BUMIARMADA

ANNUAL REPORT 2016

SAFE

We care for the safety of each other and lead by example.
We aim to take a pro-active 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 every time.**

CHAIRMAN'S MESSAGE
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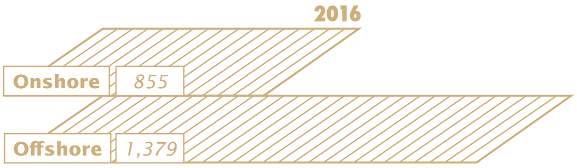
FACTS AT A GLANCE
as at 31 December 2016

TOTAL NUMBER OF EMPLOYEES

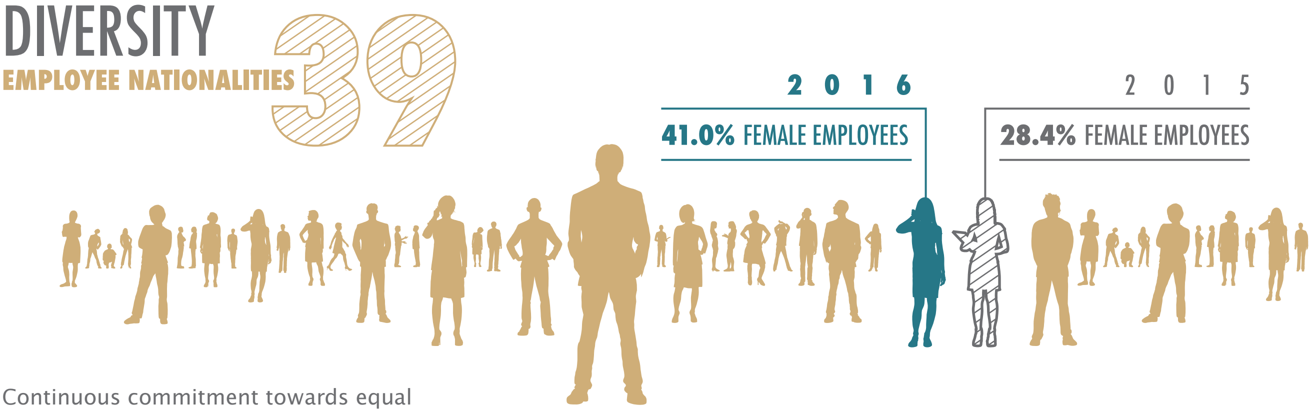


Streamlined human capital strength to deliver on bottom line results.

INDEPENDENT DIRECTORS ON THE BOARD

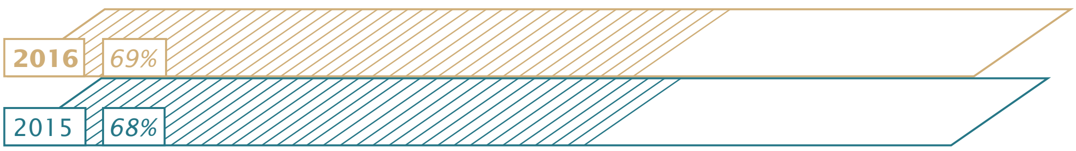
Continuous commitment to apply best practices in corporate governance

DIVERSITY



Continuous commitment towards equal employment opportunities and diversity.

TOTAL INDIVIDUALS TRAINED



Sustained investments in our talents despite challenging market conditions.

CORPORATE PROFILE

Bumi Armada Berhad ("Bumi Armada") is a Malaysia-based international offshore energy facilities and services provider with a presence in over 17 countries spread across five continents, supported by over 2,000 people from over 35 nationalities.

Bumi Armada provides offshore services via two business units – Floating Production and Operation ("FPO")* of oil and gas solutions and Offshore Marine Services ("OMS") which comprises of Offshore Support Vessel ("OSV") and Subsea Construction ("SC") services.

Bumi Armada is the fifth largest FPSO player in the world and an established OSV owner and operator, with extensive experience across Asia, Europe, Africa and Latin America.

FLOATING PRODUCTION & OPERATION

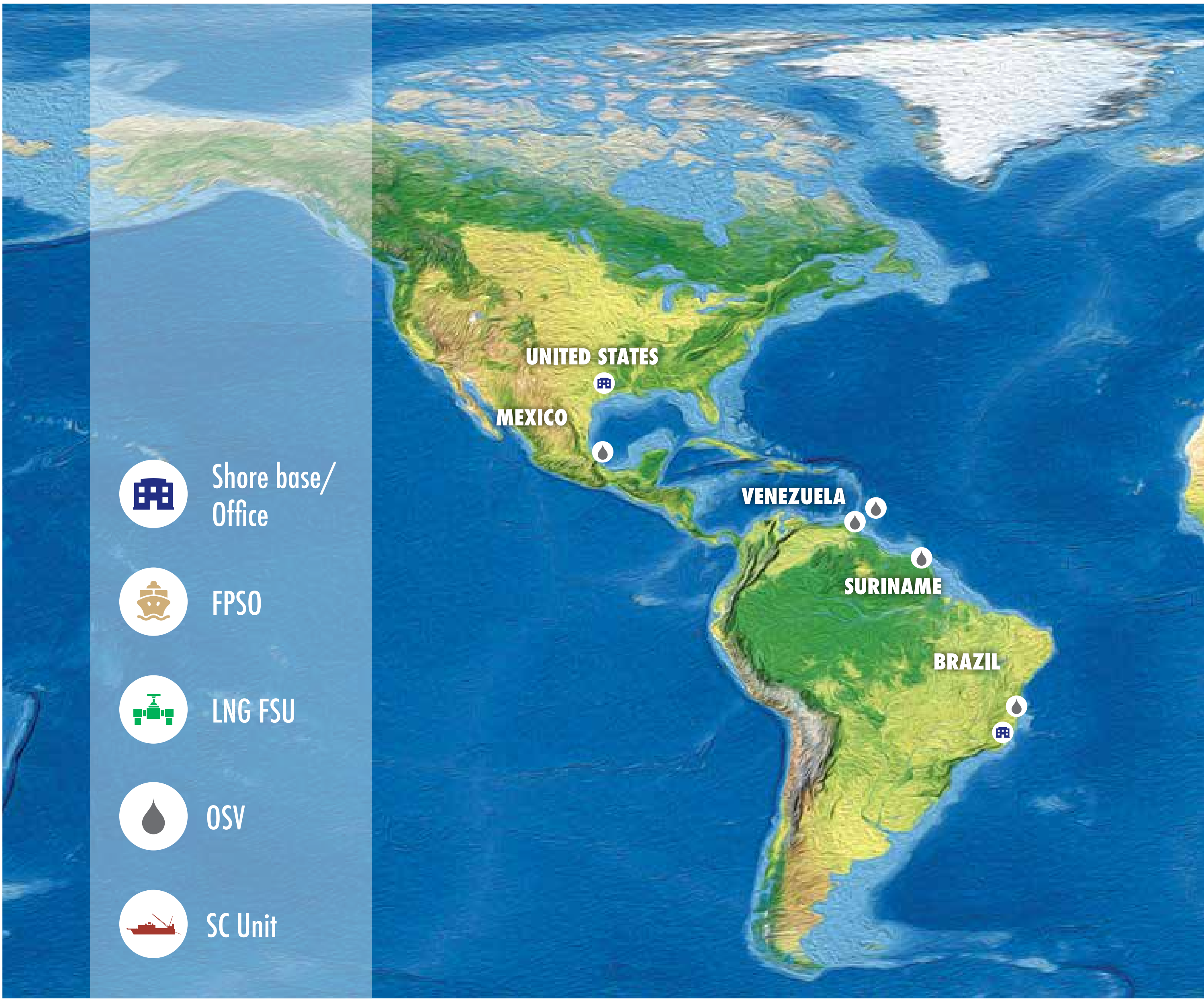
The FPO business specialises in engineering, procurement, construction, commissioning, and the operations of floating oil and gas facilities as per the specific requirements of clients, the reservoir and the operational environment. The business unit is responsible for the offshore production facility and the overall integrity delivery of the infrastructure, processing equipment and operations. Bumi Armada currently operates one Liquified Natural Gas ("LNG") Floating Storage Unit ("FSU") and nine FPSOs worldwide.

