3] RM'000	Total RM'000
Salary	1,758	1,967	3,725
Bonus	2,100	1,262	3,362
Expense chargeable to income tax	-	29	29
Shares benefit under MIP	3,471	1,476	4,947
BIK	17	13	30
	7,346	4,747	12,093

(1) The Executive Directors do not receive director's fee and meeting allowances.
(2) Re-designated from Non-Executive Director to Executive Director on 27 March 2019 and assumed the Chief Executive Officer role on 16 May 2019.
(3) Resigned on 15 May 2019.

	Non-Executive Directors' remuneration for financial year ended 31 December 2018			
		Other emoluments		
	Fees RM'000	Meeting allowance[1] RM'000	Car allowance RM'000	Total RM'000
Tunku Ali Redhauddin Ibni Tuanku Muhriz	488	90	144	722
Alexandra Schaapveld	330	140	-	470
Chan Chee Beng	290	61	-	351
Maureen Toh Siew Guat	364	81	-	445
Uthaya Kumar K Vivekananda	399	81	-	480
Gary Neal Christenson[2]	206	159	-	365
	2,077	612	144	2,833

(1) Meeting allowance includes the allowance for travel days to attend meetings.
(2) Appointed as a Non-Executive Director on 2 May 2018.

The Non-Executive Directors did not receive any BIK during the financial year ended 31 December 2018.

7 DIRECTORS' REMUNERATION (CONTINUED)

	Executive Directors'[1] remuneration for financial year ended 31 December 2018		
	Leon Andre Harland RM'000	Shaharul Rezza bin Hassan[2] RM'000	Total RM'000
Salary	3,307	2,010	5,317
Bonus	4,476	-	4,476
Expense chargeable to income tax	383	-	383
Shares benefit under MIP	1,806	-	1,806
Company's contribution to provident fund	-	23	23
BIK	31	5	36
	10,003	2,038	12,041

(1) The Executive Directors do not receive director's fee and meeting allowances.
(2) Resigned on 28 February 2018.

8 TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
- Malaysian tax	942	180	298	(218)
- foreign tax	36,020	11,920	-	-
Deferred tax (Note 19)	7,071	10,176	(263)	543
	44,033	22,276	35	325
Income tax:				
- current financial year	38,464	36,070	268	-
- (over)/under provision in respect of prior financial years	(1,502)	(23,970)	30	(218)
	36,962	12,100	298	(218)
Deferred tax:				
- origination and reversal of temporary differences (Note 19)	7,071	10,176	(263)	543
	44,033	22,276	35	325

8 TAXATION (CONTINUED)

The explanation of the relationship between Malaysian tax rate and average effective tax rate is as follows:

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Malaysian tax rate	24	24	24	24
Tax effects of:				
- exempt income	(215)	5	2	(31)
- difference in tax rates in other countries	100	(11)	-	-
- share of results of joint ventures and associates	(43)	2	-	-
- withholding tax on foreign sourced income	22	(1)	-	-
- expenses not deductible for tax purposes	160	(20)	(26)	6
- deferred tax assets not recognised	38	(1)	-	2
- utilisation of deferred tax assets not recognised	(30)	-	-	-
- under/(over) provision in prior years	(2)	1	-	(1)
	54	(1)	0	0

The Group's effective tax rate for the financial year ended 31 December 2019 was 54% (2018: negative 1%), as compared to the Malaysian statutory tax rate of 24%. The difference in the effective tax rate and the Malaysian statutory tax rate is mainly due to exempt income arising from contributions from the entities in Marshall Islands and expenses not deductible mainly arising from recognition of allowance for impairment losses during the year.

The Company's effective tax rate for the financial year ended 31 December 2019 was less than 1% (2018: less than 1%) compared to the statutory tax rate of 24% as the Company's expenses were mainly not deductible for tax purposes due to impairment of investment in subsidiaries recognised during the financial year (2018: the Company's income was mainly exempted from tax during the financial year).

9 EARNINGS PER SHARE

Basic

The basic earnings per share ("EPS") is calculated by dividing the Group's profit/(loss) attributable to the Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:
- the after income tax effect of interest and other financing costs associated with the ESOS and MIP; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the ESOS and MIP.

The MIP shares granted were not dilutive for the financial year ended 31 December 2019 as there is one vesting condition to be satisfied on or before 1 May 2020. Hence, the calculation of diluted earnings per share does not assume the exercise of the MIP. The ESOS is not dilutive as the exercise price is higher than the current market price.

	Basic		Diluted	
	2019	**2018**	**2019**	**2018**
Profit/(Loss) attributable to the Owners of the Company for the financial year ended 31 December (RM'000)	58,618	(2,302,769)	58,618	(2,302,769)
Weighted average number/adjusted weighted average number of ordinary shares in issue for basic and diluted EPS ('000)	5,874,713	5,869,198	5,874,713	5,869,198
Basic and diluted EPS (sen)	1.00	(39.23)	1.00	(39.23)

10 DIVIDENDS

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2019.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Asset under construction[1] RM'000	Office premise[1] RM'000	Total vessel costs[2]: Vessels and vessel equipment RM'000	Total vessel costs[2]: Dry-docking RM'000	Total vessel costs[2]: Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Right-of use assets RM'000	Total RM'000
2019										
Net book value										
At 1 January	5,244	-	6,664,036	17,745	6,681,781	1,094	3,021	1,554	-	6,692,694
Effect on the adoption of MFRS 16 (Note 44)	-	-	-	-	-	-	-	-	11,709	11,709
	5,244	-	6,664,036	17,745	6,681,781	1,094	3,021	1,554	11,709	6,704,403
Additions	1,162	-	35,329	26,730	62,059	-	1,312	1,169	1,297	66,999
Disposal	-	-	(251,136)	(5,042)	(256,178)	-	-	(84)	(136)	(256,398)
Reclassification	(6,406)	6,406	-	-	-	-	-	-	-	-
Depreciation charge (Note 5)	-	(151)	(417,592)	(13,106)	(430,698)	(366)	(2,155)	(1,432)	(5,726)	(440,528)
Impairment (Note 5)	-	-	(43,656)	-	(43,656)	-	-	-	-	(43,656)
Transfer to non-current assets classified as held-for-sale (net) (Note 27)	-	-	(31,997)	(335)	(32,332)	-	-	(6)	-	(32,338)
Exchange differences	-	(50)	(55,668)	(2,157)	(57,825)	7	(20)	(2)	16	(57,874)
At 31 December	-	6,205	5,899,316	23,835	5,923,151	735	2,158	1,199	7,160	5,940,608
At 31 December 2019										
Cost	-	6,353	12,205,653	179,493	12,385,146	2,366	95,650	43,652	12,840	12,546,007
Accumulated depreciation	-	(148)	(3,357,217)	(107,350)	(3,464,567)	(1,631)	(93,492)	(42,453)	(5,680)	(3,607,971)
Accumulated impairment	-	-	(2,949,120)	(48,308)	(2,997,428)	-	-	-	-	(2,997,428)
Net book value	-	6,205	5,899,316	23,835	5,923,151	735	2,158	1,199	7,160	5,940,608

(1) Asset under construction is in relation to the cost of acquisition of office premise by a subsidiary. The asset under construction is reclassified to office premise upon completion of construction.

(2) The net book value of vessels at 31 December 2019 under operating lease agreements with charterers was RM3.9 billion.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Asset under construction[1] RM'000	Total vessel costs[2] Vessels and vessel equipment RM'000	Dry-docking RM'000	Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
2018								
Net book value								
At 1 January	-	9,126,926	66,233	9,193,159	702	33,076	8,129	9,235,066
Additions	5,244	152,443	19,377	171,820	850	1,136	952	180,002
Disposal	-	(4,352)	(55)	(4,407)	(244)	(105)	(153)	(4,909)
Reclassification	-	23,049	7,751	30,800	-	(31,023)	223	-
Depreciation charge (Note 5)	-	(447,545)	(40,560)	(488,105)	(218)	(3,043)	(7,984)	(499,350)
Impairment (Note 5)	-	(2,156,430)	(43,305)	(2,199,735)	-	-	-	(2,199,735)
Transfer to non-current assets classified as held-for-sale (net) (Note 27)	-	(105,978)	(67)	(106,045)	-	-	-	(106,045)
Exchange differences	-	75,923	8,371	84,294	4	2,980	387	87,665
At 31 December	5,244	6,664,036	17,745	6,681,781	1,094	3,021	1,554	6,692,694
At 31 December 2018								
Cost	5,244	14,476,990	295,512	14,772,502	2,485	94,391	52,806	14,927,428
Accumulated depreciation	-	(4,045,741)	(234,713)	(4,280,454)	(1,391)	(91,370)	(51,252)	(4,424,467)
Accumulated impairment	-	(3,767,213)	(43,054)	(3,810,267)	-	-	-	(3,810,267)
Net book value	5,244	6,664,036	17,745	6,681,781	1,094	3,021	1,554	6,692,694

(1) Addition to asset under construction is in relation to the cost of acquisition of office premise by a subsidiary.
(2) The net book value of vessels at 31 December 2018 under operating lease agreements with charterers was RM3.8 billion.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Right-of-use assets RM'000	Total RM'000
2019				
Net book value				
At 1 January	1,474	1	-	1,475
Effect on the adoption of MFRS 16	-	-	7,052	7,052
	1,474	1	7,052	8,527
Additions	497	-	-	497
Disposal	-	-	(136)	(136)
Depreciation charge (Note 5)	(1,380)	(1)	(4,849)	(6,230)
At 31 December	591	-	2,067	2,658
At 31 December 2019				
Cost	73,685	13	6,848	80,546
Accumulated depreciation	(73,094)	(13)	(4,781)	(77,888)
Net book value	591	-	2,067	2,658
2018				
Net book value				
At 1 January	3,403	312	-	3,715
Additions	165	-	-	165
Disposal	(91)	(244)	-	(335)
Depreciation charge (Note 5)	(2,003)	(67)	-	(2,070)
At 31 December	1,474	1	-	1,475
At 31 December 2018				
Cost	73,188	19	-	73,207
Accumulated depreciation	(71,714)	(18)	-	(71,732)
Net book value	1,474	1	-	1,475

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Fixed charges have been created over certain vessels of the Group with net book values amounting to approximately RM3.2 billion (2018: RM3.3 billion) as security for term loans (Note 32).

(b) The FPSO contracts include options for the charterers to purchase the respective FPSO vessels or to extend their charter periods beyond the initial lease period. The purchase option values are based on declining agreed prices, which are in excess of the current net book values of the FPSO vessels as at the reporting date.

(c) Impairment of property, plant and equipment during the financial year ended 31 December 2019

During the financial year ended 31 December 2019, an impairment charge of RM43.7 million was charged for certain OMS vessels. The impairment assessment on OMS vessels was carried out as a result of the low vessel utilisation and delay in securing new projects.

The Group considered each vessel within a segment as a cash-generating unit ("CGU") except for SC assets which are determined to be one CGU. However, they are grouped together for disclosure purposes. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM876.1 million.

(i) Recoverable amount determined based on value-in-use ("VIU")

The key assumptions used in VIU is based on estimates and judgement whereby expectations of future events that are believed to be reasonable under the circumstances.

The following are key assumptions used in determining the VIU for the SC assets:

- The cash flow projections for the estimated remaining useful lives of the SC assets are based on the historical contract margins; and
- Discount rate of 6.5% is applied.

The impairment recognised for the SC assets amounted to RM41.5 million.

The sensitivity of the key assumptions with all other variables being held constant to profit or loss is as follows:

	Increase/(Decrease) in profit before taxation
	2019
	RM'000
Contract margin increased by 2%	17,552
Contract margin decreased by 2%	(17,552)
Discount rate increased by 1%	(3,165)
Discount rate decreased by 1%	3,181

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Impairment of property, plant and equipment during the financial year ended 31 December 2019 (continued)

(ii) Recoverable amount determined based on fair value less costs to sell ("FVLCTS")

The FVLCTS of the OSV vessels is estimated based on expected selling price less costs of disposal in the event the vessel is expected to be sold on a willing buyer and willing seller basis.

The FVLCTS for the OSV vessels is assessed based on the assumption that they are charter-free, free of encumbrances, maritime liens and other debts, and is based on a willing buyer and willing seller basis in an acceptable area.

The recoverable amount which is determined based on FVLCTS is classified as level 3 under the fair value hierarchy. The impairment recognised for the OSV vessels amounted to RM2.2 million.

(d) Impairment of property, plant and equipment during the financial year ended 31 December 2018

During the financial year ended 31 December 2018, an impairment charge of RM2,199.7 million for property, plant and equipment has been recognised, of which RM1,613.2 million and RM586.5 million were charged for Armada Kraken FPSO and certain OSV vessels respectively. The impairment assessment on Armada Kraken FPSO was carried out as a result of lower availability since final acceptance in September 2018 and is assessed using the terms stipulated in the amendment agreement to the charter agreement signed between AKPL with EnQuest Heather Limited, EnQuest ENS Limited and Nautical Petroleum Limited on 27 August 2018. The impairment assessment on OSV vessels was carried out as a result of the decline in vessel utilisation and day rates.

The Group considered each of these vessels as a CGU. However, they are grouped together for disclosure purposes. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM3,498.2 million, of which RM110.3 million was determined based on FVLCTS and RM3,387.9 was determined based on VIU.

In addition, an impairment charge of RM43.2 million for non-current assets classified as held for sale has been recognised during the year. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM77.8 million, which was determined based on FVLCTS.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Impairment of property, plant and equipment during the financial year ended 31 December 2018 (continued)

(i) Recoverable amount determined based on VIU

The key assumptions used in VIU is based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are key assumptions used in determining the VIU for the FPSO vessel:

- The cash flow projections are based on the expected contractual period of the vessel;
- Expected cash outflow on supplementary payments based on contractual agreements;
- Inflationary rate of 3% is applied;
- Charter rates are based on expected charter fees;
- Discount rate of 6.5% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of the FPSO vessel amounted to RM1,613.2 million.

The following are key assumptions used in determining the VIU for the OSV vessels:

- The cash flows projection is based on the remaining useful lives of the vessels;
- Revenue projection is based on historical margins and expected future contracts;
- Drydocking expenditure is based on historical trends;
- Inflationary rates of 3% on costs and 5% on charter rates are applied;
- Utilisation rates and charter rates are based on historical trends, existing charter contracts and future intended use of vessel;
- Discount rate of 7.4% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of OSV vessels amounted to RM408.0 million.

The sensitivity of the key assumptions with all other variables being held constant to profit or loss is as follows:

	(Decrease)/Increase in loss before taxation
	2018
	RM'000
Utilisation rate increased by 1%	(18,296)
Utilisation rate decreased by 1%	5,279
Charter rate increased by 2%	(80,131)
Charter rate decreased by 2%	82,037
Discount rate increased by 1%	14,537
Discount rate decreased by 1%	(14,907)
Residual value increased by 1%	(10,448)
Residual value decreased by 1%	10,196

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Impairment of property, plant and equipment during the financial year ended 31 December 2018 (continued)

(ii) Recoverable amount determined based on FVLCTS

The FVLCTS of the vessels is estimated based on expected selling price less costs of disposal in the event the vessel is expected to be sold on a willing buyer and willing seller basis.

The FVLCTS for the vessels is assessed based on the assumption that they are charter-free, free of encumbrances, maritime liens and other debts, and is based on a willing buyer and willing seller basis in an acceptable area.

The recoverable amount which is determined based on FVLCTS is classified as level 3 under the fair value hierarchy. The impairment recognised in respect of OSV vessels is RM178.5 million, based on the recoverable amount of RM110.3 million.

An impairment charge of RM43.2 million for non-current assets classified as held for sale has been recognised during the year based on the FVLCTS of the assets, in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" based on the recoverable amount of RM77.8 million.

(e) During the financial year, the Group revised the residual value of certain SC vessels (2018: OMS vessels) based on the prevailing market conditions and the expected value to be obtained for these vessels at the end of their useful lives. The revision was accounted for as a change in accounting estimate and was effected on 1 October 2019 (2018: 1 December 2018). As a result, the depreciation charge during the financial year increased by RM2.0 million (2018: RM1.7 million).

In addition, the Group revised the useful life of certain OMS vessels based on the expected period of future economic benefits for the vessels. The revision was accounted for as a change in accounting estimate and was effected on 1 October 2019. As a result, the depreciation charge during the financial year increased by RM13.6 million.