OFFSHORE MARINE SERVICES

The OMS business runs a fleet of over 50 vessels, comprising 49 OSVs and four SC units. The OSVs currently operate in South East Asia, West Africa, Latin America, with three ice-class vessels operating in the Russian sector of the Caspian Sea. The main market for the SC units are in the Caspian Sea, where it executes installation of pipe lines and heavy lift operations. The OMS business is responsible for the chartering, scope planning, logistics and full operations of the vessels in its fleet.

* *Previously referred to as Floating Production Storage and Offloading ("FPSO") and Floating Gas Solutions ("FGS").*

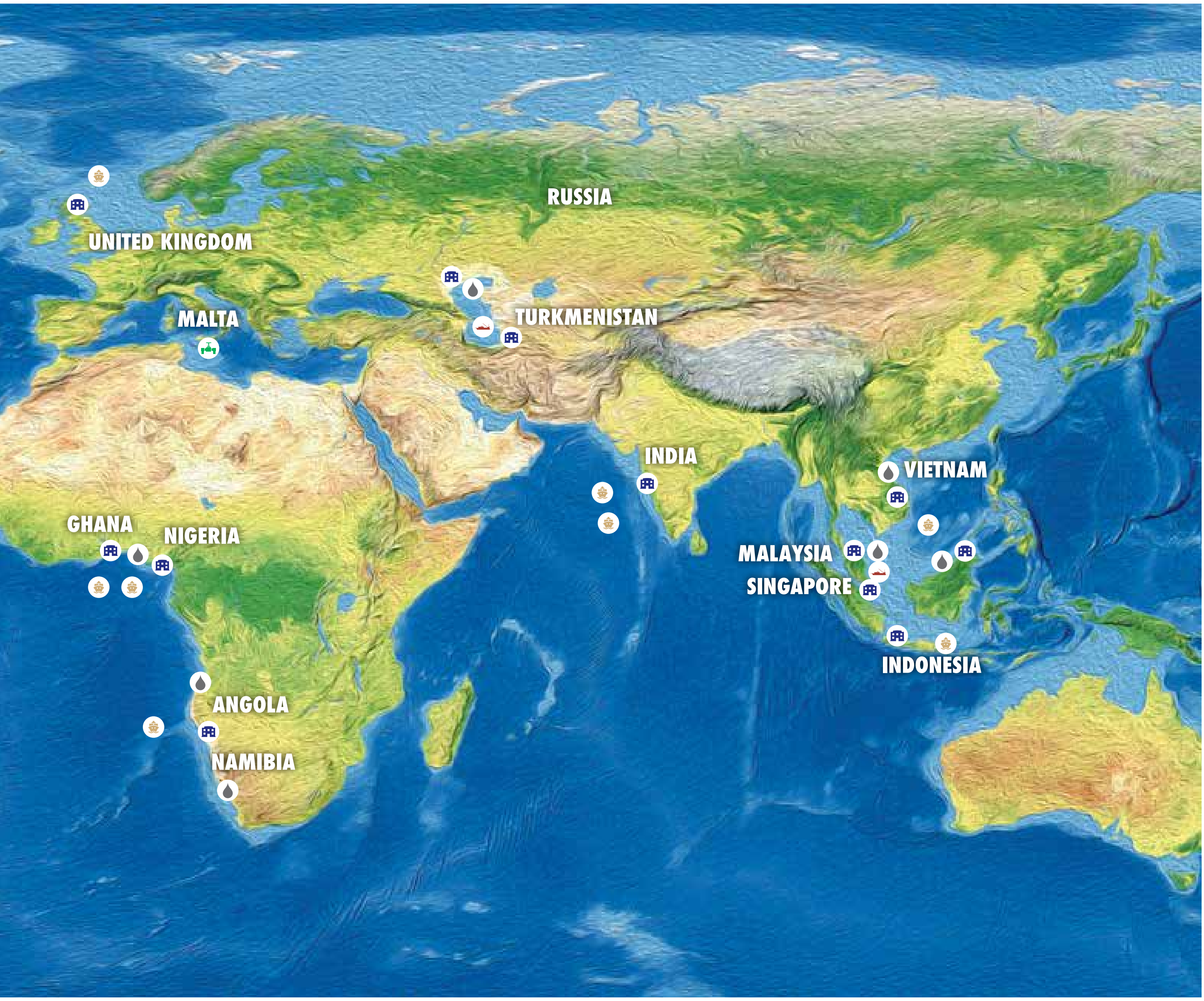
GLOBAL PRESENCE



KEY MARKETS/OFFICES:

ANGOLA	INDIA	MALAYSIA	RUSSIA	TURKMENISTAN	UNITED STATES
BRAZIL	INDONESIA	NIGERIA	SINGAPORE	UNITED KINGDOM	VIETNAM

GLOBAL PRESENCE



MAIN ASSETS

Shore Bases/ Offices	12
Floating Production Storage Offloadings Units	9
Floating Storage Units	1
Offshore Support Vessels	49
SC Units	4

CORPORATE INFORMATION
as at 10 April 2017

BOARD OF DIRECTORS

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

Saiful Aznir bin Shahabudin
Independent Non-Executive Director

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

Steven Leon Newman
Independent Non-Executive Director

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

Chan Chee Beng
Non-Independent Non-Executive Director

Maureen Toh Siew Guat
Non-Independent Non-Executive Director

Leon Andre Harland (3)
Executive Director/
Chief Executive Officer

Shaharul Rezza bin Hassan
Executive Director/
Head of Offshore Marine Services

AUDIT COMMITTEE

Saiful Aznir bin Shahabudin *(Chairperson)*
Alexandra Schaapveld
Steven Leon Newman
VU Kumar
Maureen Toh Siew Guat

REMUNERATION COMMITTEE

Alexandra Schaapveld *(Chairperson)*
Saiful Aznir bin Shahabudin
VU Kumar
Maureen Toh Siew Guat

NOMINATION & CORPORATE GOVERNANCE COMMITTEE

Tunku Ali Redhauddin ibni Tuanku Muhriz *(Chairperson)*
Alexandra Schaapveld
Saiful Aznir bin Shahabudin
VU Kumar
Chan Chee Beng

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*
(3) *He is also referred to as Leon Harland*

EXECUTIVE COMMITTEE

Chan Chee Beng *(Chairperson)*
Maureen Toh Siew Guat
Leon Harland
Shaharul Rezza bin Hassan

RISK MANAGEMENT COMMITTEE

Steven Leon Newman *(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

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603 7849 0777
Fax : +603 7841 8151/8152

AUDITORS

PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia
Tel : +603 2173 1188
Fax : +603 2171 1288

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Market)
Listed since 21 July 2011
Sector : Trading & Services
Stock Code : 5210

DETAILS OF MEMBERSHIP IN BOARD COMMITTEES

as at 10 April 2017

Directors	Board Committees				
	Audit Committee	Remuneration Committee	Nomination & Corporate Governance Committee	Executive Committee	Risk Management Committee
Tunku Ali Redhauddin ibni Tuanku Muhriz	-	-	Chairperson	-	-
Saiful Aznir bin Shahabudin	Chairperson	Member	Member	-	-
Alexandra Schaapveld	Member	Chairperson	Member	-	-
Steven Leon Newman	Member	-	-	-	Chairperson
VU Kumar	Member	Member	Member	-	-
Chan Chee Beng	-	-	Member	Chairperson	-
Maureen Toh Siew Guat	Member	Member	-	Member	Member
Leon Harland	-	-	-	Member	-
Shaharul Rezza bin Hassan	-	-	-	Member	-

GROUP CORPORATE STRUCTURE
as at 31 December 2016

BUMIARMADA

100%	Armada TGT Ltd.
100%	Armada Floating Solutions Limited
100%	Armada Oyo Ltd.
100%	Bumi Armada (Singapore) Pte. Ltd.
49% less one share	Armada D1 Pte. Ltd.
49% less one share	Shapoorji Pallonji Bumi Armada Offshore Limited (1) *(formerly known as Forbes Bumi Armada Offshore Limited)*
49% less one share	SP Armada Oil Exploration Private Limited
100%	Bumi Armada Offshore Holdings Limited
95%	Bumi Armada Navigation Sdn. Bhd.
100%	Bumi Armada Singapore Holdings Pte. Ltd.
100%	Bumi Armada Automation International Sdn. Bhd.
100%	Bumi Armada Capital Malaysia Sdn. Bhd.
100%	Bumi Armada Capital Offshore Ltd.
100%	Bumi Armada Holdings Labuan Ltd.
100%	Bumi Armada Engineering Sdn. Bhd.