12 INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	24,172	24,208
7% Cumulative Redeemable Preference Shares, at cost	16,000	16,000
Less: Accumulated impairment losses	(18,332)	(18,332)
	21,840	21,876
Capital contribution in subsidiaries	4,489,708	4,489,708
Less: Accumulated impairment losses	(1,917,255)	-
	2,572,453	4,489,708
	2,594,293	4,511,584

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below:

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Direct subsidiaries:				
Armada Floating Solutions Limited[(1)]	Bareboat charter of a floating production storage and offloading unit	100	100	The British Virgin Islands
Armada Oyo Ltd[(1)]	Bareboat charter of a floating production storage and offloading unit	100	100	The British Virgin Islands
Armada TGT Ltd[(1)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Armada Kamelia Sdn Bhd (In Members' Voluntary Liquidation)[(2)]	Dormant	100	100	Malaysia
Bumi Armada (Singapore) Pte Ltd ("BASPL")[(3)]	Ship management and chartering operation and maintenance of FPSO	100	100	Singapore

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Direct subsidiaries: (continued)				
Bumi Armada Automation International Sdn Bhd	Provision of agency services to its holding company	100	100	Malaysia
Bumi Armada Engineering Sdn Bhd	Provision of engineering consultancy services	100	100	Malaysia
Bumi Armada Navigation Sdn Bhd ("BAN")	Provision of marine transportation, and support services to offshore oil and gas companies	99	99	Malaysia
Bumi Armada Offshore Holdings Limited ("BAOHL")[(1)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Bumi Armada Russia Holdings Limited[(1)]	Dormant	100	100	Republic of The Marshall Islands
Tera Sea Limited[(1) & (5)]	Dormant	-	100	Republic of The Marshall Islands
Bumi Armada Holdings Labuan Ltd	Provision of loans, advances and other facilities, cash and debt management services, investment and financial risk management, and other treasury management services to the Bumi Armada Group of companies	100	100	Federal Territory of Labuan, Malaysia

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Direct subsidiaries: (continued)				
Bumi Armada Capital Offshore Ltd	Obtaining non-ringgit financing and providing cash and debt management services, investment and financial risk management services and other treasury management services to the Bumi Armada Group of companies	100	100	Federal Territory of Labuan, Malaysia
Bumi Armada Capital Malaysia Sdn Bhd	Facilitating the issuance of RM1.5 billion Sukuk Murabahah and providing advances and other facilities to the Bumi Armada Group of companies	100	100	Malaysia
Bumi Armada Marine Holdings Limited ("BAMHL")(1)	Investment holding	100	100	The British Virgin Islands
Bumi Armada Singapore Holdings Pte Ltd ("BASH")(4)	Investment holding	100	100	Singapore
Bumi Armada Holdings B.V. ("BAHB")(1)	Investment holding	100	100	Netherlands
Subsidiaries of BAN:				
Armada Indah Sdn Bhd ("AISB")(6)	Dormant	-	99	Malaysia
Armada Tankers Sdn Bhd ("ATSB")(6)	Dormant	-	99	Malaysia

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Subsidiaries of BAN: (continued)				
Bumi Armada Ship Management Sdn Bhd	Managers of ships and vessels, marine support and other services to offshore oil and gas companies	99	99	Malaysia
Bumi Care Offshore Production Sdn Bhd	Dormant	59	59	Malaysia
Bumi Armada Navigation Labuan Limited	Shipping on bare boat or time charter basis	99	99	Federal Territory of Labuan, Malaysia
Bumi Armada Navigation Labuan International Limited	Shipping on bare boat or time charter basis	99	99	Federal Territory of Labuan, Malaysia
Subsidiaries of BAOHL:				
Armada TLDD Limited(5)	Dormant	-	100	Republic of The Marshall Islands
Angoil Bumi JV, LDA(3) & (7)	Service provider to the oil and gas industry, especially for repair and maintenance of FPSO and OSV companies	49	49	Angola
Abaco Offshore Limited(3), (7) & (8)	Provision of offshore support services	49	49	Republic of The Marshall Islands
Bumi Armada Australia Pty Ltd(4)	Ship management and chartering operation and maintenance of FPSO	100	100	Australia

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Subsidiaries of BAOHL: (continued)				
Bumi Armada Do Brasil Servicos Maritimos Ltda[(1)]	Dormant	100	100	Brazil
Bumi Armada Offshore Contractor Limited ("BAOCL")[(1)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Armada Offshore OSV Limited[(1)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Armada Offshore MPSV Limited[(1)]	Dormant	100	100	Republic of The Marshall Islands
Bumi Armada UK Limited[(3)]	Offshore oil and gas marine services	100	100	United Kingdom
Armada Kraken Limited[(5)]	Dormant	-	100	Republic of The Marshall Islands
Bumi Armada Ghana Limited[(4)]	Provision of marine transportation, floating production storage and offload and offshore supply vessels	60	60	Ghana
Armada Kraken Pte Ltd[(3)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Subsidiaries of BAOHL: (continued)				
Armada Cabaca Ltd[1]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Armada Etan Limited[1]	Dormant	100	100	Republic of The Marshall Islands
Armada Regasification Services Malta Ltd (in Members' Voluntary Liquidation)[9]	Dormant	100	100	Malta
Armada Floating Gas Services Malta Ltd[4]	Provision of services to oil and gas companies to operate, maintain and repair floating gas solution units	100	100	Malta
Armada Floating Gas Storage Malta Ltd[4]	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Malta
Armada Balnaves Pte Ltd[3]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Americas Corporation[1] & [10]	Offshore oil and gas marine services	-	100	United States of America
Bumi Armada 98/2 Holdings Pte Ltd ("BA98/2")[11]	Investment holding	100	-	Singapore

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Subsidiary of BASPL:				
Bumi Armada Nigeria Limited(4)	Dormant	100	100	Federal Republic of Nigeria
Subsidiary of ATSB:				
Armada Alpha Sdn Bhd ("AASB")(6)	Dormant	-	99	Malaysia
Subsidiaries of BAOCL:				
Bumi Armada Caspian LLC(3)	Activities related to oil and gas industry	100	100	Russia
Bumi Armada Marine LLC(3)	Provision of marine support and other services to oil and gas companies	100	100	Russia
Subsidiaries of BASH:				
Armada Constructor Pte Ltd(4)	Ship owners, charterers, managers of ships and vessels, marine support and other services to oil and gas companies	100	100	Singapore
Armada Mahakam Limited(1)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	The British Virgin Islands
Armada Marine Contractors Caspian Ltd ("AMCCL")(1)	Investment holding	100	100	The British Virgin Islands

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Subsidiaries of BASH: (continued)				
Bumi Armada (Labuan) Ltd	To carry out shipping on time charter basis	100	100	Federal Territory of Labuan, Malaysia
Offshore Marine Ventures Sdn Bhd	Provision of integrated service solutions for the supply, operation and maintenance of support vessels and logistics and maritime transportation services to the oil and gas industry	100	100	Malaysia
Armada Ship Management (S) Pte Ltd(3)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Marine Naryan Mar Pte Ltd(4)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Marine Pokachi Pte Ltd(4)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Marine Uray Pte Ltd(4)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Armada Marine Angola (SU), Lda(1)	Provision of management and consulting services including human resources, finance and other related support services to companies in the Bumi Armada Group operating in Angola	100	100	Angola

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Subsidiaries of BASH: (continued)				
Bumi Armada Marine Ghana Limited[(4)]	Provision of offshore support vessel services to oil and gas industry in Ghana	60	60	Ghana
Subsidiary of AMCCL:				
Armada Marine Contractors Caspian Pte Ltd [(3)]	Chartering of ships, barges and boats with crew	100	100	Singapore
Subsidiary of BAHB:				
Bumi Armada Holdings Netherlands B.V. ("BAHNB")[(1)]	Investment holding	100	100	Netherlands
Subsidiary of BAHNB:				
Bumi Armada Netherlands B.V. ("BANB")[(1)]	Investment holding	100	100	Netherlands

(1) These companies are not required by their local laws to appoint statutory auditors.

(2) On 29 October 2019, a Special Resolution was passed to give effect to the members' voluntary winding-up of Armada Kamelia Sdn Bhd ("AKSB") pursuant to Section 439(1) of the Companies Act, 2016. Accordingly, a Liquidator was appointed for the purpose of the winding-up of AKSB.

(3) These companies are audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia.

(4) The financial statements of these companies are audited by firms other than member firms of PricewaterhouseCoopers International Limited.

(5) Tera Sea Limited, Armada TLDD Limited and Armada Kraken Limited have been dissolved on 25 July 2019 upon filing of the Articles of Dissolution with the Registrar of Corporations of the Republic of the Marshall Islands.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

(6) On 26 February 2018, a Special Resolution was passed to give effect to the members' voluntary winding-up of AISB, AASB and ATSB pursuant to Section 439(1)(b) of the Companies Act, 2016. Accordingly, a Liquidator was appointed for the purpose of the winding-up of these subsidiaries.

AISB, AASB and ATSB have been dissolved on 20 November 2019, on the expiration of 3 months after the lodgement of the relevant statutory returns with the Companies Commission of Malaysia.

(7) Notwithstanding that the Group is holding less than 50% equity interest, the respective investment in Angoil Bumi JV, LDA ("ABJV") and Abaco Offshore Limited ("AOL") is classified as subsidiary (not a joint venture) due to the Group's control pursuant to the shareholders' agreement governing the operations of these Companies.

(8) On 8 January 2019, BAOHL entered into a shareholders agreement with Cosmarq International Limited ("CIL"), and Corib Holdings Inc ("CHI") to form a joint venture company known as AOL for the provision of offshore procurement services to Armada Cabaca Ltd. ("ACL") in connection with the FPSO services contract between (a) Eni Angola S.p.A. ("Eni") as charterer, and (b) a consortium comprising ACL as contractor and ABJV as operator in Angola.

AOL was incorporated on 16 August 2017 in the Republic of the Marshall Islands with an authorised capital of USD50,000 and paid-up capital of USD1,000. BAOHL holds 49.0% equity interest in AOL and the remaining shareholders are CHI and CIL holding 20.4% and 30.6% equity interest respectively. AOL is deemed as a subsidiary of BAOHL and an indirect subsidiary of Bumi Armada upon the execution of the shareholders agreement on 8 January 2019, which terms provide the Group control over AOL's operations.

(9) On 30 August 2019, a Shareholders Resolution was passed to give effect to the voluntary liquidation of Armada Regasification Services Malta Ltd. ("ARSM"). Accordingly, a Liquidator was appointed for the purpose of the winding-up of ARSM.

(10) BAAC has been dissolved on 18 February 2019 as stated in the Certificate of Fact from the Secretary of State of Texas dated 13 March 2019.

(11) On 23 May 2019, BAOHL had incorporated BA98/2 in Singapore with an issued and paid-up capital of USD2.

BA98/2 was incorporated as an investment holding company to hold the interest in the associate company (30:70 basis with Shapoorji Pallonji Oil & Gas Private Limited ("SPOG")) involved in the construction of one (1) FPSO for the ONGC NELP Block KG – DWN 98/2 Development Project Cluster-II field located on the east coast of Kakinada, offshore India ("98/2 Project").

During the financial year, an impairment charge of RM1,917.3 million (2018: RM18.3 million) for capital contribution (2018: costs of investment) in subsidiaries has been recognised. The impairment assessment was carried out as a result of lower than expected returns on investment from these subsidiaries.

The recoverable amount was determined based on value-in-use ("VIU") as at year end. The key assumptions used in VIU are based on estimates and judgement with respect to key assumptions such as revenue growth, ability to secure future contracts, funding requirements, exchange rates and discount rate of 7.5% (2018: 6.9%).

13 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	375,723	469,937	38,242	101,979
Share of net assets	709,642	583,317	-	-
Unrealised profit on transactions with joint ventures	(29,306)	(30,384)	-	-
Interests in joint ventures	1,056,059	1,022,870	38,242	101,979

During the financial year, the Group redeemed RM78.8 million (2018: RM33.5 million) of redeemable preference shares in Armada D1 Pte Ltd and Armada C7 Pte Ltd.

During the financial year, the Company redeemed RM48.1 million (2018: RM29.3 million) of redeemable preference shares in Armada D1 Pte Ltd.

The joint ventures are private companies and there are no quoted market prices available for their shares.

Details of the joint ventures are as follows:

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Armada Century Ltd ("ACL")[(1)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	49	The British Virgin Islands
Armada C7 Pte Ltd	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	50	50	Singapore
Armada D1 Pte Ltd	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	50	50	Singapore
Century Bumi Limited ("CBL")[(1)]	Oil and gas exploration, and product and marine services	-	40	Federal Republic of Nigeria

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows: (continued)

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Shapoorji Pallonji Bumi Armada Offshore Private Limited	Ship owners, charterers, managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	50	50	India
Forbes Bumi Armada Limited	Ship owners, charterers, managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	49	49	India
PT Armada Gema Nusantara	Ship owner and operator	50	50	Indonesia
SP Armada Oil Exploration Private Limited	Marine support and other services to the oil and gas industry	50	50	India
Armada Madura EPC Limited ("AMEL")[(2)]	Provision of FPSO engineering, procurement, conversion, construction, completion, installation and commissioning services	-	50	Republic of The Marshall Islands
Armada 98/2 Pte. Ltd.[(3)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	-	49	Singapore
Bumi Armada Shapoorji Pallonji Ghana Limited	Floating, production, storage and offloading development	45	45	Ghana
Karapan Armada Madura Pte Ltd	To provide support and facilitate credit enhancement of an FPSO facility	49	49	Singapore
PT Ionasea Marine Services ("PT IMS")[(4)]	To provide offshore and marine support services	50	-	Indonesia

[(1)] On 29 August 2019, the Company and Century Real Estate and Logistics Limited ("CREL") entered into a share purchase agreement to sell ACL's and CBL's shares to CREL. The share transfer was completed on the same date and hence, ACL and CBL ceased to be joint ventures of the Company.

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows: (continued)

(2) During the financial year ended 31 December 2019, BAOHL transferred 9,499 shares held in AMEL to SPOG, and subsequently entered into a new shareholders' agreement ("SHA") with SPOG to repurpose AMEL for the undertaking of certain engineering and construction obligations in relation to the 98/2 Project. The SHA was signed to reflect SPOG's and BAOHL's economic interest in AMEL at 70% and 30% respectively. As a result of the new SHA, BAOHL's economic interest in AMEL was reduced from 50% to 30% and the investment was reclassified from a joint venture to an associate (refer to Note 14).

(3) On 12 June 2019, BAOHL transferred 949 shares held in Armada 98/2 Pte. Ltd. ("Armada 98/2") to SPOG. Accordingly, the effective interest of BAOHL in Armada 98/2 was reduced to 30% and the investment was reclassified from a joint venture to an associate (refer to Note 14).

(4) On 26 April 2019, Bumi Armada Singapore Holdings Pte. Ltd. ("BASHPL") and PT Oceanik Eka Abadi ("PT OEA") entered into a shareholders' agreement and an Investment Framework Agreement ("IFA") (collectively "Agreements") to jointly control PT IMS where each shareholder will hold a 50% economic interest in PT IMS. BASHPL holds 51% of equity interest in PT IMS with the remaining interest held by PT OEA. The Agreements are deemed effective on 13 September 2019 upon fulfilment of all conditions precedent required.

In the opinion of the Directors, the joint ventures which are material to the Group as at 31 December 2019 are as follows:

- Armada D1 Pte Ltd ("Armada D1")
- Armada C7 Pte Ltd ("Armada C7")
- PT Armada Gema Nusantara ("PT AGN")

In the opinion of the Directors, the joint ventures which are material to the Group as at 31 December 2018 are as follows:

- Armada D1
- Armada C7
- AMEL
- PT AGN

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Set out below are the summarised financial information of the joint ventures of the Group:

Group	Armada D1 RM'000	Armada C7 RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2019					
Current assets	175,677	98,907	278,674	226,132	779,390
Non-current assets	730,394	1,195,913	1,955,799	39,486	3,921,592
Current liabilities	(8,905)	(40,444)	(99,995)	(190,853)	(340,197)
Non-current liabilities	(89,537)	(620,387)	(1,479,970)	-	(2,189,894)
Net assets	807,629	633,989	654,508	74,765	2,170,891
The above net assets include the following:					
Cash and cash equivalents	90,809	59,372	179,139	5,266	334,586
Current financial liabilities excluding trade and other payables	(1,397)	(36,775)	(86,824)	(152,509)	(277,505)
Non-current financial liabilities excluding trade and other payables	(89,537)	(620,387)	(1,479,970)	-	(2,189,894)
Revenue	233,470	105,397	264,150	671,283	1,274,300
Other expenses	(21,881)	(20,033)	(101,416)	(655,881)	(799,211)
Interest income	-	-	1,402	7	1,409
Depreciation	(89,107)	-	-	(291)	(89,398)
Finance costs	(9,814)	(42,445)	(128,821)	-	(181,080)
Taxation	120,062	(12,647)	15,675	(31,159)	91,931
Profit/(Loss) after taxation	232,730	30,272	50,990	(16,041)	297,951
Other comprehensive expense	(1,249)	(7,368)	-	-	(8,617)
Total comprehensive income/ (expense)	231,481	22,904	50,990	(16,041)	289,334

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Set out below are the summarised financial information of the joint ventures of the Group: (continued)

Group	Armada D1 RM'000	Armada C7 RM'000	AMEL RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2018						
Current assets	267,392	262,636	30,746	348,403	251,856	1,161,033
Non-current assets	826,877	1,210,513	-	1,984,376	11,437	4,033,203
Current liabilities	(203,942)	(179,172)	(10,926)	(300,470)	(147,567)	(842,077)
Non-current liabilities	(208,737)	(614,395)	-	(1,421,887)	-	(2,245,019)
Net assets	681,590	679,582	19,820	610,422	115,726	2,107,140
The above net assets include the following:						
Cash and cash equivalents	159,419	92,043	30,746	173,700	42,322	498,230
Current financial liabilities excluding trade and other payables	(184,203)	(161,357)	(4,623)	(293,811)	(98,178)	(742,172)
Non-current financial liabilities excluding trade and other payables	(208,737)	(614,395)	-	(1,421,887)	-	(2,245,019)
Revenue	227,407	111,244	-	309,606	655,325	1,303,582
Other expenses	(16,616)	(4,557)	102,820	(90,241)	(622,507)	(631,101)
Interest income	290	3	326	398	-	1,017
Depreciation	(78,652)	-	-	-	(291)	(78,943)
Finance costs	(16,032)	(46,985)	(9,943)	(120,922)	-	(193,882)
Taxation	(34,537)	(3,191)	-	(25,718)	(11,360)	(74,806)
Profit after taxation	81,860	56,514	93,203	73,123	21,167	325,867
Other comprehensive (expenses)/ income	(145)	9,371	-	-	-	9,226
Total comprehensive income	81,715	65,885	93,203	73,123	21,167	335,093

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information:

Group	Armada D1 RM'000	Armada C7 RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2019					
Net assets	807,629	633,989	654,508	74,765	2,170,891
Group share in %	50%	50%	50%		
Group share	403,815	316,995	327,254	37,301	1,085,365
Unrealised profit	-	(1,091)	(28,215)	-	(29,306)
Net carrying amount	403,815	315,904	299,039	37,301	1,056,059

Group	Armada D1 RM'000	Armada C7 RM'000	AMEL RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2018						
Net assets	681,590	679,582	19,820	610,422	115,726	2,107,140
Group share in %	50%	50%	50%	50%		
Group share	340,795	399,791	9,910	305,211	57,547	1,053,254
Unrealised profit	(2,080)	(1,468)	-	(28,508)	1,672	(30,384)
Net carrying amount	338,715	338,323	9,910	276,703	59,219	1,022,870

The Group's share of profit, total comprehensive income, dividend received and net assets of the joint ventures, after adjustments for equity accounting are as follows:

	Group 2019 RM'000	Group 2018 RM'000
Profit for the financial year	144,687	166,249
Total comprehensive income for the financial year	140,379	170,862
Dividend received	-	64,650
Net assets	1,056,059	1,022,870

14 INVESTMENT IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	148	16	19	16
Share of net assets/(liabilities)	11,353	(11)	-	-
	11,501	5	19	16

Details of the associates are as follows:

Name of company	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %	Country of incorporation
Shapoorji Pallonji Bumi Armada Godavari Private Limited	The contracting of the design, fabrication, installation charter, deployment, operations and maintenance of an FPSO facility	30	30	India
Armada 98/2 Pte. Ltd. ("Armada 98/2")[1]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	30	-	Singapore
Armada Madura EPC Limited ("AMEL")[2]	Provision of FPSO engineering, procurement, conversion, construction, completion, installation and commissioning services	30	-	Republic of The Marshall Islands

[1] On 12 June 2019, BAOHL transferred 949 shares held in Armada 98/2 to SPOG. Accordingly, the effective interest of BAOHL in Armada 98/2 reduced to 30% and has reclassified the investment from a joint venture to an associate (refer to Note 13).

[2] During the financial year ended 31 December 2019, BAOHL transferred 9,499 shares held in AMEL to SPOG, and subsequently entered into a new shareholders' agreement ("SHA") with SPOG to repurpose AMEL for the undertaking of certain engineering and construction obligations in relation to the 98/2 Project. The SHA was signed to reflect SPOG's and BAOHL's economic interest in AMEL at 70% and 30% respectively. As a result of the new SHA, BAOHL's economic interest in AMEL was reduced from 50% to 30% (refer to Note 13).

14 INVESTMENT IN ASSOCIATES (CONTINUED)

In the opinion of the Directors, the associate which is material to the Group as at 31 December 2019 is Armada Madura EPC Limited ("AMEL").

Set out below are the summarised financial information of the associates of the Group:

Group	AMEL RM'000	Others RM'000	Total RM'000
2019			
Current assets	40,812	36,507	77,319
Non-current assets	-	536,780	536,780
Current liabilities	(2,639)	(148,199)	(150,838)
Non-current liabilities	-	(427,342)	(427,342)
Net assets/(liabilities)	38,173	(2,254)	35,919
The above net assets/(liabilities) include the following:			
Cash and cash equivalents	10,538	2,321	12,859
Current financial liabilities excluding trade and other payables	(12)	(130,961)	(130,973)
Non-current financial liabilities excluding trade and other payables	-	(427,342)	(427,342)
Revenue	261,349	-	261,349
Other expenses	(249,160)	(67)	(249,227)
Finance costs	-	(2,503)	(2,503)
Profit/(Loss) after taxation/Total comprehensive income/(expense)	12,189	(2,570)	9,619
Reconciliation of financial information:			
Net assets/(liabilities)	38,173	(2,254)	35,919
Group share in %	30%	30%	
Group share	11,452	(676)	10,776
Reclassification to amount due to an associate	-	725	725
Net carrying amount	11,452	49	11,501

14 INVESTMENT IN ASSOCIATES (CONTINUED)

The Group's share of profit and net assets of the associates, after adjustment for equity accounting are as follows:

	Group 2019 RM'000
Profit for the financial year	2,889
Net assets before reclassification to amount due to an associate	10,776

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group	
	2019 RM'000	2018 RM'000
Quoted equity securities, outside Malaysia:		
At 1 January	15,158	-
Effect on adoption of MFRS 9		
Financial assets previously classified as available-for-sale financial asset	-	16,498
	15,158	16,498
Add: Fair value gain/(loss) recognised in equity	7,579	(1,286)
Exchange differences	249	(54)
At 31 December	22,986	15,158

The fair value of quoted equity securities is determined by reference to published price quotations.

The Group has made an irrevocable election at initial recognition to account for these instruments as equity investments at FVOCI as they are strategic investments of the Group and are not held for trading purposes.

16 FINANCE LEASE RECEIVABLES

The finance lease receivables are expected to be invoiced to the lessee within the following periods:

	Group	
	2019 **RM'000**	**2018** **RM'000**
Within 1 year	842,155	857,464
In the 2nd year	839,854	850,905
In the 3rd year	839,854	848,579
In the 4th year	839,854	848,579
In the 5th year	842,155	848,579
After 5 years	7,004,791	7,928,465
Gross receivables	11,208,663	12,182,571
Less: Unearned finance income	(6,247,065)	(7,014,112)
	4,961,598	5,168,459
The unguaranteed finance lease receivables are subject to the following maturity period:		
Current	171,783	156,639
Non-current	4,789,815	5,011,820
	4,961,598	5,168,459

During the financial year, the decrease of finance lease receivables is due to the following reasons:

	2019 **RM'000**	**2018** **RM'000**
Balance as at 1 January	5,168,459	5,334,189
Lease payments billed during the financial year, net of finance income earned	(153,055)	(275,386)
Others	(2,693)	990
Exchange differences	(51,113)	108,666
Balance as at 31 December	4,961,598	5,168,459

As at 31 December 2019, finance lease receivables relate to the leases of the following vessels:

(i) Armada LNG Mediterrana, which started production in January 2017 for a charter of 17 years; and
(ii) Armada Olombendo FPSO, which started production in February 2017 for a charter of 19 years.

The unguaranteed residual values included in the finance lease receivables as at 31 December 2019 amount to RM543.5 million (2018: RM550.0 million).

As at 31 December 2019, no allowances for uncollectible minimum lease payments were provided.

There was no contingent rent recognised during the financial year.

17 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Gross amount due from a joint venture				
- interest bearing	61,997	60,059	-	-
Less: Loss allowance	(39,140)	(33,990)	-	-
Net amount due from a joint venture	22,857	26,069	-	-
Current				
Gross amounts due from joint ventures				
- non-interest bearing	40,411	38,278	860	20,467
Bad debts written off	-	(8,223)	-	(938)
Net amounts due from joint ventures	40,411	30,055	860	19,529
Current				
Amounts due to joint ventures	(1,550)	(34,667)	(1,472)	(1,217)
	61,718	21,457	(612)	18,312

The amounts due from joint ventures classified as current which are non-interest bearing are unsecured and have credit terms ranging from no credit terms to 30 days (2018: no credit terms to 30 days). The amount due from a joint venture classified as non-current is interest bearing and bears interest at a rate of 6% (2018: 6%).

During the financial year ended 31 December 2019, an impairment of RM5.5 million (2018: RM33.6 million) was provided for an amount due from a joint venture due to a change in expected timing of recovery from the joint venture.

The loss allowance for amounts due from joint ventures which was assessed using the general 3-stage approach is as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	33,990	-
Increase in loss allowance recognised in profit or loss during the year (Note 5)	5,482	33,630
Exchange differences	(332)	360
At 31 December	39,140	33,990

Amounts due from joint ventures of which loss allowance was recognised in profit or loss during the year are classified within the Underperforming category.

The amounts due to joint ventures classified as current are repayable on demand.

18 AMOUNT DUE FROM/(TO) AN ASSOCIATE

	Group	
	2019 RM'000	2018 RM'000
Non-current		
Amount due from an associate – interest bearing	122,730	-
Current		
Amount due from an associate – non-interest bearing	8,739	-
Amount due to an associate	(725)	-
	8,014	-

The amount due from an associate classified as non-current is interest bearing and bears interest rate of 5%.

There was no loss allowance for the amount due from an associate which was assessed using the general 3-stage approach.

19 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	21,958	21,660	4,008	3,745
Deferred tax liabilities	(48,021)	(40,956)	-	-
Subject to income tax:				
Deferred tax assets				
- property, plant and equipment	874	932	874	932
- payables	3,135	3,119	3,136	2,813
- unutilised tax losses	-	2,505	-	-
- unutilised capital allowance	9,581	12,716	-	-
- receivables	17,949	15,167	-	-
	31,539	34,439	4,010	3,745
Offsetting	(9,581)	(12,779)	(2)	-
Deferred tax assets (after offsetting)	21,958	21,660	4,008	3,745
Deferred tax liabilities				
- property, plant and equipment	(57,602)	(53,735)	(2)	-
	(57,602)	(53,735)	(2)	-
Offsetting	9,581	12,779	2	-
Deferred tax liabilities (after offsetting)	(48,021)	(40,956)	-	-

19 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred taxation are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	(19,296)	(8,359)	3,745	4,288
(Charged)/Credited to profit or loss (Note 8):				
- property, plant and equipment and unutilised capital allowances	(7,364)	(19,908)	(60)	972
- receivables	2,782	15,241	-	-
- payables	16	(2,045)	323	(1,515)
- unutilised tax losses	(2,505)	(3,464)	-	-
	(7,071)	(10,176)	263	(543)
Exchange differences	304	(761)	-	-
At 31 December	(26,063)	(19,296)	4,008	3,745

The amount of unabsorbed capital allowances and unutilised tax losses (which has no expiry date other than as disclosed below) for which no deferred tax asset is recognised in the statement of financial position as it is not probable that taxable profit will be available against which these temporary differences can be utilised are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised tax losses	1,258,837	1,167,070	55,019	53,314
Unabsorbed capital allowances	120,543	185,604	17,573	16,980

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses amounting to RM273.3 million for the Group and RM55.0 million for the Company as at 31 December 2019 (2018: RM291.1 million for the Group and RM53.3 million for the Company), which is disclosed as part of the table above, will be imposed with a time limit for utilisation. The unutilised tax losses brought forward from year of assessment 2019 can be carried forward until year of assessment 2025.

20 INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
Fuel	5,635	7,298

21 TRADE RECEIVABLES

	Group	
	2019 RM'000	2018 RM'000
Trade receivables from:		
- contracts with customers	323,417	647,112
- lease contracts	303,356	513,051
	626,773	1,160,163
Less: Loss allowance	(209,987)	(404,880)
	416,786	755,283

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

The trade receivables have credit terms ranging from 0 to 60 days (2018: 0 days to 60 days).

During the financial year, trade receivables with a net amount of RM1.7 million were written back (2018: RM101.5 million were impaired) and were recognised in profit or loss. As at 31 December 2019, the amount of the loss allowance was RM210.0 million (2018: RM404.9 million). The individually impaired receivables mainly relate to a number of customers, which are in an unexpectedly difficult financial position due to the current industry conditions and change in the expected timing and quantum of recovery of the trade receivables.

The loss allowance for trade receivables which was assessed using the simplified approach reconciles to the opening loss allowance as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	404,880	294,754
Amounts restated through opening retained earnings	-	4,091
Opening loss allowance per MFRS 9	404,880	298,845
(Decrease)/Increase in loss allowance recognised in profit or loss during the year (Note 5)	(1,714)	101,494
Receivables written off	(186,310)	-
Exchange differences	(6,869)	4,541
At 31 December	209,987	404,880

22 ACCRUED LEASE RENTAL

	Group	
	2019 RM'000	2018 RM'000
Non-current asset		
Accrued lease rental	323,819	-
Less: Loss allowance	(241,998)	-
	81,821	-
Current asset		
Accrued lease rental	-	327,182
Less: Loss allowance	-	(11,627)
	-	315,555

During the financial year, an amount of RM233.6 million was impaired and provided for based on expected timing and quantum of recovery, following the judgment delivered by the Supreme Court of Western Australia on 24 January 2020 in favour of Woodside Energy Julimar Pty Ltd ("WEJ"), which is further disclosed in Note 42. The recoverability of the residual balance of USD20.0 million is subject to the appeal against the decision of the Supreme Court and is significantly lower than the damages claimed by Armada Balnaves Pte. Ltd. ("ABPL").

As at 31 December 2019, the accrued lease rental has been reclassified to non-current assets as the balance is not expected to be recovered within the next 12 months.

The loss allowance for accrued lease rental which was assessed using the simplified approach reconciles to the opening loss allowance as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	11,627	-
Amounts restated through opening retained earnings	-	11,382
Opening loss allowance per MFRS 9	11,627	11,382
Increase in loss allowance recognised in profit or loss during the year (Note 5)	233,615	-
Exchange differences	(3,244)	245
At 31 December	241,998	11,627

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Other receivables and deposits	-	146,944	-	-
Less: Loss allowance	-	(146,944)	-	-
	-	-	-	-
Current				
Other receivables	71,737	33,431	283	87
Deposits	108,020	8,432	1,533	2,299
Prepayments	9,964	16,947	1,794	3,775
	189,721	58,810	3,610	6,161
Less: Loss allowance	(108,225)	-	-	-
	81,496	58,810	3,610	6,161

As at 31 December 2018, the non-current other receivables relate to an amount due from a charterer and is not expected to be recovered within the next 12 months. The amount was impaired and fully provided for as the charterer issued a notice advising of a purported "Force Majeure Event" and requested for immediate, orderly shutdown of operations on the Armada Perdana FPSO. During the financial year, the non-current other receivables were written off upon disposal of the Armada Perdana FPSO.

The deposits mainly arise from costs incurred on construction of vessels which are expected to be utilised within 3 years. During the financial year ended 31 December 2019, the balance is reclassified to current as the option to utilise these deposits will expire within the next 12 months. The amount was impaired and provided for during the financial year ended 31 December 2018 as the constructor was facing financial difficulties arising from the current industry conditions.

Included in the current other receivables is the asset recognised from pre-contract costs incurred to obtain or fulfil a contract with customers. The pre-contract costs as at 31 December 2019 is RM18.5 million (2018: RM15.1 million).

Other receivables and deposits are interest free, unsecured and have no fixed term of repayment.

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The loss allowance for other receivables and deposits which was assessed using the general 3-stage approach is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
At 1 January	146,944	-
Increase in loss allowance recognised in profit or loss during the year (Note 5)	2,404	141,234
Write off of other receivables	(39,581)	-
Exchange differences	(1,542)	5,710
At 31 December	108,225	146,944

Other receivables and deposits of which loss allowance was recognised in profit or loss during the year are classified within the Non-performing category.

There is no loss allowance for other receivables and deposits of the Company which was assessed using the general 3-stage approach.

24 CONTRACT ASSETS/(LIABILITIES)

The Group has recognised the following assets and liabilities related to contracts with customers:

	Group	
	2019 RM'000	**2018 RM'000**
Non-current contract assets		
Construction and conversion work (Note (a))	24,168	44,090
Current contract assets		
Vessel charter fees and support services rendered	9,703	3,859
Construction and conversion work (Note (a))	19,077	1,715
Total contract assets	52,948	49,664
Non-current contract liabilities		
Vessel charter fees and support services rendered	(20,640)	(15,616)
Current contract liabilities		
Vessel charter fees and support services rendered	(26,395)	(26,635)
Total contract liabilities	(47,035)	(42,251)

24 CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(a) Construction and conversion work

The construction and conversion work represents the construction and conversion contracts with customers where there are timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect certain stages of physical completion of the contracts.

(b) Significant changes in contract assets/(liabilities)

The following table shows the movement of the Group's contract assets/(liabilities) during the financial year:

	Contract assets		Contract liabilities	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Opening balance as at 1 January	49,664	-	(42,251)	-
Amounts restated through retained earnings	-	3,703	-	(11,854)
Contract assets previously classified as amounts due from customers on contract	-	8,745	-	-
Opening balance as at 1 January as per MFRS 15	49,664	12,448	(42,251)	(11,854)
Increase as a result of performance obligation fulfilled but not yet billed	8,242	390,168	-	-
Decrease due to billings made during the financial year	(4,537)	(359,968)	-	-
Revenue recognised during the financial year that was included in the contract liabilities balance as at 1 January (Note 2)	-	-	10,093	200
Increase due to billings made excluding amounts recognised as revenue during the financial year	-	-	(15,390)	(30,010)
Exchange differences	(421)	7,016	513	(587)
Closing balance as at 31 December	52,948	49,664	(47,035)	(42,251)

24 CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(c) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date, are as follows:

	Group				
	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
2019					
Vessel charter fees and support services rendered	310,874	341,305	895,682	1,348,502	2,896,363
2018					
Vessel charter fees and support services rendered	342,615	625,153	952,267	1,259,210	3,179,245

The Group applied the practical expedient in MFRS 15 and did not disclose information about unsatisfied performance obligation for certain contracts, where the transaction price corresponds directly with the Group's level of performance in the future.