- FPSO & FGS
- OMS
- Corporate & Others
- Joint Venture

Notes:

(1) With effect from 25 March 2017, the name of the joint venture company is changed from Forbes Bumi Armada Offshore Limited to Shapoorji Pallonji Bumi Armada Offshore Limited.

(2) Notwithstanding the Group is holding less than 50% equity interest, the investment in Angoil Bumi JV, LDA is classified as a subsidiary (not a joint venture) due to the Group's control pursuant to the shareholders' agreement.

The full list of Bumi Armada Group of Companies are stated on pages 131 to 134 and 148 to 155 of the Notes to the Financial Statements.

GROUP CORPORATE STRUCTURE

as at 31 December 2016

- 100% Bumi Armada Nigeria Limited
- 49% less one share Armada C7 Pte. Ltd.
- 49% Angoil Bumi JV, LDA (2)
- 49% PT. Armada Gema Nusantara
- 49% Armada Madura EPC Limited
- 100% Armada Balnaves Pte. Ltd.
- 100% Bumi Armada Australia Pty Ltd
- 100% Armada Kraken Pte. Ltd.
- 100% Bumi Armada UK Limited
- 100% Armada Cabaca Ltd.
- 100% Armada Floating Gas Services Malta Ltd.
- 100% Armada Floating Gas Storage Malta Ltd.
- 100% Armada Offshore OSV Limited
- 100% Armada Offshore MPSV Limited
- 60% Bumi Armada Ghana Limited
- 100% Bumi Armada Offshore Contractor Limited
  - 99% Bumi Armada Marine LLC
  - 99% Bumi Armada Caspian LLC
- 100% Bumi Armada Ship Management Sdn. Bhd.
- 100% Bumi Armada Navigation Labuan Limited
- 100% Bumi Armada Navigation Labuan International Limited
  - 100% Bumi Armada (Labuan) Ltd.
  - 100% Bumi Armada Marine Naryan Mar Pte. Ltd.
  - 100% Bumi Armada Marine Pokachi Pte. Ltd.
  - 100% Bumi Armada Marine Uray Pte. Ltd.
  - 100% Armada Constructor Pte. Ltd.
  - 100% Offshore Marine Ventures Sdn. Bhd.
  - 100% Armada Ship Management (S) Pte. Ltd.
  - 100% Armada Mahakam Limited
  - 100% Armada Marine Contractors Caspian Ltd.
    - 100% Armada Marine Contractors Caspian Pte. Ltd.

GROUP ORGANISATION STRUCTURE

as at 10 April 2017

Board of Directors (BOD)

Executive Director/ Chief Executive Officer

Chief Human Resources Officer
- HR Centre of Excellence
- HR Business Partners
- Administration
- Shared Services

Chief Financial Officer (Acting)
- Risk *(Indirect to BOD)*
- Corporate Finance
- Treasury
- Financial Reporting
- Project Finance
- Investor Relations, Communications & Sustainability
- Tax
- Information Services and Technology (IST)

- COSEC *(Direct to BOD)*
- Internal Audit *(Direct to BOD)*

Head of HSSEQ
- Health
- Safety
- Security
- Environment
- Quality

Executive Director/ Head of OMS
- Offshore Support Vessel
- Subsea Construction

SVP Commercial (Acting)
- Gas Business
- Asia Pacific
- Europe & Africa
- North America
- South America
- Proposals

SVP Projects
- Engineering
- Supply Chain
- Project Management
- Project Controls

SVP Floating Production and Operation
- Operations
- Fleet Asset Integrity
- HSSEQ & Regulatory Compliance

General Counsel
- Legal
- Contracts
- Insurance
- Compliance

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

SAFE **U**NITED **R**ESPONSIBLE **E**XCELLENT

EVENT HIGHLIGHTS 2016

26 FEB

Announcement of Bumi Armada's Q4 2015 financial results.

2 MAR

Bumi Armada held its 1st Townhall for the year in Kuala Lumpur and on the 3rd of March in Singapore.

4 APR

Sustainability Committee participated in the first Pertiwi Soup Kitchen event.

12 APR

Sustainability Committee organised the "Forest Conservation & Awareness Programme" at the Forest Research Institute of Malaysia (FRIM).

16 MAY

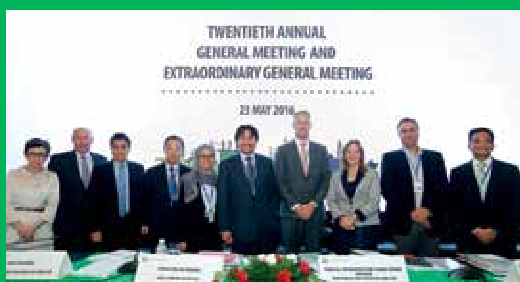
Mr Leon Harland took office as Executive Director/ Chief Executive Officer.

17 MAY

Bumi Armada teamed up with Biosphere Foundation to protect the marine environment around Menjangan Island in Indonesia.

23 MAY

Bumi Armada held its 20th Annual General Meeting.



EVENT HIGHLIGHTS 2016

31 MAY

Bumi Armada announced its Q1 2016 financial results.

10 JUNE

Armada Olombendo FPSO celebrated 7 million man hours Loss Time Injury (“LTI”) free at Keppel Shipyard.

18 JUL

Lukoil Operational sail away ceremony.

1 AUG

Sail away for Armada LNG Mediterrana.

5 AUG

Merdeka & Raya open house celebration.

26 AUG

Announcement of Bumi Armada’s Q2 2016 financial results.

27 AUG

Naming ceremony for Armada Kraken FPSO.

8 SEPT

Formation of COMPASS Project to define and implement our business management system.

Enlisted in the Dow Jones Sustainability Index for the 5th consecutive year.

EVENT HIGHLIGHTS 2016

8 OCT

A futsal tournament was organised internally to foster and strengthen the spirit of unity through sports.

14 OCT

Naming ceremony for Armada Olombendo FPSO.

15 OCT

Naming ceremony for Karapan Armada Sterling III FPSO.

19 OCT

Introduction of new employee self-service portal, an online platform to facilitate and manage all HR related needs.

1 NOV

Management offsite gathering at Pullman Hotel, Kuala Lumpur.

23 NOV

Bumi Armada launched Sustainability Vision & Mission statements.

Bumi Armada announced its Q3 2016 financial results.

6 DEC

Bumi Armada teamed up with Stop Hunger Now Charitable Assocation for 2nd meal packing event.

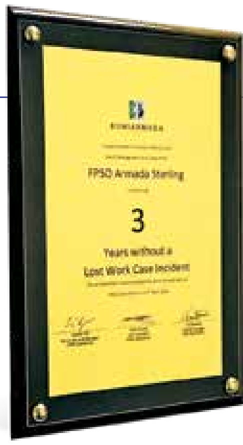
31 DEC

Goal Zero Award from Shell.

AWARDS & RECOGNITION

Offshore Marine Services

- Winner of Shell's Goal Zero Award for achieving 365 days in 2015 without any incident



FPSO Armada TGT 1

- Five years without LTI

FPSO Armada Sterling

- Three years without Lost Work Case Incident

FPSO Armada Perdana

- Three years without LTI

FPSO Armada Sterling II

- One year without LTI

FPSO Armada Perkasa

- One year without Lost Work Case Incident

BOARD OF DIRECTORS

from left to right:

Steven Leon Newman, Maureen Toh Siew Guat, Tunku Ali Redhauddin ibni Tuanku Muhriz, Shaharul Rezza bin Hassan

BOARD OF DIRECTORS

from left to right:

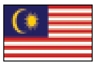
Chan Chee Beng, Leon Harland, Saiful Aznir bin Shahabudin, Alexandra Schaapveld

BOARD OF DIRECTORS' PROFILES

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

Chairman/ Independent Non-Executive Director/ Chairperson of Nomination & Corporate Governance Committee

COUNTRY



Malaysia

AGED

39

GENDER

Male

DATE OF APPOINTMENT:

Director - 17 January 2013
Chairman - 18 June 2013

QUALIFICATIONS:

- *BA (Hons) in History and Social and 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:

Nil

Other Public Companies:

- *Bangkok Bank Berhad*
- *Sun Life Malaysia Assurance Berhad*

More info at www.bumiarmada.com

Tunku Ali Redhauddin ibni Tuanku Muhriz ("Tunku Ali") brings with him significant experience and knowledge in the global investment field, having been with Khazanah Nasional Berhad ("Khazanah") from 2004 to 2010, where he was a Director in the Investments Division.

There, he worked on a number of transformational projects and new investments in Malaysia and throughout Asia. Prior to Khazanah, Tunku Ali gained international client service experience while serving in McKinsey & Company as a management consultant from 1998 to 2004 where he worked on corporate strategy, organisational and governance projects in Europe, North America, and Asia. In addition to Bumi Armada Berhad and other public companies, Tunku Ali sits on the boards of several companies including Themed Attractions, Resorts and Hotels Sdn Bhd and Iskandar Malaysia Studios Sdn Bhd. He is also a Senior Advisor to TPG Capital, a global Private Equity firm. He is Chairman of the Board of Trustees of the Munarah Foundation, Chairman and Founding Trustee of Teach For Malaysia, Chairman of the Board of Governors of Marlborough College Malaysia, Pro-Chancellor of Universiti Sains Islam Malaysia and Patron of Enactus Malaysia Foundation.

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.

BOARD OF DIRECTORS' PROFILES

SAIFUL AZNIR BIN SHAHABUDIN

Independent Non-Executive Director/
Chairperson of Audit Committee/
Member of Remuneration and Nomination &
Corporate Governance Committees

COUNTRY

Malaysia

AGED

57

GENDER

Male

DATE OF APPOINTMENT:

1 December 2006

QUALIFICATIONS:

- *Member of The Malaysian Institute of Certified Public Accountants*
- *Qualified as a Member of the American Institute of Certified Public Accountants*
- *Master of Business Administration from the University of Chicago*
- *Bachelor of Business Administration from Western Michigan University, in the United States of America*

PRESENT DIRECTORSHIPS:

Listed Companies:

Nil

Other Public Companies:

Nil

More info at
www.bumiarmada.com

Saiful Aznir bin Shahabudin ("Saiful Aznir") has wide general management experience, having served as the Chief Executive Officer of two companies for an aggregate of more than 10 years.

Currently, he is the Group Chief Executive Officer of Sharikat Permodalan Kebangsaan Berhad which he joined in 2002. Prior to that, he was the Chief Executive Officer of Encorp Group, a company involved in property development and media and a partner of Andersen Worldwide where he specialised in privatisation and corporate finance.

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

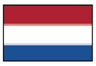
He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS' PROFILES

ALEXANDRA SCHAAPVELD

Independent Non-Executive Director/ Chairperson of Remuneration Committee/ Member of Audit and Nomination & Corporate Governance Committees

COUNTRY



Netherlands

AGED

58

GENDER

Female

DATE OF APPOINTMENT:

8 June 2011

QUALIFICATIONS:

- *Degree in Politics, Philosophy and Economics from Oxford University in the United Kingdom*
- *Master in Development Economics at Erasmus University in The Netherlands*

PRESENT DIRECTORSHIPS:

Listed Companies:

- *Vallourec S.A.*
- *Société Générale S.A.*

Other Public Companies:

- *FMO N.V. Development Bank*

More info at www.bumiarmada.com

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' PROFILES

STEVEN LEON NEWMAN

Independent Non-Executive Director/ Chairperson of Risk Management Committee/ Member of Audit Committee

COUNTRY

United States of America

AGED

52

GENDER

Male

DATE OF APPOINTMENT:

1 July 2015

QUALIFICATIONS:

- *Bachelor of Science, Magna Cum Laude, Petroleum Engineering from the Colorado School of Mines*
- *Master's degree in Business Administration from Harvard University, Graduate School of Business (Harvard Business School)*

PRESENT DIRECTORSHIPS:

Listed Companies:

- *Dril-Quip, Inc.*
- *SNC-Lavalin Group Inc.*

Other Public Companies:

Nil

More info at www.bumiarmada.com

Steven Leon Newman ("Steven Newman") was with Transocean Ltd. ("Transocean") between 1994 to 2015 in various capacities and jurisdictions around the globe, including Switzerland, the United States of America, Europe, Indonesia and Brazil.

He was the President and Chief Executive Officer of Transocean from 2010, until his resignation in February 2015. Transocean is a leading global contractor in offshore drilling services with a fleet of approximately 60 rigs, serving all aspects of offshore drilling around the world. Transocean is headquartered in Switzerland, and listed on the New York Stock Exchange, with a market capitalisation of USD5.9 billion. Steven Newman brings with him more than 20 years of corporate experience in strategy development, crisis management, organisational turn-around, leadership team formation, mergers & acquisitions, capital markets transactions and board renewal and development. Prior to joining Transocean, between 1992 and 1994, Steven Newman was a financial analyst with Chevron, based in California. He also served with Mobil E&P, USA, based in Colorado, as a reservoir engineer.

Steven Newman 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.

BOARD OF DIRECTORS' PROFILES

CHAN CHEE BENG

Non-Independent Non-Executive Director/ Chairperson of Executive Committee/ Member of Nomination & Corporate Governance Committee

COUNTRY

Malaysia

AGED

61

GENDER

Male

DATE OF APPOINTMENT:

2 June 2003

QUALIFICATIONS:

- *He holds a 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*

More info at www.bumiarmada.com

Chan Chee Beng has more than 37 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 serves on the boards of several other companies in which UTSB has significant interests, such as Binariang GSM Sdn Bhd and Maxis Communications Berhad (holding company of Maxis Berhad), having an operational base in Malaysia. He is also a director of Yu Cai Foundation.

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.

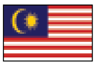
He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS' PROFILES

MAUREEN TOH SIEW GUAT

Non-Independent Non-Executive Director/ Member of Audit, Risk Management, Remuneration and Executive Committees

COUNTRY



Malaysia

AGED

51

GENDER

Female

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

More info at www.bumiarmada.com

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.

Currently, she is the Group General Counsel of UTSB, 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).

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.

BOARD OF DIRECTORS' PROFILES

LEON ANDRE HARLAND

Executive Director/ Chief Executive Officer/ Member of Executive Committee

COUNTRY

Netherlands

AGED

47

GENDER

Male

DATE OF APPOINTMENT:

16 May 2016

QUALIFICATIONS:

- *Master of Science Degree - Civil (Offshore) Engineering from Delft University of Technology, Netherlands*

PRESENT DIRECTORSHIPS:

Listed Companies:

Nil

Other Public Companies:

Nil

More info at www.bumiarmada.com

Leon Andre Harland ("Leon Harland") was appointed as an Executive Director and Chief Executive Officer of the Company with effect from 16 May 2016. Leon Harland is responsible for driving Bumi Armada's short and long term growth plans, charting the strategic direction of the Company, leading the drive to operational excellence, allocating capital as well as forming strategic partnerships with clients and stakeholders.