(d) There was no loss allowance for contract assets which was assessed using the general 3-stage approach.

25 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Current		
Amounts due from subsidiaries	514,861	417,099
Current		
Amounts due to subsidiaries	(14,976)	(45,147)
	499,885	371,952

The amounts due from subsidiaries are unsecured, interest free and have no fixed term of repayment. There is no impairment on amounts due from subsidiaries.

All balances are non-trade in nature except for amounts of RM357.5 million (2018: RM266.6 million) due from subsidiaries which are trade in nature.

The amounts due to subsidiaries classified as current are repayable on demand.

There was no loss allowance for amounts due from subsidiaries which was assessed using the general 3-stage approach.

26 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	322,187	197,408	58,334	9,735
Deposits with licensed banks	772,189	1,029,016	49,445	49,568
	1,094,376	1,226,424	107,779	59,303

The weighted average interest rates per annum of deposits with licensed banks that were effective as at the reporting date were as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Deposits with licensed banks	1.92	3.06	2.05	1.63

Bank balances are deposits held at call with banks and earn interest ranging between 0% to 2.3% (2018: 0% to 2.6%).

Bank deposits are mainly deposits with banks which have high credit ratings as determined by international credit rating agencies.

27 NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

The movements during the financial year relating to non-current assets classified as held-for-sale are as follows:

	Group	
	2019 RM'000	2018 RM'000
Net book value		
At 1 January	114	1,770
Transfer from property, plant and equipment (Note 11)	32,338	106,045
Impairment (Note 5)	-	(43,173)
Disposals	(22,225)	(64,577)
Exchange differences	-	49
At 31 December	10,227	114

The non-current assets classified as held-for-sale relates to OSV vessels, where the sale is expected to complete in the next financial year as the Group has entered into agreements to dispose of the vessels subsequent to year end.

28 TRADE PAYABLES AND ACCRUALS

	Group	
	2019 RM'000	2018 RM'000
Trade payables	42,851	121,004
Trade accruals	223,131	442,523
	265,982	563,527

The trade payables have credit terms ranging from 0 to 90 days (2018: 0 days to 90 days).

28 TRADE PAYABLES AND ACCRUALS (CONTINUED)

The following amounts were offset, and the net amount is reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis.

	Group					
	2019			2018		
	Gross before offsetting RM'000	Offsetting RM'000	Net after offsetting RM'000	Gross before offsetting RM'000	Offsetting RM'000	Net after offsetting RM'000
Current assets						
Trade receivables	742,236	(115,463)	626,773	1,184,885	(24,722)	1,160,163
Current liabilities						
Trade payables	104,947	(62,096)	42,851	123,027	(2,023)	121,004
Other payables and accruals	272,268	(53,367)	218,901	329,060	(22,699)	306,361

29 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Advances from customers	63,171	186,536	-	-
Other payables	167,495	252,567	3,442	11,441
Accruals	51,406	53,794	18,862	25,036
	282,072	492,897	22,304	36,477
Non-current				
Advances from customers	92,436	55,802	-	-
	374,508	548,699	22,304	36,477

30 PROVISIONS

	Group	
	2019 RM'000	2018 RM'000
At 1 January	85,587	106,921
Accretion of interest	-	8,133
Reversal during the financial year	(86,709)	(31,745)
Exchange differences	1,122	2,278
At 31 December	-	85,587

During the financial year, the remaining provision for demobilisation costs was reversed upon disposal of Armada Perdana FPSO.

During the previous financial year, a reversal of provision was made due to a change in assumptions regarding demobilisation costs.

The provisions are subject to the following maturity period:

	Group	
	2019 RM'000	2018 RM'000
Current		
Provision for demobilisation costs	-	85,587

Provision for demobilisation costs consists of the net present value of the estimated costs of demobilising a vessel at the end of its useful life.

31 LEASE LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current	3,953	-	78	-
Current	35,934	5,549	1,981	-
	39,887	5,549	2,059	-
Lease liabilities, where the Group is a				
- Lessor (a)	32,773	5,549	-	-
- Lessee (b)	7,114	-	2,059	-
	39,887	5,549	2,059	-

31 LEASE LIABILITIES (CONTINUED)

(a) Lessor

The Group leases out its vessel under non-cancellable operating lease agreements. On 3 August 2018, the Group signed an extension of charter of FPSO Armada TGT 1 from 27 August 2018 to 14 November 2024 for a contract value of USD285.0 million with the lease payments receivable on a monthly basis.

During the financial year, the lease income in which the Group acts as a Lessor under operating lease is RM191.9 million (2018: RM265.4 million).

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	Group	
	2019 RM'000	**2018 RM'000**
Within 1 year	210,900	205,658
In the 2nd year	212,568	206,221
In the 3rd year	197,182	205,658
In the 4th year	168,348	190,112
In the 5th year	147,131	160,978
Later than 5 years	-	140,690
Total undiscounted lease payments	936,129	1,109,317

No contingent rent is recognised during the financial year.

(b) Lessee

The Group and the Company lease various offices and warehouses, and office equipment with remaining durations varying from 1 to 6 years and 0 to 1 year respectively (2018: 1 to 7 years and 1 to 2 years respectively).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Certain lease contracts may contain variable payment terms, extension and termination options. In cases where the Group and the Company are not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. There are no residual value guarantees provided in these lease contracts.

31 LEASE LIABILITIES (CONTINUED)

(b) Lessee (continued)

The following table sets out the information about right-of-use ("ROU") assets, expenses and cash flows related to the leases:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Carrying amounts of ROU assets by class of underlying assets:				
- Offices and warehouses	6,757	-	1,678	-
- Office equipment	403	-	389	-
	7,160	-	2,067	-
Depreciation charge of ROU assets by class of underlying assets:				
- Offices and warehouses	5,346	-	4,470	-
- Office equipment	380	-	379	-
	5,726	-	4,849	-
Interest expense	518	-	337	-
Total cash outflow for leases	(6,544)	-	(5,195)	-
Expenses related to short-term leases*	2,405	-	208	-

* There are no expenses incurred which is related to the lease of low-value assets during the financial year.

As at the end of the financial year, there are no leases not yet commenced to which the lessee is committed.

The detailed impact on adoption of MFRS 16 on 1 January 2019 is disclosed in Note 44.

32 BORROWINGS

	Group	
	2019 **RM'000**	**2018** **RM'000**
Current		
Term loans – secured – others	813,240	925,573
Term loans – secured – AKPL	1,332,047	1,782,895
Term loans – unsecured[1]	301,551	1,577,959
	2,446,838	4,286,427
Revolving credits – unsecured	-	1,246,912
Sukuk Murabahah – unsecured – current[2]	30,655	30,655
Sukuk Murabahah – unsecured – non-current[2], [3]	-	1,499,352
	2,477,493	7,063,346
Non-current		
Term loans – secured	3,222,717	3,317,184
Term loans – unsecured[1]	2,290,960	-
Sukuk Murabahah – unsecured[2]	1,499,491	-
	7,013,168	3,317,184
Total borrowings	9,490,661	10,380,530

[1] In April 2019, the Group signed a facility agreement to refinance the unsecured term loans and revolving credit facilities (the "Facility Agreement"). The salient terms of the new unsecured term loans (the "Loans") are as follows:

(i) The Loans comprise a Tranche 1 facility of RM1,074.3 million and a Tranche 2 facility of RM1,652.8 million repayable over 24 months and 60 months respectively, from the closing date of the Facility Agreement;

(ii) The OMS business together with certain FPO vessels which are idle will be disposed of assuming commercially acceptable sale terms can be obtained; and

(iii) Surplus funds from operations and part of the proceeds from certain strategic initiatives including monetisation of assets and new project financing will be used to repay the Loans.

On 23 May 2019, the Group drewdown the Loans and repaid the unsecured term loans and revolving credit facilities with the total carrying amount of RM2,727.1 million. Thereafter, the Loans which are due after 12 months from the end of the reporting period were reclassified to non-current liabilities.

[2] The Sukuk Murabahah was issued by Bumi Armada Capital Malaysia Sdn Bhd under the Shariah principle of Murabahah (via a Tawarruq arrangement) for the full aggregate nominal value of RM1.5 billion for a tenure of 10 years, at a profit rate of 6.35% per annum.

[3] The Group did not meet the financial covenant of net debt over earnings before interest, depreciation and amortisation ("EBITDA") for the Sukuk Murabahah for the financial year ended 31 December 2018. This was mainly because the computation included non-cash impairment expenses recognised during the financial year ended 31 December 2018.

In April 2019, the Group received a waiver on the covenant breach from the Sukuk holders. Thereafter, non-current Sukuk Murabahah of RM1,499.4 million was reclassified to non-current liabilities.

32 BORROWINGS (CONTINUED)

(4) Included in the borrowings are the following term loans entered into with Mezzanine Equities N.V. ("MENV"), a wholly-owned subsidiary of Usaha Tegas Sdn Bhd ("UTSB"), a substantial shareholder of the Company:

(i) A USD30.0 million 3-year secured term loan facility to fund the Group's 30% equity interest in the 98/2 Project. In addition, MENV has been granted options to acquire the Group's 30% interest in the 98/2 Project at fair market value as determined by an independent valuer ("Options"). The Options may be exercised by MENV at any time within 36 months from the date of grant or until the term loan has been fully repaid, whichever is longer (subject to approvals pursuant to relevant regulatory requirements).

(ii) A USD45.0 million 6-year secured term loan facility to Armada Floating Gas Storage Malta Ltd which was used to repay the secured bridge loan on 11 October 2019.

The weighted contractual interest/profit rates per annum of borrowings that were effective as at the end of the financial year are as follows:

	Group	
	2019	**2018**
	%	**%**
Revolving credits	-	4.83
Term loans	5.37	4.94
Sukuk Murabahah	6.35	6.35

32 BORROWINGS (CONTINUED)

Group	Interest/profit rate terms	Currency exposure	Total carrying amount RM'000	Maturity profile <1 year RM'000	1-2 years RM'000	2-5 years RM'000	>5 years RM'000
At 31 December 2019							
Unsecured:							
- term loans	Floating rates vary based on London Interbank Offer Rate ("LIBOR")	USD	2,592,511	301,551	654,560	1,636,400	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years	RM	1,530,146	30,655	-	1,499,491	-
Secured:							
- term loans	Floating rates vary based on LIBOR						
	- others	USD	3,603,393	380,676	374,177	1,400,032	1,448,508
	- AKPL						
	- current	USD	432,564	432,564	-	-	-
	- non-current[(1)]	USD	1,332,047	1,332,047	-	-	-
			9,490,661	2,477,493	1,028,737	4,535,923	1,448,508

(1) As elaborated in Section E – Liquidity risk, the amount due after one year from the reporting date of RM1,332.0 million is reclassified as current liabilities as the project lenders of AKPL have the right to issue a cancellation notice for a full prepayment of the loan as at the financial year ended 31 December 2019.

32 BORROWINGS (CONTINUED)

Group	Interest/profit rate terms	Currency exposure	Total carrying amount RM'000	Maturity profile <1 year RM'000	1-2 years RM'000	2-5 years RM'000	>5 years RM'000
At 31 December 2018							
Unsecured:							
- term loans	Floating rates vary based on London Interbank Offer Rate ("LIBOR")	USD	1,577,959	1,577,959	-	-	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years						
	- current	RM	30,655	30,655	-	-	-
	- non-current[(1)]	RM	1,499,352	1,499,352	-	-	-
- revolving credits	Floating rates vary based on LIBOR	USD	915,602	915,602	-	-	-
	Floating rates vary based on cost of funds ("COF")	USD	331,310	331,310	-	-	-
Secured:							
- term loans	Floating rates vary based on LIBOR						
	- others	USD	3,833,738	516,554	332,656	1,128,514	1,856,014
	- AKPL						
	- current	USD	409,019	409,019	-	-	-
	- non-current[(1)]	USD	1,782,895	1,782,895	-	-	-
			10,380,530	7,063,346	332,656	1,128,514	1,856,014

(1) As elaborated in Section E – Liquidity risk, the amounts due after one year from the reporting date of RM1,499.4 million and RM1,782.9 million are reclassified as current liabilities as the Group has not met the financial covenant of net debt over EBITDA for the financial year ended 31 December 2018 and the project lenders of AKPL have the right to issue a cancellation notice for a full prepayment of the loan.

33 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2019		2018	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Derivatives used for hedging:				
- Interest rate swaps	13,300	(29,308)	128,820	(7,643)
- Cross currency interest rate swaps	2,086	(430,692)	2,044	(425,700)
Total	15,386	(460,000)	130,864	(433,343)
Non-current portion				
Derivatives used for hedging:				
- Interest rate swaps	5,014	(24,962)	65,060	(7,044)
- Cross currency interest rate swaps	1,484	(424,596)	-	-
	6,498	(449,558)	65,060	(7,044)
Current portion				
- Interest rate swaps	8,286	(4,346)	63,760	(599)
- Cross currency interest rate swaps	602	(6,096)	2,044	(425,700)
	8,888	(10,442)	65,804	(426,299)

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the maturity of the hedged item is less than 12 months.

As at 31 December 2019, the net derivative financial liabilities of the Group amounted to RM444.6 million on re-measuring the fair values of the derivative financial instruments. Of the increase of RM142.1 million from the previous financial year ended 31 December 2018, a net amount of RM142.1 million was included in the cost of hedging reserve and cash flow hedge reserve (collectively "hedging reserve") attributable to the Group. Share of hedging reserve in the joint ventures of RM4.3 million was included in the hedging reserve.

RM19.1 million was reclassified to the statements of profit or loss to offset the foreign exchange loss which arose from the weakening of RM against USD, and RM6.4 million was recycled to profit or loss which was included in finance cost. This has resulted in a decrease in the credit balance of hedging reserve to a debit balance as at 31 December 2019 by RM171.9 million.

As at 31 December 2018, the Group recognised net derivative financial liabilities of RM302.5 million on remeasuring the fair values of the derivative financial instruments. Of the decrease of the RM53.0 million from the previous financial year, a net amount of RM40.9 million was included in the hedging reserve attributable to the Group and non-controlling interests, and RM11.3 million was recycled to profit or loss within finance costs.

33 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group's cash flow hedge reserve as at 31 December 2019 and 31 December 2018 represent the effective portion of the deferred fair value losses relating to the derivative financial instruments which qualified for hedge accounting. The gains and losses recognised in the cash flow hedge reserve will be released to profit or loss within finance costs over the period of the underlying borrowings.

(a) Cross currency interest rate swaps ("CCIRS")

A subsidiary whose functional currency is in RM had entered into cross currency interest rate swaps to manage forecasted USD receipts that are highly probable.

The notional principal amounts of the outstanding cross currency interest rate swaps at 31 December 2019 were RM1,500.0 million (2018: RM1,500.0 million).

(b) Interest rate swaps ("IRS")

The notional principal amounts of interest rate swap contracts used to manage the floating interest rate risk arising from term loans were RM3,566.0 million (2018: RM4,102.9 million). These interest rate swap contracts receive fixed interest rates ranging from 1.19% to 2.97% (2018: 1.19% to 2.97%) per annum and they are derived from the underlying bank borrowings.

34 SHARE CAPITAL

	Group and Company			
	Number of shares		Share capital	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
Ordinary shares				
At 1 January	5,870,937	5,866,269	4,314,815	4,311,294
Shares issued pursuant to the management incentive plan	5,588	4,668	4,214	3,521
At 31 December	5,876,525	5,870,937	4,319,029	4,314,815

35 EMPLOYEE SHARE OPTIONS SCHEME

The Company implemented an Employees' Share Options Scheme ("ESOS" or "Scheme") which came into effect on 28 June 2011 for a period of 10 years to 27 June 2021. The ESOS is governed by the By-Laws which were approved by the shareholders on 18 June 2011. The main features of the Scheme are as follows:

(a) An eligible employee shall pay a sum of RM1.00 as consideration for the acceptance of the share options offer. An option shall be exercisable at a price which is the weighted average of the market price quotation of the shares for the five (5) market days immediately preceding the date on which the options are granted, rounded to the nearest sen, or the par value of the shares, whichever is higher.

(b) Unless otherwise determined by our Board (or such other committee appointed by our Board to administer the ESOS), each option shall become exercisable, to the extent of one-third of the shares covered thereby, on each of the first three (3) anniversaries of the date of grant, if the holder of such option shall have been in the continuous service of the Company or its subsidiaries that are not dormant throughout such period. No options shall be exercisable if the exercise of such options would violate any provision of applicable laws, nor shall any options be exercisable more than ten (10) years from the date on which the Scheme became effective.

(c) No option shall be granted pursuant to the ESOS on or after the 10th anniversary of the date on which the Scheme became effective.