He brings with him more than 20 years of diverse experience in the oil and gas sector, especially in FPSO, FLNG and T&I segments with proven track record at SBM Offshore and Heerema Marine Contractors. Prior to joining Bumi Armada, Leon Harland was the Executive Vice-President, Commercial & Technology at Heerema Marine Contractors where he was also a member of the Board of Directors, with joint responsibility of building the Company's performance, and he was directly responsible for all commercial, contracting, engineering and innovation initiatives.

Before Heerema, he worked at SBM Offshore, one of the largest FPSO operators in the world where he held various positions in engineering, project management and business development. In 2004, he was tasked to start up and build their Floating-LNG business.

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

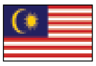
He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS' PROFILES

SHAHARUL REZZA BIN HASSAN

Executive Director/
Head of Offshore Marine Services/
Member of Executive Committee

COUNTRY



Malaysia

AGED

45

GENDER

Male

DATE OF APPOINTMENT:

2 June 2003

QUALIFICATIONS:

- *Bachelor of Science degree in Economics from the University of Bristol, United Kingdom*

PRESENT DIRECTORSHIPS:

Listed Companies:

Nil

Other Public Companies:

Nil

More info at www.bumiarmada.com

Shaharul Rezza bin Hassan ("Shaharul Rezza") has over 15 years of experience in corporate finance/fund raising and financial management. Prior to joining the Company in September 2005, he worked in the corporate finance department of UTSB for 10 years.

During his tenure with UTSB, he was involved in various corporate exercises such as mergers and acquisitions, restructurings, fund raising and equity public offerings, including the reverse take-over of Malaysian Tobacco Company Bhd (now known as MEASAT Global Berhad) and the acquisition and subsequent privatisation of the Company. He is an Executive Director of the company and heads the Offshore Marine Services business unit. He also sits on the boards of various subsidiaries and joint ventures of the Company.

Shaharul Rezza 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.

MANAGEMENT TEAM

LEON ANDRE HARLAND

Executive Director/ Chief Executive Officer

Please refer to his profile in the Board of Directors' profiles section.

SHAHARUL REZZA BIN HASSAN

Executive Director/ Head of Offshore Marine Services

Please refer to his profile in the Board of Directors' profiles section.

PIERRE SAVY

Acting Chief Financial Officer

COUNTRY

France

AGED

58

GENDER

Male

DATE OF APPOINTMENT:

5 May 2015 (Joined Bumi Armada as Head - Cost Control, Risk & Insurance)

9 September 2016 (Appointed as Acting Chief Financial Officer)

QUALIFICATIONS:

- *Master's Degree in Management from Dauphine University, Paris*
- *Bachelor of Economics from Dauphine University, Paris*

Pierre Savy ("Pierre") is responsible for Corporate Finance, Treasury, Financial Reporting, Group Control, Investor Relations, Communication, Risk, Insurance Tax and IST. He has been an integral part of the finance and project organisation, bringing a wealth of industry experience particularly in financial controls.

Prior to joining the Company, Pierre was the Finance Director of SBM Offshore in Kuala Lumpur, where he contributed to the implementation and performance of this operating centre. Before SBM, Pierre was the CFO of Technip Asia Pacific and was highly involved in the setting up and further development of Technip in the APAC Region.

Pierre 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.

MANAGEMENT TEAM

JAMES OLIVER ELLIS

Senior Vice President, Floating Production and Operation

COUNTRY

Ireland

AGED

55

GENDER

Male

DATE OF APPOINTMENT:

1 July 2016

QUALIFICATIONS:

- *Bachelor Degree of Management and Quality as well as a Class I (Deck) Master Mariner from South Tyneside College, United Kingdom*
- *Bachelor of Science (Hons) from Open University*
- *Certificate in Management and Quality from Open University*
- *Graduate of the Ops Academy at MIT USA (Sloan School of Executive Management)*

James Oliver Ellis ("Jim") is responsible for the FPO, Fleet Asset Integrity and Commercial activities.

Prior to joining Bumi Armada, he was the Operations Director of SBM Offshore and was responsible for the day to day operations of the global production fleet of FPSOs, semi-subs, gas platform FSOs, and a trading tanker.

Before joining SBM Offshore, Jim worked at Excelerate Energy as Director of Floating Liquefaction and provided the technical and commercial guidance of Floating Liquefaction solutions and FEED execution plans for the company. He has held various positions in the past including approximately 6 years in BP as the President of BP Shipping (USA) as well as the Global Fleet Manager for BP Shipping.

Jim 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.

ANUSOORYA THEMUDU

Chief Human Resources Officer

COUNTRY

Malaysia

AGED

44

GENDER

Female

DATE OF APPOINTMENT:

3 August 2015

QUALIFICATIONS:

- *Bachelor of Science (Hons) in Biochemistry from University Putra Malaysia*
- *Graduate of Experience HR Leadership Program at GE*
- *Attended global leadership program hosted by London Business School for high performing leaders in Petrofac*

Anusoorya Themudu ("Soorya") is responsible for Bumi Armada's global workforce. Soorya is an experienced HR leader with world class experience gained in a diverse range of blue-chip companies, including Petrofac, General Electric and Eli Lilly.

Soorya's experience to date encompasses all aspects of the HR agenda: Talent Acquisition, Reward Strategy, Performance Management, Leadership Development, Organisational Design, Cultural Change, Business Transformation, HR Systems, Employee Relations and Stakeholder Engagement.

She has a proven track record in developing and implementing best practices, along with experience in successfully creating, implementing and sustaining leadership development programmes that attract and retain talent. In addition to her work, she also championed the Diversity Initiative at Eli Lilly and General Electric.

Prior to joining Bumi Armada, Soorya was the Regional HR Director at Petrofac where she managed the HR function for the SEA region.

Soorya 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.

MANAGEMENT TEAM

MIMI BINTI TAHSIN

General Counsel

COUNTRY

Malaysia

AGED

54

GENDER

Female

DATE OF APPOINTMENT:

3 January 2017

QUALIFICATIONS:

- *Bachelor of Laws (Hons) from University of Otago, New Zealand*
- *Barrister and Solicitor Certificate, New Zealand*

Mimi Binti Tahsin ("Mimi") is responsible for and oversees the Legal, Insurance, Compliance and Contracts functions for the Bumi Armada Group.

Mimi has nearly 30 years of experience as in-house and external legal counsel in Malaysia and overseas in the areas of oil and gas, energy (power plants), defence, infrastructure, corporate and commercial law. She started her career as an Associate with Chapman Tripp Sheffield Young in New Zealand in the mid 1980's. She then joined Keppel Shipyard Limited, Singapore in 1993 before returning to Malaysia in 1995. Mimi was a partner with Zaid Ibrahim & Co for 10 years. Thereafter she was the Legal Manager for Talisman Malaysia Limited and more recently, she was the General Counsel for the Pexco Group of companies, a Malaysian-based upstream oil and gas company.

Mimi 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.

ROLAND MARTLAND

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

COUNTRY

United Kingdom

AGED

60

GENDER

Male

DATE OF APPOINTMENT:

27 October 2014 (Joined Bumi Armada as Manager - Safety Case)

26 November 2014 (Appointed as Head - Corporate HSSEQ)

QUALIFICATIONS:

- *MBA, Henley College / Reading University, United Kingdom*
- *Bachelor of Science (Hons), Civil/Structural Engineering, Imperial College, London*
- *Chartered Member of the Institution of Occupational Safety Health (United Kingdom).*
- *Chartered Member of the Institution of Civil Engineers (United Kingdom)*

Roland Martland ("Roland") is responsible for managing the Corporate HSSEQ function as well as providing governance and assurance on HSSEQ matters for the operational Business Units and FPSO projects.