(d) The new shares issued upon the exercise of an option will be subject to all the provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and shall rank pari passu in all respects with the then existing issued ordinary shares of the Company, save that they will not entitle the holders thereof to receive any rights or bonus issue or dividends or distributions the entitlement date of which precedes the date of the issue of such new shares.

(e) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual employee or Executive Director who, either singly or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company. The Company is in compliance with the requirements regarding the options granted to the Executive Directors and senior management during the financial year.

35 EMPLOYEE SHARE OPTIONS SCHEME (CONTINUED)

The fair value as at the grant date of share options granted was determined using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used were as follows:

2014

Dividend yield (%)	0.78% to 1.66%
Expected volatility (%)	27.1% to 29.8%
Risk-free interest rate (%)	3.11% to 3.57%
Expected life of options (years)	1 to 4 years
Share price at date of grant (RM)	1.83 to 2.39
Exercise price of options (RM)	1.83 to 2.39
Fair value of options at date of grant (RM)	0.26 to 0.50

The expected average life of options is based on historical information, which may not necessarily be indicative of the future exercise pattern that may occur. The expected volatility reflects the assumptions based on the historical volatility on the assumptions that this is indicative of future trends which may also not necessarily be the actual outcome.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Average exercise price per share option (RM)	**Options ('000)**	**Average exercise price per share option (RM)**	**Options ('000)**
At 1 January	2.39	15,350	2.32	30,423
Forfeited	2.39	(15,350)	2.26	(15,073)
At 31 December	-	-	2.39	15,350

During the financial year, 15,350,233 outstanding options expired without being exercised, and therefore were forfeited.

As at 31 December 2018, out of the 15,350,233 outstanding options, all were exercisable as at the end of the reporting period.

There were no options exercised during the financial year ended 31 December 2019 and 31 December 2018.

35 EMPLOYEE SHARE OPTIONS SCHEME (CONTINUED)

Share options outstanding as at the end of the financial year have the following expiry dates and exercise prices:

Grant/Vest	Expiry date	Exercise price in RM per share option		Share options ('000)	
		2019	2018	2019	2018
2014/2015	2019	-	2.39	-	4,605
2014/2016	2019	-	2.39	-	4,605
2014/2017	2019	-	2.39	-	6,140
				-	15,350

With the establishment of the Management Incentive Plan which came into effect on 10 October 2016 (Note 36), the Company has ceased awarding further options under the Scheme.

36 MANAGEMENT INCENTIVE PLAN

The Company established a Management Incentive Plan ("MIP" or "Plan") which came into effect on 10 October 2016 for a period of 10 years to 9 October 2026 and is administered by the MIP Committee. The MIP is governed by the By-Laws which were approved by the shareholders on 23 May 2016.

The main features of the Plan are as follows:

(a) The grant of shares is subject to certain vesting conditions and after fulfilment of certain performance targets and/or other conditions as determined by the MIP Committee in accordance with the By-Laws. The MIP Committee may in its absolute discretion permit the vesting of the unvested shares (or any part thereof) to the MIP participants subject to such terms and conditions as may be prescribed notwithstanding that:

   (i) The vesting date is not due or has not occurred; and/or
   (ii) Other terms and conditions set forth in the grant have not been fulfilled/satisfied.

(b) In the event of termination or cessation of employment prior to the relevant vesting date, any unvested granted shares shall forthwith cease to be capable of vesting.

(c) The new shares to be allotted and issued pursuant to the vesting of the grant under the MIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued shares. The new shares to be allotted and issued pursuant to the vesting of the grant under the MIP shall not be entitled to any voting rights, dividends, rights, allotments, distributions and/or any other entitlements, for which the entitlement date is prior to the date on which the new shares are credited into the CDS Accounts of the respective grantees.

(d) The maximum number of the Company's shares which may be made available under the Plan shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 10% of the total number of shares of the Company (excluding treasury shares) at any point of time within the duration of the MIP for a period of 10 years commencing from 10 October 2016 during the MIP period ("Maximum Shares").

36 MANAGEMENT INCENTIVE PLAN (CONTINUED)

The main features of the Plan are as follows: (continued)

(e) The maximum number of shares that are to be allocated to any one category or designation of selected employees shall be determined by the MIP Committee from time to time. The allocation to any individual selected employee who, either singly or collectively through persons connected with him/her, holds 20% or more of the total number of shares of the Company (excluding treasury shares), shall not exceed 10% of the Maximum Shares.

2017 MIP Grant ("1st Grant")

On 2 June 2017, the Company offered and granted 41,152,400 shares under the Plan, comprising of annual grant of up to 26,237,800 shares and a 3-year grant of up to 14,914,600 shares.

The fair value as at grant date of the 1st Grant shares offered and granted under the Plan was RM0.7543 per share, based on the Volume Weighted Average Price ("VWAP") of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad, on the grant date, as reported on Bloomberg.

Annual grant

During the financial year ended 31 December 2018, 14,002,900 shares for annual grant were awarded to eligible employees and the Executive Director of the Group upon fulfilment of certain performance targets and/or other conditions as determined by the MIP Committee in accordance with the By-Laws. These shares will be vested annually over a period of 10 years and forfeited in the event of termination or cessation of employment prior to the next vesting date.

The movement of the number of eligible shares for annual grant under 1st Grant during the financial year is as follows:

	Group and Company				
	Number of shares awarded as at 1 January '000	**Awarded '000**	**Vested '000**	**Forfeited '000**	**Number of shares awarded as at 31 December '000**
2019					
MIP 1st grant:					
Annual grant	8,359	-	(5,588)	(659)	2,112
2018					
MIP 1st grant:					
Annual grant	-	14,003	(4,668)	(976)	8,359

36 MANAGEMENT INCENTIVE PLAN (CONTINUED)

2017 MIP Grant ("1st Grant") (continued)

3-year grant

As at 31 December 2018, the maximum number of eligible shares for the 3-year grant is 11,732,800 shares. The performance targets and vesting conditions for the 3-year grant were not met. Hence, there were no shares awarded during the financial year.

2018 MIP Grant ("2nd Grant")

On 4 June 2018, the Company further offered and granted an annual grant of 37,451,700 shares under the Plan. As at 31 December 2018, the maximum number of eligible shares granted is 837,100 shares.

The fair value as at grant date of the 2nd Grant shares offered and granted under the Plan was RM0.7527 per share, based on the VWAP of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad, on the grant date, as reported on Bloomberg.

Annual grant

As at 31 December 2018, the vesting conditions for the 2nd Grant shares were not met. Hence, there were no shares awarded.

2019 MIP Grant ("3rd Grant")

On 1 July 2019, the Company further offered and granted 47,214,600 shares under the Plan, comprising of annual grant of 14,964,200 shares and a 2-year grant of 19,952,300 shares to the CEO of the Company, as well as a 3-year share plan of up to 12,298,100 shares to the eligible key management and employees.

The fair value as at grant date of the 3rd Grant shares offered and granted under the Plan was RM0.2095 per share, based on the VWAP of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad, on the grant date, as reported on Bloomberg.

As at 31 December 2019, there were no award of 3rd Grant shares during the financial year as the vesting condition has yet to be met.

37 RESERVES

(a) Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities that have functional currency different from the Group's presentation currency.

(b) Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options by the Company. The fair value, measured at grant date of the share options granted to these employees is recognised as an employee expense in profit or loss with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options.

(c) Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the cost of hedging reserve.

The Group defers the changes in the forward element of CCIRS in the costs of hedging reserve.

		Cash flow hedge reserve		
	Cost of hedging reserve RM'000	**Spot component of CCIRS RM'000**	**IRS RM'000**	**Total hedging reserve RM'000**
2019				
At 1 January	(66,302)	(5,956)	130,533	58,275
Other comprehensive income ("OCI"):				
Change in fair value	-	(35,554)	(147,834)	(183,388)
Costs of hedging deferred in OCI	11,479	-	-	11,479
At 31 December	(54,823)	(41,510)	(17,301)	(113,634)
2018				
At 1 January	(99,116)	(41,732)	100,591	(40,257)
Other comprehensive income ("OCI"):				
Change in fair value	-	35,776	29,943	65,719
Costs of hedging deferred in OCI	32,814	-	-	32,814
Changes in non-controlling interest	-	(1)	(1)	-
At 31 December	(66,302)	(5,956)	130,533	58,275

37 RESERVES (CONTINUED)

(d) Other reserves

Other reserves represent the fair value change in financial assets at FVOCI amounting to RM8.9 million (2018: RM1.3 million).

38 COMMITMENTS

(a) Capital expenditure for property, plant and equipment not provided for in the financial statements is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Authorised and contracted	41,210	25,160	251	-
Authorised but not contracted	44,873	22,625	1,318	6,361
	86,083	47,785	1,569	6,361

(b) Commitments for amounts payable under operating leases

The Group and the Company have entered into lease arrangements (classified as operating leases) for various offices and warehouses, and office equipment with remaining durations varying from 1 to 6 years and 0 to 1 year respectively (2018: 1 to 7 years and 1 to 2 years respectively).

From 1 January 2019, the Group and the Company recognised ROU assets for these leases, except for short term leases (refer Note 31).

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
- payable within one year	186	7,264	-	4,639
- payable later than one year and no later than five years	-	8,547	-	2,656
	186	15,811	-	7,295

39 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of the Group and the Company are:

(a) Subsidiaries

Details of the subsidiaries are shown in Note 12.

(b) Joint ventures

Details of the joint ventures are shown in Note 13.

(c) Associates

Details of the associates is shown in Note 14.

(d) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Directors of the Company and certain members of senior management of the Group and of the Company.

Usaha Tegas Sdn. Bhd. ("UTSB") is a party related to the Company by virtue of its substantial equity interest in Objektif Bersatu Sdn. Bhd. ("OBSB"), a substantial shareholder of the Company. The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have an interest in the shares of the Company through UTSB's deemed interest in OBSB, they do not have any economic or beneficial interest in such shares as such interest is held subject to the terms of such discretionary trust.

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions agreed with related parties.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(i) Management and engineering assistance services charged to joint ventures				
- revenue	(9,923)	(11,351)	-	-
- other operating income	(24,879)	-	-	-
(ii) Telecommunication expenses to Maxis Broadband Sdn. Bhd.[(2)]	430	693	-	-
(iii) Rental to Malaysian Landed Property Sdn. Bhd.[(3)]	5,196	7,690	5,196	7,690
(iv) Transactions with UTSB Management Sdn. Bhd.[(1)]				
- management fees	7,825	6,905	7,825	6,905
(v) Transaction with Mezzanine Equities N.V.[(1)]				
- term loan facility	(309,726)	-	-	-
(vi) Advances to an associate	125,631	-	-	-
(vii) Transaction with key management:				
Key management personnel compensation:				
- Non-executive Directors' fees	1,907	2,077	1,907	2,077
- salaries, bonus, allowances and other staff related costs	14,076	15,606	11,377	15,606
- defined contribution plan	382	280	236	280
- share-based payment	4,245	1,526	4,245	1,526
(viii) Management fees charged to subsidiaries				
- revenue	-	-	(8,403)	(9,739)
(ix) Central overhead fees charged:				
- subsidiaries	-	-	(97,889)	(146,476)
- joint ventures	-	-	-	-
(x) Payment on behalf of:				
- subsidiaries	-	-	3,918	11,146
- joint ventures	482	3,197	246	741
(xi) Repayment on behalf by subsidiaries	-	-	(16,456)	(15,634)

(1) Subsidiary of UTSB, a substantial shareholder of the Company.
(2) Subsidiary of a joint venture, in which UTSB has a significant equity interest.
(3) Subsidiary of a company in which TAK has a 100% equity interest.

40 FAIR VALUES

The carrying amounts of financial assets and financial liabilities of the Group as at the reporting date approximated their fair values except as set out below:

Group	Carrying amount		Fair value	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance lease receivables	4,961,598	5,168,459	5,622,626	5,903,289
Amount due from a joint venture	22,857	26,069	58,423	51,976
Amount due from an associate	122,730	-	115,365	-
Fixed rate Sukuk Murabahah (Note 32)	1,530,146	1,530,007	1,548,652	1,500,230

The fair value of finance lease receivables, amounts due from joint ventures, amount due from an associate and the fixed rate Sukuk Murabahah are within Level 3 of the fair value hierarchy.

The Group estimates the fair value of finance lease receivables, amount due from a joint venture, amount due from an associate and the fixed rate Sukuk Murabahah by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The discount rates to determine fair value of finance lease receivables, amount due from a joint venture, amount due from an associate and the fixed rate Sukuk Murabahah range between 5.60% and 11.00% respectively (2018: 6.35% and 11.00% respectively).

The Group believes that its estimate of fair value is appropriate and the use of different methodologies or assumptions could lead to different measurement of fair value.

41 CONTINGENT LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank guarantees extended to third parties	80,070	149,162	80,070	95,972

42 MATERIAL LITIGATION

Save as disclosed below, as at 31 December 2019, neither the Company nor any of its subsidiaries were involved in any material litigation, claims or arbitration, and the Company and its subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against the Company and its subsidiaries:

In the Supreme Court of Western Australia between Armada Balnaves Pte Ltd and Woodside Energy Julimar Pty Ltd

The matter arose out of a dispute between Armada Balnaves Pte Ltd ("ABPL"), a wholly-owned subsidiary, and Woodside Energy Julimar Pty Ltd ("WEJ") in relation to a contract for the provision of floating production storage and offloading services dated 30 September 2011 ("Contract"). On 4 March 2016, WEJ purported to terminate the Contract by issuing a notice of termination to ABPL. ABPL considered this purported termination by WEJ tantamount to a cancellation for convenience, or a repudiation of the Contract, either of which entitles ABPL to claim damages.

On 14 March 2016, ABPL commenced a writ action in the Supreme Court of Western Australia ("Supreme Court") against WEJ for, inter alia, (i) a declaration that WEJ was in repudiatory breach of the Contract and (ii) damages for WEJ's breach of the Contract. The trial for this matter commenced at the Supreme Court on 18 February 2019 and concluded on 27 March 2019. Judgment was delivered by the Supreme Court on 24 January 2020 as summarised below:

1. The Supreme Court ruled in favour of WEJ on ABPL's main claim of repudiation of the Contract.
2. ABPL was found to be entitled to a payment of USD2,000,050 for unpaid milestone claims and AUD341,165.29 for unpaid invoices. ABPL was found to be required to pay WEJ AUD1,567,302.20 for reimbursement of miscellaneous charges.

The Supreme Court issued the final orders on the judgment on 20 February 2020. ABPL filed an appeal against the Supreme Court's decision at the Court of Appeal on 11 March 2020.

43 FINANCIAL INSTRUMENTS BY CATEGORY

Analysis of the financial instruments for the Group is as follows:

	Financial assets at amortised cost RM'000	Derivatives used for hedging RM'000	FVOCI RM'000	Total RM'000
At 31 December 2019				
Financial assets:				
Finance lease receivables	4,961,598	-	-	4,961,598
Accrued lease rental	81,821	-	-	81,821
Derivative financial instruments	-	15,386	-	15,386
Financial assets at fair value through other comprehensive income	-	-	22,986	22,986
Trade receivables	416,786	-	-	416,786
Other receivables and deposits excluding prepayments	71,532	-	-	71,532
Amounts due from joint ventures	63,268	-	-	63,268
Amounts due from associates	131,469	-	-	131,469
Deposits, cash and bank balances	1,094,376	-	-	1,094,376
	6,820,850	15,386	22,986	6,859,222

	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2019			
Financial liabilities:			
Trade payables and accruals	-	265,982	265,982
Other payables and accruals excluding non-refundable advances from customers and statutory liabilities	-	249,237	249,237
Lease liabilities - lessee	-	7,114	7,114
Borrowings	-	9,490,661	9,490,661
Amounts due to joint ventures	-	1,550	1,550
Amount due to an associate	-	725	725
Derivative financial instruments	460,000	-	460,000
	460,000	10,015,269	10,475,269

43 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Analysis of the financial instruments for the Group is as follows: (continued)

	Financial assets at amortised cost RM'000	Derivatives used for hedging RM'000	FVOCI RM'000	Total RM'000
At 31 December 2018				
Financial assets:				
Finance lease receivables	5,168,459	-	-	5,168,459
Accrued lease rental	315,555	-	-	315,555
Derivative financial instruments	-	130,864	-	130,864
Financial assets at fair value through other comprehensive income	-	-	15,158	15,158
Trade receivables	755,283	-	-	755,283
Other receivables and deposits excluding prepayments	41,863	-	-	41,863
Amounts due from joint ventures	56,124	-	-	56,124
Deposits, cash and bank balances	1,226,424	-	-	1,226,424
	7,563,708	130,864	15,158	7,709,730

	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2018			
Financial liabilities:			
Trade payables and accruals	-	563,527	563,527
Other payables and accruals excluding non-refundable advances from customers and statutory liabilities	-	341,421	341,421
Borrowings	-	10,380,530	10,380,530
Amounts due to joint ventures		34,667	34,667
Derivative financial instruments	433,343	-	433,343
	433,343	11,320,145	11,753,488

43 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been identified as follows:

- 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 (that is, as price) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active market is based on quoted market price at the reporting date. This instrument is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows that are used to determine fair value for the derivative financial instruments. The fair value of cross currency interest rate swaps and interest rate swaps are calculated as the present value of the estimated future cash flows.

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2019:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	-	13,300	-	13,300
- Cross currency interest rate swaps	-	2,086	-	2,086
Financial assets at fair value through other comprehensive income	22,986	-	-	22,986
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(29,308)	-	(29,308)
- Cross currency interest rate swaps	-	(430,692)	-	(430,692)

43 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2018:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	-	128,820	-	128,820
- Cross currency interest rate swaps	-	2,044	-	2,044
Financial assets at fair value through other comprehensive income	15,158	-	-	15,158
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(7,643)	-	(7,643)
- Cross currency interest rate swaps	-	(425,700)	-	(425,700)

Analysis of the financial instruments for the Company is as follows:

	2019 RM'000	2018 RM'000
Financial assets measured at amortised cost:		
Other receivables and deposits excluding prepayments	1,816	2,386
Amounts due from subsidiaries	514,861	417,099
Amounts due from joint ventures	860	19,529
Deposits, cash and bank balances	107,779	59,303
	625,316	498,317
Financial liabilities measured at amortised cost:		
Other payables and accruals excluding statutory liabilities	20,175	26,524
Lease liabilities – lessee	2,059	-
Amounts due to subsidiaries	14,976	45,147
Amount due to a joint venture	1,472	1,217
	38,682	72,888

The carrying amounts of financial instruments of the Group and of the Company with a maturity of less than one year at the reporting date are assumed to approximate their fair values.

44 ADOPTION OF MFRS 16

During the financial year, the Group and the Company changed its accounting policies on leases upon adoption of MFRS 16. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019 (date of initial application ("DIA")). The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretations 4 "Determining whether an Arrangement Contains a Lease".

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at DIA.

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the DIA. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying MFRS 117 and IC Interpretations 4.

(a) The Group as a lessee

Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019, being the Group's weighted average borrowing rate.

The associated ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset as at 1 January 2019; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Leases classified as finance leases under MFRS 117

As a lessee, the Group does not have leases classified as finance leases under MFRS 117.

44 ADOPTION OF MFRS 16 (CONTINUED)

(b) The Group as a lessor

There is no impact to the Group as a lessor as the Group does not act as a sub-lessor.

(c) Adjustment as at 1 January 2019

As at 1 January 2019, the adoption of MFRS 16 has affected the following items:

	Group RM'000	Company RM'000
Increase/(decrease)		
Property, plant and equipment	11,709	7,052
(Increase)/decrease		
Lease liabilities	(11,709)	(7,052)

There is no impact to the Group and Company's retained earnings on 1 January 2019.

(d) Measurement of lease liabilities on 1 January 2019

The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.0% per annum.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	Group RM'000	Company RM'000
Operating lease commitments disclosed as at 31 December 2018	15,811	7,295
Less:		
Short-term leases recognised on a straight-line basis as expense	(1,088)	-
Discounted using the Group's incremental borrowing rate on 1 January 2019	(3,014)	(243)
Lease liabilities on adoption of MFRS 16 as at 1 January 2019	11,709	7,052
Of which:		
Current lease liabilities	5,766	4,876
Non-current lease liabilities	5,943	2,176
	11,709	7,052

45 ADOPTION OF MFRS 9 AND MFRS 15

This note explains the impact of the adoption of MFRS 9 and MFRS 15 from 1 January 2018 on the Group's financial statements for the financial year ended 31 December 2018. The summary of the impact to the Group's retained earnings as at 1 January 2018 is as follows:

		Retained earnings RM'000
Opening as at 1 January 2018		109,991
Impact of adoption of MFRS 9		
Accounting for ECL	(a)	(15,473)
Impact of adoption of MFRS 15		
Accounting for additional performance obligation identified	(b)(i)	(21,029)
Accounting for costs incurred in obtaining a contract	(b)(ii)	(27,373)
		46,116

(a) MFRS 9 "Financial instruments"

The Group has applied MFRS 9 with the date of initial application of 1 January 2018. The standard is applied retrospectively. In accordance with the transitional provisions provided in MFRS 9, comparative information of 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139, with the exception of certain aspects of hedge accounting. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Section C of the Preface to the Financial Statements.

Classification and measurement

On 1 January 2018, the Group has assessed which business models apply to the financial assets held by the Group and reviewed the classification of its financial instruments into the appropriate MFRS 9 categories. There are no changes to the classification and measurement of the financial instruments except for reclassification of available-for-sale financial assets to financial assets at FVOCI. See Note 15 for details.

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(a) MFRS 9 "Financial instruments" (continued)

Derivatives and hedging activities

The IRS and CCIRS in place as at 1 January 2018 qualified as cash flow hedges under MFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of MFRS 9 and these relationships are therefore treated as continuing hedges.

For the foreign currency portion of CCIRS, the Group only designates the spot component of the change in fair value in cash flow hedge relationships. The spot component is determined with reference to the relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as foreign currency basis spread. It is discounted, where material. Changes in fair value related to the foreign currency basis spread were accounted for under hedge accounting and recognised through the OCI prior to 1 January 2017.

Since the adoption of MFRS 9, the Group recognises changes in the fair value of CCIRS attributable to foreign currency basis spread in the costs of hedging reserve within equity, resulting in a reclassification of a loss of RM73.3 million and RM126.1 million from cash flow hedge reserve to the costs of hedging reserve and spot component of CCIRS respectively as at 1 January 2017.

Impairment of financial assets

The Group has replaced its impairment methodology of financial assets with the forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured either via the simplified approach or the general approach (incorporating 12-month ECL and Lifetime ECL). See Section E – Credit risk for the measurement details of ECL.

The total impact on adoption of ECL model to the Group's reserves as at 1 January 2018 is as follows:

	Without adoption of MFRS 9 RM'000	**Effect of MFRS 9 RM'000**	**With adoption of MFRS 9 RM'000**
Consolidated Statement of Financial Position as at 1 January 2018			
Trade receivables	727,153	(4,091)	723,062
Accrued lease rental	372,945	(11,382)	361,563
Reserves	(1,186,035)	15,473	(1,170,562)

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(b) MFRS 15 "Revenue from Contracts with Customers"

The Group has applied MFRS 15 with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

In addition, the Group has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The main changes arising from the adoption of MFRS 15 are as follows:

(i) Accounting for additional performance obligations identified

MFRS 15 requires the identification of performance obligations within a contract and to allocate the transaction price to the performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. In assessing the impact of MFRS 15, the Group has allocated the transaction price to each performance obligation (or distinct good or service) by considering all information that is reasonably available to the Group, as further elaborated in Section C(I). The point at which revenue is recognised for each performance obligation may vary depending on when control of each good or service is transferred to the customer. The assessment has been performed for the Group and joint ventures.

(ii) Accounting for certain costs incurred in obtaining a contract

Under MFRS 15, costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is awarded to the Group.

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(b) MFRS 15 "Revenue from Contracts with Customers" (continued)

The following table shows the adjustments recognised for each affected financial statement line items from the adoption of the new MFRSs and the effect of each financial statement line item if the new MFRSs were not adopted. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

		Without adoption of MFRS 15 RM'000	Effect of MFRS 15 RM'000	As presented RM'000
Consolidated Statement of Income for the financial year ended 31 December 2018				
Revenue	(i)	2,431,859	(13,120)	2,418,739
Selling and distribution costs	(ii)	(21,990)	(7,965)	(29,955)
Share of results of joint ventures	(i)	174,722	(8,473)	166,249
Loss for the financial year		(2,289,590)	(29,558)	(2,319,148)
Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2018				
Foreign currency translation differences		144,169	(1,836)	142,333
Consolidated Statement of Financial Position as at 31 December 2018				
Investment in joint ventures	(i)	1,044,686	(21,816)	1,022,870
Other receivables, deposits and prepayments	(ii)	78,398	(19,588)	58,810
Contract assets	(i)	-	49,664	49,664
Amounts due from customers on contract	(i)	45,805	(45,805)	-
Contract liabilities	(i)	-	(42,251)	(42,251)
Reserves		871,782	79,796	951,578

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(b) MFRS 15 "Revenue from Contracts with Customers" (continued)

As explained above, MFRS 15 was adopted without restating the comparative information. The adjustments arising from the adoption are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017 but are recognised in the opening consolidated statement of financial position on 1 January 2018. The impact of MFRS 15 on the Group's financial position as at 1 January 2018 is as follows:

		Without adoption of MFRS 15 RM'000	Effect of MFRS 15 RM'000	With adoption of MFRS 15 RM'000
Consolidated Statement of Financial Position as at 1 January 2018				
Investment in joint ventures	(i)	668,967	(12,878)	656,089
Other receivables, deposits and prepayments	(ii)	68,249	(27,373)	40,876
Contract assets	(i)	-	12,448	12,448
Amounts due from customers on contract	(i)	8,745	(8,745)	-
Contract liabilities	(i)	-	(11,854)	(11,854)
Reserves		(1,186,035)	48,402	(1,137,633)

46 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No material events have arisen subsequent to the end of the financial year except as follows:

(a) On 24 January 2020, the Supreme Court of Western Australia has ruled in favour of WEJ on ABPL's claim of the repudiation of the contract for the provision of floating production storage and offloading services dated 30 September 2011.

The judgment is disclosed in Note 42.

(b) In February 2020, the project lenders of AKPL agreed to remove the risk of having to prepay the loan, the details of which are disclosed in the Preface to the Financial Statements Section E – Liquidity risk.

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 11 March 2020.

STATEMENT BY DIRECTORS

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

We, Gary Neal Christenson and Uthaya Kumar K Vivekananda, two of the Directors of Bumi Armada Berhad, state that, in our opinion, the financial statements set out on pages 84 to 220 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and financial performance of the Group and of the Company for the financial year ended 31 December 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 11 March 2020.

GARY NEAL CHRISTENSON
DIRECTOR

UTHAYA KUMAR K VIVEKANANDA
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Luke Christopher Targett, being the officer primarily responsible for the financial management of Bumi Armada Berhad, do solemnly and sincerely declare that the financial statements set out on pages 84 to 220 are, in my opinion, 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.

LUKE CHRISTOPHER TARGETT

Subscribed and solemnly declared by the abovenamed Luke Christopher Targett in Kuala Lumpur on 11 March 2020, before me:

TAN SEOK KETT
COMMISSIONER FOR OATHS

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Bumi Armada Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 84 to 220.

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 opinion.

Independence and other ethical responsibilities

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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

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 financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Assessment for the recoverable amounts of vessels *Refer to the Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements and Note 11 – Property, plant and equipment.* As at 31 December 2019, the carrying value of vessels and vessel equipment is RM 5,899.3 million, representing 42% of the Group's total assets. The prolonged periods of certain vessels being idle were impairment indicators assessed by management. Accordingly, an assessment was performed in accordance with the requirement of MFRS 136 "Impairment of Assets" ("MFRS 136"). The recoverable amounts for vessels that are laid up are determined based on fair value less costs to sell ("FVLCTS"), and for assets identified for continuing use, these are determined based on value-in-use ("VIU"). An impairment loss of RM41.5 million for Subsea Construction ("SC") Vessels and RM2.2 million for Offshore Support Vessels was recognised during the financial year.	• Evaluated and validated management's assessment for impairment indicators for the vessels based on the financial results during the year. • For vessels with impairment indicators, we have performed the following procedures: In relation to the FVLCTS for vessels that are laid up: • We discussed with management on the basis of the expected selling price and checked the estimated selling price with offers received from potential buyers and/or brokers, where available; • We compared the selling price of recent disposals of vessels against the preliminary offer prices to assess the average loss/gain rates on disposal; • For laid up vessels, we have compared the conditions of these vessels by corroborating to operational and lay up reports from third parties; and • Corroborated internal valuations performed by management with indicative offers from potential buyers and the likely use of the vessel.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Assessment for the recoverable amounts of vessels (continued) We focused on this area as significant estimates and judgements were applied in arriving at the VIU calculations, primarily the likelihood of award of new prospects which underlies the cash flow projections and for FVLCTS, the likelihood of the indicative offers and/or valuations used.	In relation to the VIU for vessels identified for continuing use: • We evaluated the reasonableness of key assumptions used by management in arriving at the projected cash flows (i.e. likelihood of award of tender) by comparing to historical and market data; • We held discussions with management on future prospects of the SC business in its surrounding region; • Understood the likelihood of awards of future prospects and checked the information with bidding document, correspondences with potential customers and scope of work of similar projects performed by the Group; • Compared management's discount rates against the industry's weighted average cost of capital with the assistance from our internal experts; and • Tested the mathematical accuracy of the VIU calculations prepared by management. Based on the procedures performed above, we did not find any material exceptions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of amounts in relation to the services agreement relating to the FPSO vessel Armada Claire with Woodside Energy Julimar Pty Ltd ("Woodside") *Refer to Note 22 – Accrued lease rentals and Note 42 – Material litigation*	
Following the termination of service agreement between Armada Balnaves Pte Ltd ("ABPL") and Woodside Energy Julimar Pty Ltd ("Woodside") on 4 March 2016, ABPL filed a Writ of Summons in the Supreme Court of Western Australia ("Supreme Court") against Woodside on 14 March 2016 in seeking damages due to the repudiation of the Contract. The case went to trial on 18 February 2019. The Supreme Court delivered judgment on 24 January 2020 and issued final charges on 20 February 2020, where the Supreme Court ruled in favour of Woodside on ABPL's main claim of repudiation of the Contract. ABPL has filed an appeal against the Supreme Court's decision at the Court of Appeal on 11 March 2020. Management has assessed the lifetime expected credit losses ("ECL") of the amount by taking into consideration of the likelihood and timing of the Appeal process, quantum of damages claimed and accordingly an impairment of RM233.6 million was made during the year. We gave audit focus to this area in view of the financial implication and judgement involved surrounding the recoverability of the receivables. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements.*	We held discussions with senior management personnel and experts with direct knowledge of the matter and read supporting documents provided to us by management to understand the basis of the appeal to be made by ABPL. Reviewed minutes of discussions between the Board of Directors and the counsels appointed on the appeal process. We reviewed the legal opinion provided to management by the counsels appointed on the basis and prospects of the appeal and corroborated the internal assessment by the Board of Directors. Obtained independent confirmations from the external legal counsels confirming the existence and status of the case and corroborated with management's assessment. We found the information provided and the discussions with the parties described above to be consistent with management's assessment of the quantum and timing of the recoverability of the amount.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group *Refer Preface to the financial statements section B – Basis of Preparation, Preface to the financial statements section D – Critical accounting estimates and judgements, Preface to the financial statements section E – Financial and capital risk management objectives and policies, Note 32 – Borrowings* As at 31 December 2019, the Group's current liabilities position exceeded its current assets by RM1,260.1 million, mainly due to the lender's right to recall the loan due to delays in project completion and non-compliances of project financing. In assessing the liquidity position of the Group, management has considered the below: • Availability of cash flows from operations to meet the investing and financing obligations of the Group; • Ability of the Group to meet the covenants of various financing obligations; and • Effect of the Reservation of Rights ("ROR") Letter dated 19 August 2019 on the Kraken financing. Management has since received the release of ROR as at 26 February 2020 to defer the settlement of the amount of RM1.3 billion loan. We gave audit focus on this as significant judgement and estimates were made in arriving at the cashflow forecast for the next 12 months from the date of approval of the financial statements in assessing the ability of the Group to meet its obligations as and when they arise. In addition, management exercised judgement in assessing the likelihood of meeting certain terms and conditions required by the Lenders as part of the refinancing agreement. The details of the Group's Liquidity Risk have been disclosed in *Preface to the financial statements section E – Financial and capital risk management objectives and policies.*	We read the terms of the agreements and correspondences with the Lenders for the outstanding borrowings, including the new Facility Agreement ("FA") for refinancing of RM1.6 billion term loan and RM1.3 billion revolving credit facilities dated 23 April 2019, to: • Understand the obligations and undertakings of the Group, including the CPs requirement; and • Understand the rights of the lenders. We have tested the key assumptions underlying the Group's cash flow forecast for the next 12 month from the date of approval of the financial statements and assessed the reasonableness of management's assessment that the Group has the ability to fund its obligations, while taking into consideration sources of funding available to the Group as and when they arise. In assessing the source of funding, we have checked to available correspondences and documents. We have also independently performed a sensitivity analysis of the Group's key assumptions underlying its cash flow position over the next 12 months and discussed the outcome of the sensitivity analysis with management. We checked the compliance of debt covenants of the project financing and borrowings to the relevant disclosures made in the financial statements for consistency. We assessed the adequacy of disclosures made in the financial statements. Based on the procedures performed, the information provided was consistent with the assessment of the liquidity position of the Group as approved by the Board of Directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Bumi Armada Berhad - Recoverability of investment in subsidiaries and amounts due from subsidiaries *Refer to Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements, and Note 12 - Investments in subsidiaries and Note 25 - amounts due from subsidiaries.*	
As at 31 December 2019, the Company's amounts due from subsidiaries and investments in subsidiaries amounted to RM0.5 billion and RM4.5 billion respectively. The Company recognised an impairment loss on these balances amounting to RM1.9 billion as at the year end based on impairment triggers identified, resulting in a shortfall in projected cashflows. We gave audit focus and attention to this area considering the material amounts involved and significant management judgement required in determining the future cash flow from the subsidiaries. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements.*	We evaluated the reasonableness of the key assumptions that affected the amount and timing of cash flows available to the subsidiaries for repayment of the amounts due. These key assumptions include the achievability of the underlying operating cashflows, discount rate and the ability to monetise the Offshore Marine Services ("OMS") assets for satisfactory repayment of contractual loans. These key assumptions were checked against historical trends, contracts with customers and the expected fair value less costs to sell of vessels. We held discussions with management to understand the underlying assumptions of the respective future cash flows used to determine the recoverable amounts of the amounts due from subsidiaries. We have also considered other contractual obligations of the subsidiaries to pay cash that have priority for repayment over the amounts due. Based on the above, our evaluation of the recoverability of the cost of investments and amounts due from subsidiaries is consistent with management's assessment.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company 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 the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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, the Directors are 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 the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout 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 of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' 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 on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 Directors 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 the Directors, 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 financial 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUMI ARMADA BERHAD