In his early career, Roland was part of the Piper Alpha investigation team, and assisted in developing the Offshore Safety Case Regulations. Subsequently, Roland held various appointments with Shell, Maersk Oil, Dong Energy, and BP. He was a Director of Safety and Operational Risk in BP (UK) before joining Bumi Armada and has more than 30 years of experience in process safety, asset integrity, operational safety and risk management.

Roland 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.

MANAGEMENT TEAM

NOREEN MELINI BINTI MUZAMLI

Joint Company Secretary/ Head, Corporate Secretarial Services

COUNTRY

Malaysia

AGED

40

GENDER

Female

DATE OF APPOINTMENT:

1 September 2015 (Joined Bumi Armada as Head of Corporate Secretarial Services)

10 September 2015 (Appointed as Joint Company Secretary)

QUALIFICATIONS:

- *Bachelor of Laws (Hons) from University of Bristol, United Kingdom*
- *Certificate of Legal Practice*
- *Company Secretary license from the Companies Commission of Malaysia*

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 15 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 5 years and was assigned to its Legal and Secretarial Department.

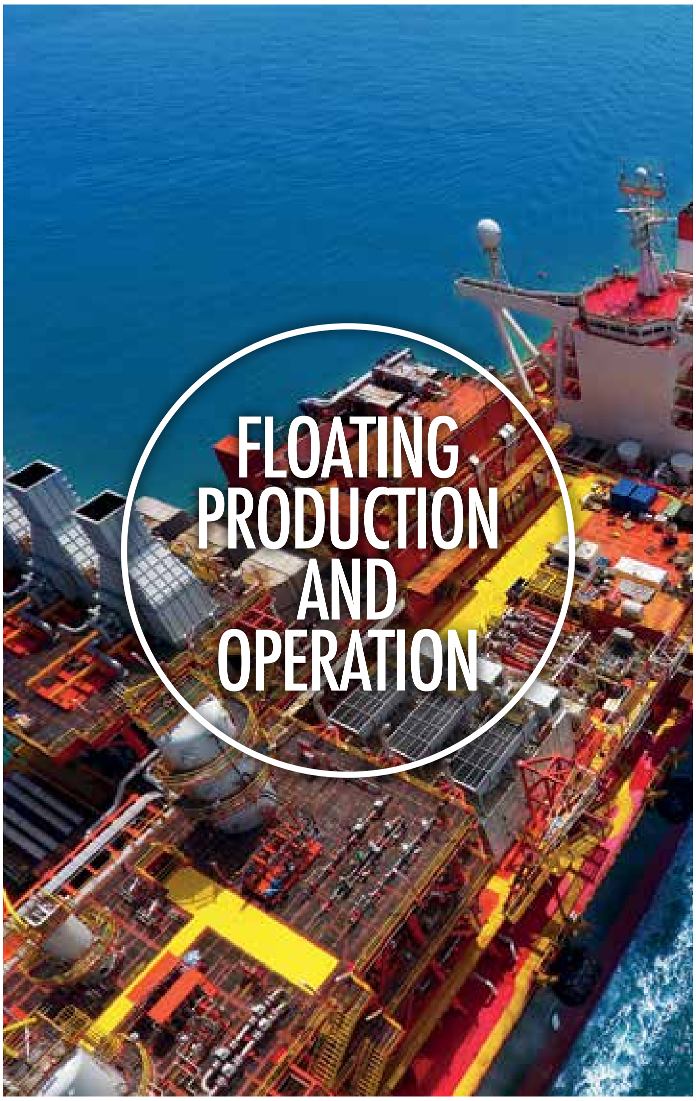
Noreen has no family relationship with any Director and/or major shareholder of the Company and she has no conflict of interest with the Company.

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.

CORPORATE STRATEGY

Strategic Objectives

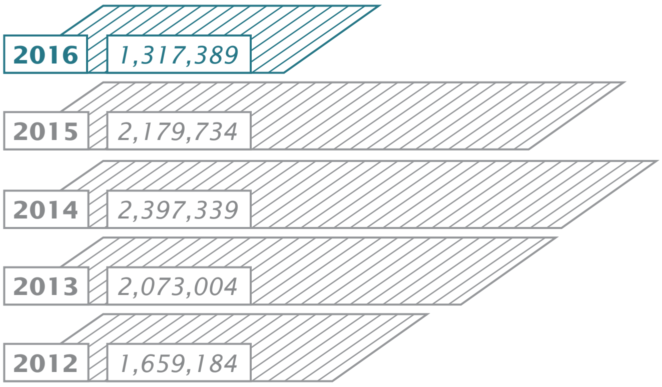
- Be the preferred provider of offshore production and support services.
- Increase long-term shareholder value.
- Enhance core capabilities in engineering, project management and operations.
- Maintain financial flexibility and strength.



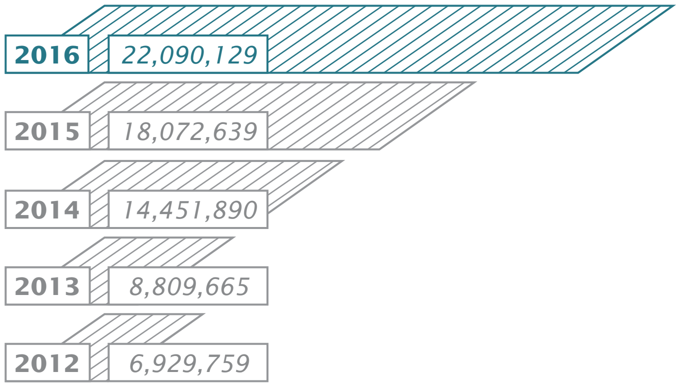
- Floating Production, Storage & Offloading
- Floating Gas Solutions
- Offshore Support Vessel
- Subsea Construction

FIVE-YEAR FINANCIAL PERFORMANCE

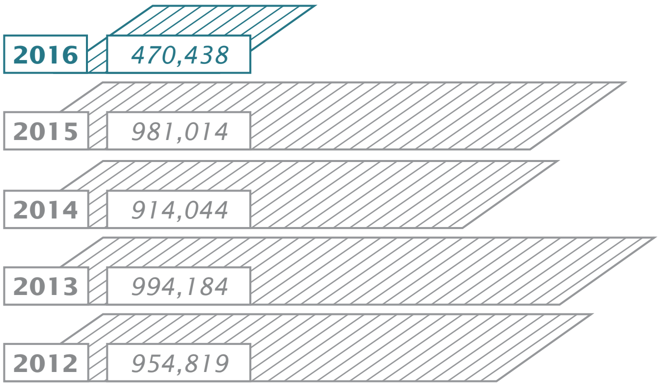
REVENUE (RM'000)



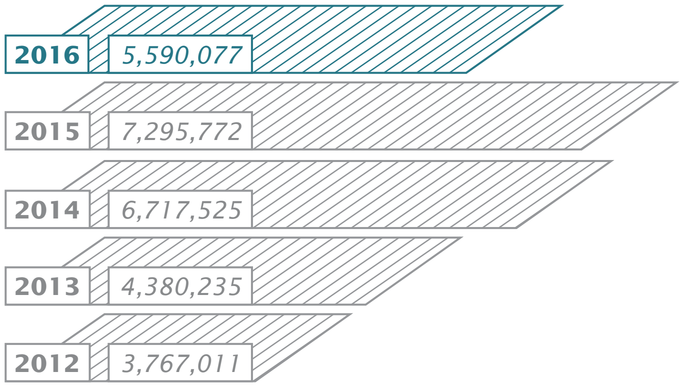
TOTAL ASSETS (RM'000)



EBITDA (RM'000)



TOTAL EQUITY (RM'000)