(Incorporated in Malaysia) (Registration No. 199501041194 (370398-X))

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

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.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SUBATHRA A/P GANESAN
03020/08/2020 J
Chartered Accountant

Kuala Lumpur
11 March 2020

ANALYSIS OF SHAREHOLDINGS

as at 6 April 2020

Issued Shares : 5,876,524,744
Voting Right : One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS BASED ON THE RECORD OF DEPOSITORS

	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
Size of Shareholdings	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**
1 - 99	528	10	8,155	289	0.00	0.00
100 - 1,000	2,013	22	1,191,187	13,950	0.02	0.00
1,001 - 10,000	10,653	86	60,694,416	531,779	1.03	0.01
10,001 - 100,000	9,905	150	374,655,160	6,407,909	6.38	0.11
100,001 - 293,826,236*	2,166	185	2,178,910,383	703,518,516	37.08	11.97
293,826,237 and above**	2	-	2,550,593,000	-	43.40	-
Total	25,267	453	5,166,052,301	710,472,443	87.91	12.09

* Less than 5% of Issued Shares
** 5% and above of Issued Shares

ANALYSIS BY CATEGORY OF SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS

	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
Category of Shareholders	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**
Individual	18,964	196	1,008,061,460	39,373,753	17.15	0.67
Banks/Finance Companies	25	-	808,622,750	-	13.76	-
Investment Trusts/Foundation/ Charities	1	-	270,000	-	0.00	-
Other Types of Companies	177	3	2,445,920,406	153,200	41.62	0.00
Government Agencies/Institutions	1	-	750,000	-	0.01	-
Nominees	6,099	254	902,427,685	670,945,490	15.36	11.42
Total	25,267	453	5,166,052,301	710,472,443	87.91	12.09

ANALYSIS OF SHAREHOLDINGS

as at 6 April 2020

DIRECT AND DEEMED INTERESTS IN THE COMPANY AND/OR ITS RELATED CORPORATIONS

Direct and deemed Interests in the issued shares and options over unissued shares in the Company and in its related corporations as at 6 April 2020 are set out below:

1. Directors

	Direct		Deemed	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Tunku Ali Redhauddin ibni Tuanku Muhriz	20,000[1]	0.000	-	-
Alexandra Schaapveld	900,000[2]	0.015	-	-
Chan Chee Beng	2,511,200[3]	0.043	-	-

(1) Held through a nominee, namely Maybank Securities Nominees (Tempatan) Sdn Bhd

(2) Held through a nominee, namely CIMSEC Nominees (Asing) Sdn Bhd

(3) Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn Bhd

2. Senior Management

	Direct		Deemed	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Megat Zariman Bin Abdul Rahim	125,300	0.002	-	-
Sasha Vijayananthan	200,000	0.003	-	-
Mark Andrew Newby	125,300	0.002	-	-

The Senior Management have indirect interest in the securities of the Company by virtue of their shares under the Management Incentive Plan ("MIP")

	2017 Annual Grant[1]	Grant over 2-year[2]	Annual Grant[3]	2019 Annual Grant[4]
Gary Neal Christenson[5]	-	Up to 19,952,300	Up to 14,964,200	-
Luke Christopher Targett	-	-	-	Up to 877,100
Megat Zariman Bin Abdul Rahim	150,200	-	-	-
Gary Leong Wei Kit	-	-	-	-
Sasha Vijayananthan	330,000	-	-	Up to 488,600
Mark Andrew Newby	100,100	-	-	Up to 729,700
Stephen Matthew Williamson	-	-	-	Up to 534,600

(1) The 2017 Annual Grant has been awarded upon fulfillment of vesting conditions and individual performance target. One-third (1/3) of the awarded MIP shares has been vested in April 2019. The remaining unvested shares have been parked under a "Bonus Bank" and one-third (1/3) of the unvested shares will become vested annually. The next vesting will be occurring on or after 1 April 2020.

(2) For the Grant over a 2-year period, the MIP Shares shall be vested entirely at the end of the 2-year period, with vesting occurring on or before 1 May 2020.

(3) For Annual Grant, one third (1/3) of unvested shares to be vested annually with the first vesting occurring on or before 1 May 2020.

(4) For the 2019 Annual Grant, the shares will be vested annually for the next 3 years following with the first vesting of 30% occurring on or before 1 May 2020. The remaining unvested shares will be vested according to plan of 30% in 2021 and 40% in 2022.

(5) Shareholders' approval for the allocation of offer and grant of shares under MIP to the Executive Director has been obtained at the Twenty-Third Annual General held on 28 May 2019.

ANALYSIS OF SHAREHOLDINGS

as at 6 April 2020

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The direct and deemed interests of the Substantial Shareholders in the shares of the Company as at 6 April 2020, based on the Register of Substantial Shareholders of the Company are set out below:

	Direct		Deemed	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Objektif Bersatu Sdn Bhd	2,048,288,000	34.86	-	-
AmanahRaya Trustees Berhad	502,305,000	8.55	-	-
Amanah Saham Bumiputera	-	-		
Saluran Abadi Sdn Bhd	-	-	360,002,600[(1)]	6.13
Farah Suhanah binti Ahmad Sarji	-	-	360,002,600[(2)]	6.13
Mutu Saluran Sdn Bhd	-	-	2,048,288,000[(3)]	34.86
Usaha Tegas Sdn Bhd	-	-	2,048,288,000[(4)]	34.86
Pacific States Investment Limited	-	-	2,048,288,000[(5)]	34.86
Excorp Holdings N.V	-	-	2,048,288,000[(6)]	34.86
PanOcean Management Limited	-	-	2,048,288,000[(6)]	34.86
Ananda Krishnan Tatparanandam	-	-	2,048,288,000[(7)]	34.86

Notes:

(1) *Deemed interest by virtue of its shareholdings in the Saluran Abadi Sdn. Bhd. ("SASB") subsidiaries, Karisma Mesra Sdn. Bhd., Wijaya Baiduri Sdn. Bhd. and Wijaya Sinar Sdn. Bhd. (collectively, "SASB Subsidiaries") pursuant to Section 8 of the CA 2016. The Shares held via the SASB subsidiaries are held under discretionary trusts for Bumiputera objects. As such, SASB does not have any economic interest in the Shares held by the SASB subsidiaries, as such interest is held subject to the terms of discretionary trusts.*

(2) *Deemed interest by virtue of her shareholding in SASB pursuant to Section 8 of the CA 2016. However, she does not have any economic interests in the Shares held via SASB Subsidiaries as such interest is held subject to the terms of discretionary trusts for Bumiputera objects. See Note (1) above for SASB deemed interest in the Shares.*

(3) *Deemed interest by virtue of its shareholding in Objektif Bersatu Sdn. Bhd. pursuant to Section 8 of the CA 2016.*

(4) *Usaha Tegas Sdn. Bhd. ("UTSB") is deemed to have an interest in all of the Shares in which Mutu Saluran Sdn. Bhd. ("MSSB") has an interest, by virtue of UTSB being entitled to exercise 100% of the votes attached to the voting shares of MSSB. See Note (3) above for MSSB's deemed interest in the Shares.*

(5) *Pacific States Investment Limited ("PSIL") is deemed to have an interest in all of the Shares in which UTSB has an interest, by virtue of PSIL being entitled to exercise 99.999% of the votes attached to the voting shares of UTSB. See Note (4) above for UTSB's deemed interest in the Shares.*

(6) *The shares in PSIL are held by Excorp Holdings N.V. which is in turn held 100% by PanOcean Management Limited ("PanOcean"). See Note (5) above for PSIL's deemed interest in the Shares. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in the Shares, it does not have any economic or beneficial interest over such Shares, as such interest is held subject to the terms of the discretionary trust.*

(7) *TAK is deemed to have an interest in the Shares, by virtue of his deemed interest in PanOcean. See Note (6) above for PanOcean's deemed interest in the Shares. Although TAK is deemed to have an interest in the Shares, he does not have any economic or beneficial interest over such Shares, as such interest is held subject to the terms of the discretionary trust referred to in Note (6) above.*

ANALYSIS OF SHAREHOLDINGS

as at 6 April 2020

TOP 30 SECURITIES ACCOUNTHOLDERS BASED ON THE RECORD OF DEPOSITORS

No.	Name	No. of Issued Shares	% of Issued Shares
1	Objektif Bersatu Sdn Bhd	2,048,288,000	34.86
2	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	502,305,000	8.55
3	Karisma Mesra Sdn Bhd	236,278,650	4.02
4	AmanahRaya Trustee Berhad Amanah Saham Malaysia 2 - Wawasan	109,928,100	1.87
5	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	106,791,445	1.82
6	AmanahRaya Trustees Berhad Amanah Saham Malaysia	81,321,600	1.38
7	Wijaya Sinar Sdn Bhd	78,759,550	1.34
8	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Ombak Damai Sdn Bhd (PBCL-0G0080)	77,000,000	1.31
9	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	71,100,000	1.21
10	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fong Siling (CEB)	71,000,000	1.21
11	HSBC Nominees (Asing) Sdn Bhd JPMBAL SA for Stichting Depositary APG Emerging Markets Equity Pool	68,260,400	1.16
12	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. LLC (Client)	64,838,600	1.10
13	Tan Yu Wei	62,029,600	1.06
14	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	59,311,405	1.01
15	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn Bhd (1)	51,962,800	0.88

ANALYSIS OF SHAREHOLDINGS

as at 6 April 2020

No.	Name	No. of Issued Shares	% of Issued Shares
16	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	50,979,028	0.87
17	Wijaya Baiduri Sdn Bhd	44,964,400	0.77
18	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Maybank)	30,000,000	0.51
19	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Barclays Capital Securities Ltd (SBL/PB)	28,763,200	0.49
20	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Nogres Bank 14)	27,507,672	0.47
21	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	26,486,000	0.45
22	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	22,804,725	0.39
23	RHB Nomiees (Asing) Sdn Bhd Robert Lichota	20,883,000	0.36
24	Ooi Chin Hock	20,505,200	0.35
25	HSBC Nominees (Tempatan) Sdn bhd HSBC (M) Trustee Bhd for Maybank Malaysia Value Fund	20,250,000	0.34
26	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Saw Chai Soon (E-KLC)	20,000,000	0.34
27	Tan Yu Yeh	19,500,000	0.33
28	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon for Man Numeric Emerging Marketscore	19,388,500	0.33
29	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 1)	18,487,628	0.31
30	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	18,476,750	0.31

GLOSSARY OF TECHNICAL AND OTHER TERMS

Term	Description
AC	Audit Committee
AIMP	Actionable Improvement Programme
Board	Board of Directors
BAB	Bumi Armada Berhad
BSC	British Safety Council
BU	Business Unit
CA 2016	Companies Act, 2016
CEO	Chief Executive Officer
CG Guide	Corporate Governance Guide 3rd Edition
COVID-19	Coronavirus
ERM	Enterprise Risk Management
ED	Executive Director
ESOS	Employee Share Option Scheme
EA	External Auditor
FPO	Floating Production & Operations
FPSO	Floating Production Storage Offloading
FSU	Floating Storage Unit
FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
GHG	Green House Gas
HSE	Heath, Safety and Environment
HSSEQ	Health Safety Security Environment and Quality
HTC	HSSE Technical Committee
IAD	Internal Audit Department
IMCA	International Marine Contractors Association
IMO	International Marine Organisation
JV	Joint Venture
LOA	Limits of Authority
LNG	Liquified Natural Gas
LTI	Lost Time Injury
LukOil	LUKOIL Nizhnevolzhskneft
MARPOL	Prevention of Pollution from Ships
MASB	Malaysian Accounting Standard Board
MCCG	Malaysian Code on Corporate Governance
MFRS	Malaysian Financial Reporting Standards
MIP	Management Incentive Plan
MOGSC	Malaysia Oil & Gas Services Council
MIV	Management Inspection Visit
MMLR	Main Market Listing Requirements of Bursa Malaysia Securities Berhad
NC	Nomination & Corporate Governance Committee
NED	Non-Executive Director
OMS	Offshore Marine Services
OSV	Offshore Support Vessel
O&G	Oil and Gas
PSE	Process Safety Event
PwC	PricewaterhouseCoopers PLT
RC	Remuneration Committee
RMC	Risk Management Committee
RMD	Risk Management Department
SC	Subsea Construction
STS	Ship to Ship
TOR	Terms of Reference
VIU	Value-In-Use
WHO	World Health Organisation

NOTICE OF ANNUAL GENERAL MEETING

Day/Date/Time : Tuesday, 9 June 2020 at 2.00 p.m.
Broadcast Venue : Kuala Lumpur room, Level 21, Menara Perak, 24 Jalan Perak, 50450 Kuala Lumpur, Malaysia.

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting ("24th AGM") of Bumi Armada Berhad ("Bumi Armada" or the "Company") will be held on Tuesday, 9 June 2020 at 2.00 p.m., to be conducted entirely via remote participation and electronic voting. The live streaming will be broadcast from Kuala Lumpur Room, Level 21, Menara Perak, 24 Jalan Perak, 50450 Kuala Lumpur, Malaysia for the following purposes:

AS ORDINARY BUSINESS

1. To consider the audited Financial Statements of the Company for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors therein.
   (Please see Explanatory Note 1)

2. To re-elect Mr Uthaya Kumar Vivekananda who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, and who being eligible, offers himself for re-election as a Director of the Company. **Resolution 1**
   (Please see Explanatory Note 2)

3. To re-elect Mr Chan Chee Beng who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, and who being eligible, offers himself for re-election as a Director of the Company. **Resolution 2**
   (Please see Explanatory Note 2)

4. To retain Ms Alexandra Elisabeth Johanna Maria Schaapveld, who would, on 7 June 2020, have served as an Independent Non-Executive Director ("**INED**") of the Company for a cumulative term of 9 years, to continue to serve as an INED of the Company until the conclusion of the next annual general meeting of the Company. **Resolution 3**
   (Please see Explanatory Note 3)

5. To approve the payment of fees and benefits to the Non-Executive Directors up to an amount of RM3.0 million from 9 June 2020 until the conclusion of the next Annual General Meeting ("**AGM**") of the Company to be held in 2021. **Resolution 4**
   (Please see Explanatory Note 4)

6. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration for that year. **Resolution 5**
   (Please see Explanatory Note 5)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

7. Authority to issue new ordinary shares pursuant to Section 75 and Section 76 of the Companies Act, 2016 ("**CA 2016**") and the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). **Resolution 6**

"THAT, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the CA 2016, to issue and allot shares in the Company, at any time, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit including in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force and that the Directors be and are hereby further authorised to make or grant offers, agreements or options in respect of shares in the Company including those which would or might require shares in the Company to be issued after the expiration of the approval hereof provided that the aggregate number of shares to be issued pursuant to this approval does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue in force until the conclusion of the next AGM of the Company, subject always to the CA 2016, the Constitution of the Company, the MMLR and the approvals of all relevant regulatory bodies being obtained (if required)."

(Please see Explanatory Note 6)

8. Proposed offer, grant and/or allotment in respect of ordinary shares in the Company to Mr Gary Neal Christenson, Executive Director/Chief Executive Officer pursuant to the Company's Management Incentive Plan ("**MIP**"). **Resolution 7**

"THAT authority be and is hereby given to the Directors of the Company to:

(i) make and/or award, offer and grant to Mr Gary Neal Christenson, Executive Director/Chief Executive Officer of the Company, at any time and from time to time, commencing from the date of the shareholders' approval ("**Approval Date**") and expiring at the conclusion of the AGM of the Company commencing next after the Approval Date or at the expiry of the period within which the next AGM of the Company is required to be held after the Approval Date, whichever is the earlier ("**Mandate Period**") pursuant to the MIP, comprising such number of ordinary shares of the Company ("**Bumi Armada Shares**") equivalent to an amount of up to USD750,000 or its equivalent amount in Ringgit Malaysia (converted using the middle rate of Bank Negara Malaysia foreign exchange) divided by the 5-day volume weighted average market price of the Bumi Armada Shares preceding the date of the offer as traded on Bursa Securities (rounded up to the nearest 100 Bumi Armada Shares), subject always to the terms and conditions of, and/or any adjustments which may be made pursuant to the provisions of the By-Laws of the MIP;

(ii) issue and allot to him, such number of new Bumi Armada Shares (whether during or after the Mandate Period) in respect of such Bumi Armada Shares comprised in the offers and grants made and/or awarded to him during the Mandate Period; and

(iii) take all such actions that may be necessary and/or desirable to give effect to this resolution and to execute, sign and deliver on behalf of the Company, all such documents as they may deem necessary, expedient and/or appropriate, with full powers to assent to any condition, modification, variation and/or amendment thereto as the Directors of the Company may deem fit and in the best interest of the Company."