Financial Performance (RM'000)	2016	2015	2014	2013	2012
Revenue	**1,317,389**	2,179,734	2,397,339	2,073,004	1,659,184
EBITDA	**470,438**	981,014	914,044	994,184	954,819
(Loss)/Profit for the financial year	**(2,005,036)**	(241,777)	224,365	435,098	388,018
(Loss)/Profit attributable to the Owners of the Company	**(1,967,651)**	(234,566)	218,690	431,191	385,828
Total assets	**22,090,129**	18,072,639	14,451,890	8,809,665	6,929,759
Total equity	**5,590,077**	7,295,772	6,717,525	4,380,235	3,767,011

More info at www.bumiarmada.com

SHARE PERFORMANCE

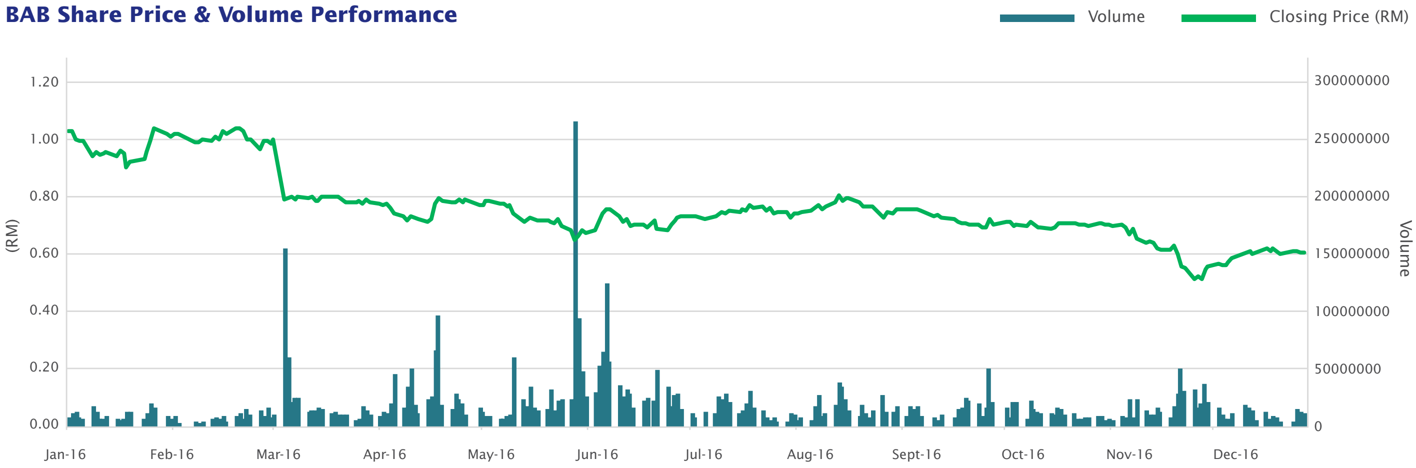
Malaysian Stock Market

The Malaysian stock market struggled with a series of local and global events during 2016 that took the leading FBM Composite Index through several highs and lows throughout the year. Locally, the weakening economy and the fluctuations of the Ringgit against world currencies had a significant impact as did commodity prices, as Malaysia remains a significant net exporter of commodities. Globally, there were a number of geo-political events that occurred that moved global markets, including the UK's Brexit vote to leave the European Union, the easing of sanctions for Iran, the election victory by Donald Trump in the US elections in November and continued instability in the Middle East. All of these, as well as several local events and other factors, saw the FBM KLCI trade across a range from a high of 1,727.99 to a low of 1,600.92 during the year.

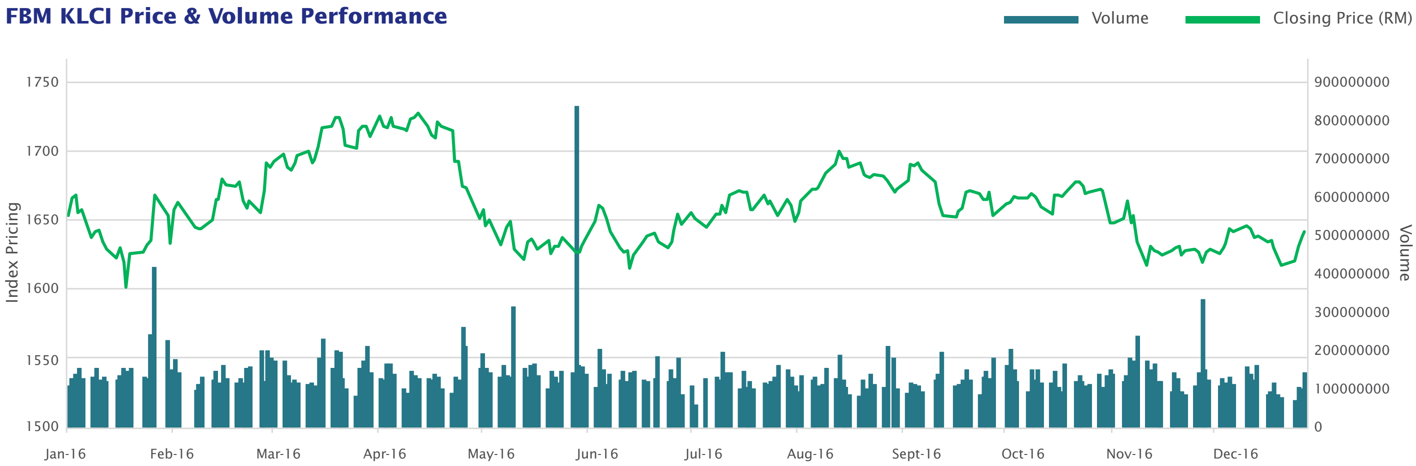
For Bumi Armada, generally weaker oil prices continued to pressure the stock price and the unlawful purported termination of Armada Claire contract as well as supplementary payments on the Armada Kraken FPSO, pushed the stock price to reach a low of RM0.510, before recovering at the end of the year to close 2016 at RM0.605.

Bumi Armada Share Price	2016 (RM)	2015 (RM)
Year High	**1.040**	1.300
Year Low	**0.510**	0.790
Year Close	**0.605**	1.020
Market Capitalisation (at year end closing)	**3.5 bil**	6.0 bil

BAB Share Price & Volume Performance



FBM KLCI Price & Volume Performance



CHAIRMAN'S MESSAGE

Tunku Ali Redhauddin ibni Tuanku Muhriz

Chairman

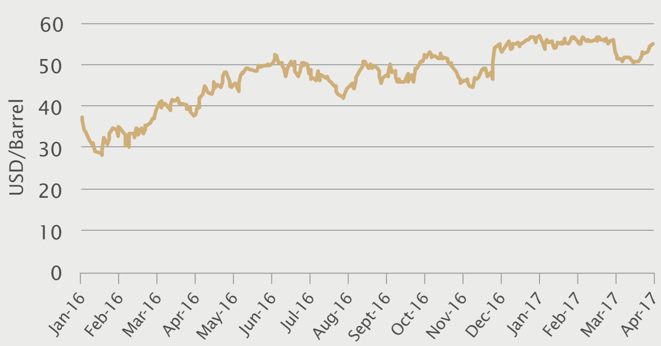
Dear Shareholders,

On behalf of Bumi Armada Berhad, I present to you the Annual Report for 2016.

I would like to start by officially welcoming Leon Harland as Executive Director and CEO of the Company. Leon took on his role in May 2016 and some of you will have seen and met him at our Annual General Meeting last year. I would also like to officially thank Chan Chee Beng for his stewardship of the Company as Acting CEO, prior to Leon joining us. Chee Beng now remains as a Non-Independent Director on our Board.

2016 was one of the toughest years in the oil and gas industry. Brent oil prices started the year weak and continued to fall to the year's lowest level of below USD28/barrel in late January 2016. Since then, Brent oil prices have recovered on expectations of medium term supply/demand rebalancing as well as steps by Organisation of Petroleum Exporting Countries ("OPEC") to control production levels. As a result prices stabilised to close the year at the USD50-60 per barrel range, where it continues to trade at the time of writing.