(Please see Explanatory Note 7)

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board
Noreen Melini binti Muzamli
(LS0008290)
Noor Hamiza binti Abd Hamid
(MAICSA 7051227)
Joint Company Secretaries

Kuala Lumpur
18 May 2020

Instructions for Appointment of Proxy

1. A member is encouraged to go online, participate and vote at the 24th AGM using remote participation and electronic voting facilities. If a member is not able to participate via the online meeting, a member can appoint the Chairman of the meeting as proxy and indicate the voting instructions in the proxy form. The appointment of the Chairman of the meeting as proxy may be done in the manner as detailed in item 5 below.

   (i) save as provided for in Note 2, the CA 2016 and any applicable law, each member shall not be permitted to appoint more than two (2) proxies; and
   (ii) where a member appoints more than one proxy, the appointment shall be invalid unless it/he/she specifies the proportion of the member's shareholdings to be represented by each proxy.

2. For the avoidance of doubt and subject always to Note 1, the CA 2016 and any applicable law:

   (i) Where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be made separately or in one instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting; and
   (ii) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

4. The instrument appointing a proxy shall:

   (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

5. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrars, Boardroom Share Registrars Sdn. Bhd. and may either be in the following manner:

   (i) either by hand or post, to the extent that is permissible to do so pursuant to the movement control order issued under the Prevention and Control of Infectious Diseases Act 1988 at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, or

NOTICE OF ANNUAL GENERAL MEETING

(ii) electronically via email at BSR.Helpdesk@boardroomlimited.com; or
(iii) by facsimile at +603 7890 4670; or
(iv) electronic means via the Share Registrars website, Boardroom Smart Investor Online Portal. Kindly follow the link at https://www.boardroomlimited.my/ to log in and deposit your proxy form electronically, not less than 24 hours before the time appointed for the taking of the poll at the 24th AGM or adjourned meeting (i.e the proxy form needs to be deposited no later than 8 June 2020 at 2.00 p.m. or adjourned meeting). Otherwise, the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof.

6. The resolutions put to the votes at the 24th AGM shall be determined by poll. A proxy may vote on a poll. If the form of proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy may exercise his discretion as to whether to vote on such matter and if so, how. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting and the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

7. The lodging of a form of proxy does not preclude a member from attending and voting at the meeting should the member subsequently decide to do so.

Members Entitled to Attend

8. For the purpose of determining members who shall be entitled to attend the 24th AGM, only the Company's members whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Depository Sdn Bhd on 29 May 2020 shall be entitled to attend the said meeting or appoint proxies to attend on their behalf.

EXPLANATORY NOTES

1) Audited Financial Statements and the Reports of the Directors and Auditors thereon

The audited Financial Statements and the Reports of the Directors and Auditors therein for the financial year ended 31 December 2019, will be laid before the Company at the 24th AGM for consideration of the members pursuant to the CA 2016. There is no requirement for the members to approve them and hence, the matter will not be put forward for voting.

2) Re-election/Election of Directors

Pursuant to Rule 131.1 of the Company's Constitution, at least 1/3 of Directors should retire by rotation or if that number is not a multiple of three, then the number nearest to 1/3 should retire. Further, any Director of the Company appointed by the Board of Directors ("**Board**") pursuant to Rule 116 shall not be taken into account in determining the Directors who are to retire by rotation. Presently, we have six Directors on the Board. Accordingly, Mr Uthaya Kumar Vivekananda and Mr Chan Chee Beng, who are Independent Non-Executive Director and Non-Independent Non-Executive Director respectively, are due for retirement at the 24th AGM, and being eligible, they have offered themselves for re-election as Directors of the Company.

The performance of both the Directors was assessed based on the Board Annual Evaluation exercise for 2019. Additionally, both of the Directors were also assessed following a one-on-one session with the Board Chairman. Further to such assessment exercise, the Board is satisfied that the Directors standing for re-election have performed their duties as per the Board Charter and they will continue to bring to bear their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions.

NOTICE OF ANNUAL GENERAL MEETING

In respect of the independence of Mr Uthaya Kumar Vivekananda, an Independent Director, he has provided his annual declaration and confirmation on his independence in February 2020.

Both the Directors offering themselves for re-election have consented to the same.

For details of the Directors who are standing for re-election, Mr Uthaya Kumar Vivekananda and Mr Chan Chee Beng, please refer to the Directors' Profiles on page 38 of the Annual Report 2019.

3) Retention of Independent Director

Pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017, the tenure of an Independent Director does not exceed a cumulative term limit of 9 years. Upon completion of the 9 years, an Independent Director may continue to serve on the board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond 9 years, it should justify and seek annual shareholders' approval. Proposed Resolution 3, if passed, will allow Ms Alexandra Elisabeth Johanna Maria Schaapveld to continue to serve as Independent Director of the Company until the conclusion of the next AGM of the Company.

The performance of Ms Alexandra Elisabeth Johanna Maria Schaapveld was assessed based on the Board Annual Evaluation exercise for 2019. Additionally, she was also assessed following a one-on-one session with the Board Chairman. Further to such assessment exercise, the Board is satisfied that she will continue to play her independent role effectively based on the following justifications, based on assessment done:

(i) satisfied the criteria under the definition of Independent Director as per MMLR;
(ii) extensive knowledge on the Group's business and operations whilst demonstrating her objectivity in discussions which ensures effective checks and balances at the meetings' proceedings;
(iii) as chairperson of the Remuneration Committee ("**RC**"), she effectively leads the RC meetings in deliberating on matters under the RC's terms of reference including making the relevant recommendations to the Board;
(iv) as the Senior Independent Director, her role includes acting as a sounding Board to the Chairman and serves as principal conduit between Independent Directors and the Chairman on sensitive issues;
(v) devoted sufficient time and attention to her responsibility as an Independent Director of the Company with exemplary attendance record at Board and Board Committee meetings and actively participates in the respective meetings; and
(vi) she has signed the annual declaration and confirmation on her independence in February 2020.

For details of Ms Alexandra Elisabeth Johanna Maria Schaapveld, please refer to the Directors' Profiles on page 37 of the Annual Report 2019.

4) Directors' Remuneration

Section 230(1) of the CA 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 24th AGM for the fees and benefits payable to the Directors.

At the Company's AGM in May 2019, the shareholders had approved the payment of fees and benefits to the Non-Executive Directors ("**NEDs**") up to an amount of RM3.2 million from 28 May 2019 until the conclusion of the next AGM. The payment of remuneration to the NEDs for the said period did not exceed RM2.4 million. The details of the remuneration of Directors for FYE 31 December 2019 are disclosed on pages 146 to 148 of the Annual Report 2019.

NOTICE OF ANNUAL GENERAL MEETING

The Directors' fees and benefits comprises fees, meeting allowances and other emoluments payable to the Chairman and members of the Board and Board Committees. The NEDs' current remuneration framework is as set out below which came into effect on 1 July 2014. In the third quarter of 2018, the Board has reviewed the Board Committees structure in ensuring continuing efficiencies and decided to discontinue the Executive Committee ("**EXCO**") effective 1 September 2018. The duties of the EXCO were assumed by the Risk Management Committee ("**RMC**") and following its enhanced duties, the fees for the RMC Chairman and members were increased to be similar to the Audit Committee's Chairman and members with effect from 1 September 2018. The revised fees for the RMC Chairman and members was within the shareholders' mandate obtained at the 2018 AGM:

Description	Chairman	NEDs
(i) Director Fee		
• Monthly fixed allowance	RM40,667	RM15,000
• Board Committees (Audit and Risk Management Committees)	RM10,000	RM6,000
• Board Committees (Remuneration, Nomination & Corporate Governance Committees)	RM4,000	RM2,500

	Board Chairman	Member (based in Malaysia)	Member (based outside Malaysia)
(ii) Meeting allowance (per meeting day)*			
• For meetings in Malaysia	RM3,500	RM2,000	USD1,000
• For meetings outside Malaysia	USD1,500	USD1,000	USD1,000
(iii) Other Benefits			
• Monthly car allowance	RM12,000	-	-

* The meeting allowance includes the allowance for travel days to attend meeting.

The proposed amount of RM3.0 million for the payment of Directors' fees and benefits for the period from 9 June 2020 to the next AGM comprise the estimated total fees of RM2.3 million and estimated total benefits of RM700,000. The proposed amount of RM3.0 million has taken into account the potential appointment of a new Director in 2020.

5) Re-appointment of Auditors

Messrs. PricewaterhouseCoopers PLT ("**PwC**"), the auditors of the Company have expressed their willingness to continue in office as auditors of the Company for the financial year ending 31 December 2020. The Board has approved the Audit Committee's recommendation that they be retained after taking into account relevant feedback on their experience, performance and independence following a formal assessment.

6) Authority to issue ordinary shares pursuant to Section 75 and Section 76 of the CA 2016 and the MMLR

Proposed Resolution 6 is to seek a renewal of the general authority pursuant to Section 75 and Section 76 of the CA 2016 and the MMLR for the issue and allotment of new ordinary shares in the Company.

NOTICE OF ANNUAL GENERAL MEETING

As at 6 April 2020, the Company has not issued any new shares pursuant to the previous mandate.

Proposed Resolution 6, if passed, would enable Directors to issue and allot new ordinary shares up to an amount not exceeding ten per centum (10%) of the Company's issued share capital from time to time. This will, among others, provide them the flexibility to raise funds, including but not limited to further placement of shares for purposes of funding future investment project(s), working capital and/or acquisitions without convening a general meeting which will be both time and cost consuming. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

Should there be a decision to issue and allot ordinary shares after the said authority has been given, the Company will make the appropriate announcement on the purpose and/or utilisation of proceeds arising from such issuance and allotment.

7) Proposed offer, grant and/or allotment in respect of ordinary shares in the Company to Mr Gary Neal Christenson, Executive Director/Chief Executive Officer pursuant to the Company's Management Incentive Plan ("MIP")

Proposed Resolution 7 are to seek authority in respect of the proposed offer, grant and/or allotment in respect of ordinary shares in the Company under the MIP to Mr Gary Neal Christenson ("**Mr Christenson**"), Executive Director/Chief Executive Officer.

On 23 May 2016, we had obtained your approval for the establishment of the MIP including the authority to offer, grant and/or allot shares to employees and Executive Directors who fulfil the criteria of eligibility for participation in the MIP.

The proposal is intended to, amongst others, serve as a long term incentive plan that aligns the Executive Director's interests with the long term objectives and business strategies of our Group.

Proposed Resolution 7, if passed, would enable the Company to award to Mr Christenson, during the Mandate Period, the annual grants of Bumi Armada Shares, where such shares to be vested on or before the end of 1-year period from the date of grant comprising such number of ordinary shares with a value up to the amounts set out below:

	Amount of annual Grant USD	**Total amount USD**
Mr Gary Neal Christenson	750,000	750,000

The details on the MIP are set out in the Directors' Report and Note 34 to the financial statements.

Mr Christenson will abstain from voting on the proposed Resolution 7 and will ensure that persons connected to him abstain from doing so.

Additional Notes:

Please refer to the Administrative Guide for the remote participation access and electronic voting at the 24th AGM of the Company.

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FORM OF PROXY

BUMIARMADA

BUMI ARMADA BERHAD
(Company No. 199501041194 (370398-X))
(Incorporated in Malaysia)

*I/*We, ______________________________ *NRIC No.(new and old)/*Passport No./*Company No. ______________
[FULL NAME IN BLOCK LETTERS] [COMPULSORY] [COMPULSORY]

of ____ and telephone no. ______________
[ADDRESS]

being a member of Bumi Armada Berhad (the "**Company**"), hereby appoint ______________________________
[FULL NAME IN BLOCK LETTERS] [COMPULSORY]

*NRIC No./*Passport No. ______________________ of ______________________________
[COMPULSORY] [ADDRESS]

and/or ______________________________ *NRIC No./*Passport No. ______________________
[FULL NAME IN BLOCK LETTERS] [COMPULSORY]

of ____
[ADDRESS]

or failing *him/*her, THE CHAIRMAN OF THE MEETING as *my/*our *proxy/*proxies to vote for *me/*us and on *my/*our behalf at the **Twenty-Fourth Annual General Meeting ("24th AGM") of the Company to be held on Tuesday, 9 June 2020 at 2.00 p.m. to be conducted entirely via remote participation and electronic voting with the live streaming to be broadcast from Kuala Lumpur room, Level 21, Menara Perak, 24 Jalan Perak, 50450 Kuala Lumpur, Malaysia** and at any adjournment thereof.

*I/*We indicate with an "X" in the spaces below how *I/*we wish *my/*our vote to be cast:

No.	Resolutions	For	Against	Abstain
Ordinary Resolutions				
1	To re-elect Mr Uthaya Kumar Vivekananda who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, and who being eligible, offers himself for re-election as a Director of the Company.			
2	To re-elect Mr Chan Chee Beng who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, and who being eligible, offers himself for re-election as a Director of the Company.			
3	To retain Ms Alexandra Elisabeth Johanna Maria Schaapveld, who would, on 7 June 2020, have served as an Independent Non-Executive Director ("INED") of the Company for a cumulative term of 9 years, to continue to serve as an INED of the Company until the conclusion of the next annual general meeting of the Company.			
4	To approve the payment of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM3.0 million from 9 June 2020 until the conclusion of the next annual general meeting of the Company.			
5	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration for that year.			
6	To authorise the Directors to allot and issue new ordinary shares pursuant to Section 75 and Section 76 of the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.			
7	To offer, grant and/or allotment in respect of ordinary shares in the Company to Mr Gary Neal Christenson, Executive Director/Chief Executive Officer pursuant to the Company's Management Incentive Plan.			

Subject to the above stated voting instructions, *my/*our *proxy/*proxies may vote or abstain from voting on any resolutions as *he/*she/*they may think fit.

If appointment of proxy by an individual or a corporation is under hand Signed by *individual member/*officer or attorney of member/*authorised nominee of (beneficial owner)	No. of shares held: ____________ Securities Account No.: ____________ (CDS Account No.) (Compulsory) Date:	The proportions of *my/*our holding to be represented by *my/*our *proxy/*proxies are as follows: **First Proxy** No. of shares: ____________ Percentage: ____________% **Second Proxy** No. of shares: ____________ Percentage: ____________%
If appointment of proxy by a corporation is under seal The Common Seal of ____________ was hereto affixed in accordance with its Constitution in the presence of:- Director *Director/*Secretary in its capacity as *member/*attorney of member/*authorised nominee of (beneficial owner)	Seal No. of shares held: ____________ Securities Account No.: ____________ (CDS Account No.) (Compulsory) Date:	

* *Delete if inapplicable*

NOTES:

1. A member is encouraged to go online, participate and vote at the 24th AGM using remote participation and electronic voting facilities. If a member is not able to participate via the online meeting, a member can appoint the Chairman of the meeting as proxy and indicate the voting instructions in the proxy form. The appointment of the Chairman of the meeting as proxy may be done in the manner as detailed in item 5 below.

   (i) save as provided for in Note 2, the Companies Act, 2016 ("**CA 2016**") and any applicable law, each member shall not be permitted to appoint more than two (2) proxies; and
   (ii) where a member appoints more than one proxy, the appointment shall be invalid unless it/he/she specifies the proportion of the member's shareholdings to be represented by each proxy.

2. For the avoidance of doubt and subject always to Note 1, the CA 2016 and any applicable law:

   (i) Where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be made separately or in one instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting; and
   (ii) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

4. The instrument appointing a proxy shall:

   (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

5. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrars, Boardroom Share Registrars Sdn. Bhd. and may either be in the following manner:

   (i) either by hand or post, to the extent that is permissible to do so pursuant to the movement control order issued under the Prevention and Control of Infectious Diseases Act 1988 at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, or
   (ii) electronically via email at BSR.Helpdesk@boardroomlimited.com; or
   (iii) by facsimile at +603 7890 4670; or
   (iv) electronic means via the Share Registrars website, Boardroom Smart Investor Online Portal. Kindly follow the link at https//www.boardroomlimited.my/ to log in and deposit your proxy form electronically, not less than 24 hours before the time appointed for the taking of the poll at the 24th AGM or adjourned meeting (i.e the proxy form needs to be deposited no later than 8 June 2020 at 2.00 p.m. or adjourned meeting). Otherwise, the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof.

6. The resolutions put to the votes at the 24th AGM shall be determined by poll. A proxy may vote on a poll. If the form of proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy may exercise his discretion as to whether to vote on such matter and if so, how. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting and the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

7. The lodging of a form of proxy does not preclude a member from attending and voting at the meeting should the member subsequently decide to do so.

8. Personal Data Privacy

   By submitting the duly executed form of proxy, a member of the Company (i) consents to the processing, including collection, use and disclosure of the member's personal data by the Company (or its agents) for all matters relating to or in connection with the AGM (including any adjournment thereof) and for the Company's (or its agents') compliance with any applicable laws, rules or regulations and guidelines (collectively the "**Purposes**"); and (ii) warrants that the member has obtained the prior consent of its proxy(ies) and/or representatives for the processing, including collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

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STAMP

THE SHARE REGISTRARS OF
BUMI ARMADA BERHAD
(Company No. 199501041194 (370398-X))

Boardroom Share Registrars Sdn. Bhd.
Registration number: 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13,
46200 Petaling Jaya,
Selangor, Malaysia

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