Brent Oil (USD/Barrel)



CHAIRMAN'S MESSAGE

Due to weak oil prices, oil companies continued to limit their spending, and many either delayed or cancelled new activities in relation to exploration, development and new production. Without any new exploration or development drilling, the number of drill-rigs that were "stacked" or laid-up increased, and orders for new drill-rigs at yards were either cancelled or postponed.

Despite price recovery from below USD30/ barrel to above USD50/barrel at the end of 2016, oil companies remain extremely cautious. Many are adopting a "wait and see" approach and the average capital expenditure by the oil companies for 2017 is likely to see only a very slight increase. As a result, we do not expect to see, and to date, have not seen, a significant increase in exploration or new project development activities in 2017. However, we do expect that projects which oil companies have already mandated and have achieved Final Investment Decisions ("FID") are likely to proceed to development and production stages in the future.

In the FPSO market, there were only three projects awarded in 2016 globally, the lowest number of project awards in twenty years[1]. These were all awarded in the fourth quarter of 2016 for developments in Brazil, Guyana and Malaysia. That said, we have recently seen an increase in activity for qualifications and surveys by oil companies looking at new FPSO projects, as they look to move approved developments to production, which is positive for potential project awards.

In order to carry the Company through this challenging oil price environment and to build a better base for the long-term, the Board and Management will focus on four key areas:

- Strengthening compliance and building resilience in the business;
- Prudence in a challenging environment;
- Enhancing efficiency in the Company and its structure; and
- Focusing on the way forward.

These key themes will be addressed throughout the rest of the Annual Report.

The Year in Review

2016 was a landmark year for our work in the shipyards. The Company worked hard to complete four major conversion projects (three FPSOs and one FSU), all of which sailed to their various operational locations before the end of the year. We have since had the start-up of the Armada LNG Mediterrana FSU in Malta, First Oil with the Armada Olombendo FPSO in Angola, and hook-up of the Karapan Armada Sterling III FPSO in Indonesia. Currently, we are working hard with our clients, Enquest Heather Limited, Enquest ENS Limited, and Nautical Petroleum Ltd, to bring the Armada Kraken FPSO, which has reached its operational location in the North Sea, on stream. Our existing operating FPSOs in Vietnam (Armada TGT 1) and two FPSOs in India (Armada Sterling and Armada Sterling II) have continued to perform well throughout the year, both in terms of operational uptime and safety performance.

During the year, our FPO business also faced some challenges. In March 2016, the contract for the Armada Claire FPSO received a purported notice of termination, for which we have instituted legal proceedings. No date for trial has been fixed as yet. Additionally, our two clients in Nigeria, representing our two smaller FPSOs, also face financial difficulties, resulting in irregular charter payments. Management has dedicated resources to work with our clients and advisors to resolve these issues as soon as possible.

Our OMS business was the most directly affected by weak oil prices, with lethargic demand for OSVs resulting in low utilisation of our current fleet. Without a significant increase in drilling activities, demand for OSVs will continue to be subdued. As a result, we cold-stacked a number of vessels during the year in order to best manage our costs in this segment. Despite these challenges, we had some positive activity in the Caspian Sea, as our pipe-laying barge, the Armada Installer, continued to work for both Petronas Turkmenistan and LukOil during the year and, in addition, the three purpose built new Ice-Class OSVs started their long-term charter with LukOil. Over the year, the Company looked at cost rationalisation and efficiency of the overall business. A new Business Management System ("BMS") review of all the critical processes and systems, from engineering and procurement, through to operations, was launched, and we expect to see positive results from this initiative.

The Company's continued focus on safety resulted in an improved performance in 2016. All the current operating FPSOs, OSVs and construction vessels were LTI-free during 2016, a testament to the focus on safe operations by the Company. We did

[1] *FPSO award data from EMA 2017-2021 FPS Report.*

CHAIRMAN'S MESSAGE

have three LTIs during the mobilisation and commissioning of our projects during the year, but thankfully all personnel involved have fully recovered, and training, awareness and remedial steps have been taken where necessary. Safety of all people in our work areas and the environment must remain a key focus for the Company.

Financial Performance

In 2016, the Group saw a significant decline in revenue to RM1.3 billion, against RM2.2 billion in 2015. This was due to the lower contributions from Armada Claire, Armada Perkasa and Armada Perdana, as well as lower revenue from the four new major projects as they completed their conversion phase. Note that these four projects, once producing will contribute significantly more revenue compared to the end of the conversion phase. This decline in activity resulted in a 69.8% year-on-year fall in revenue from the FPO business segment.

On the back of this lower revenue, the Group's EBITDA weakened by 52.0% to RM470.4 million, compared to RM981.0 million in 2015.

During the year, the Group took non-cash impairments of RM1.7 billion across its businesses. RM1.0 billion of its impairment related to the FPO business as well as significant declines in business prospects, while RM733.2 million related to vessels in the OMS business.

In totality, the Group registered a loss of RM2.0 billion for the full year. Excluding the impairment, the Group would have registered a loss of RM261.8 million. With the four new projects coming this year, we expect to see a much stronger financial performance in 2017.

All in all, we believe the work carried out, and steps taken in 2016 will strengthen the Company going forward. The major projects have been physically delivered and two of the four have started to contribute positively. We have good visibility of the pipeline of new FPSO leads in the short to medium term and feel that we are well positioned to participate in key strategic projects going forward.

The OMS business is likely to see mixed fortunes. Generally, the OSV market is challenged and we have taken the steps deemed necessary to improve both our cost base and ability to secure new charters going forward.

It has been another testing year in 2016, following on from 2015, but we see some light at the end of the tunnel. The completion of major projects will significantly enhance our cash flows and underline our capability to undertake large, complex projects and deliver fit-for-purpose solutions for our clients. The new tenders and bids that we are currently involved in are all for large complex FPSOs, highlighting our ability to meet the stringent requirements of clients involved in these types of projects.

Closing

As we close out 2016 and look forward to a brighter future, I would like to thank my fellow Directors for their support, insight, advice and debates on both the Board and the various committees throughout the year. I would like to thank Shapoorji Pallonji Mistry, who resigned as a Director in February 2017, for his contribution during his time on the Board, and welcome VU Kumar who joined the board in April 2017. VU Kumar has over 35 years' experience working for various blue chip and multinational companies as an established management consultant. His depth and breadth of experience in audit, consulting experience, and commercial expertise will be invaluable to the Board and Management of the Company.

Additionally, I would also like to thank Kenneth Murdoch who stepped down as Chief Financial Officer in September 2016 for his work in the three years he was with us, and Pierre Savy for stepping up into the Acting CFO role.

Finally, I would like to thank you, the shareholders and all our stakeholders, for your support and trust in the Board and Management or Bumi Armada, as we work to take the Company forward.

Tunku Ali Redhauddin
ibni Tuanku Muhriz
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Leon Harland

Executive Director/ Chief Executive Officer

PRINCIPLE ACTIVITIES OF THE GROUP

Bumi Armada is a provider of floating production and support services to the offshore oil and gas industry. To conduct our activities we design, build, own and operate a large fleet of assets ranging from OSVs, SC units, FPSOs and a LNG FSU. We conduct our business on a global basis and with focus on two business segments.

Firstly, the OMS business segment manages a fleet of 49 OSVs and four SC units across Asia, the Caspian Sea, West Africa and Latin America, and has generated 70% of the Group revenue in 2016.

The FPO business segment generates the remaining 30% of the Group revenue and is projected to provide a larger part of the long term business results, accounting for 92% of the firm contracted order book and 90% of the total value of the potential optional extensions as at 31 December 2016. Bumi Armada currently owns one LNG FSU and nine FPSOs, of which three are operated under joint venture arrangements. As such, Bumi Armada qualifies as a global top five FPSO owner and operator.

In 2016, revenue generated in Asia (excluding Malaysia) accounted for 66%, Africa 17%, Malaysia 12% and Latin America 5%. However, this revenue mix will change significantly in 2017, as new FPO projects are coming on stream in Africa (one FPSO) and Europe (one FPSO and one LNG FSU).

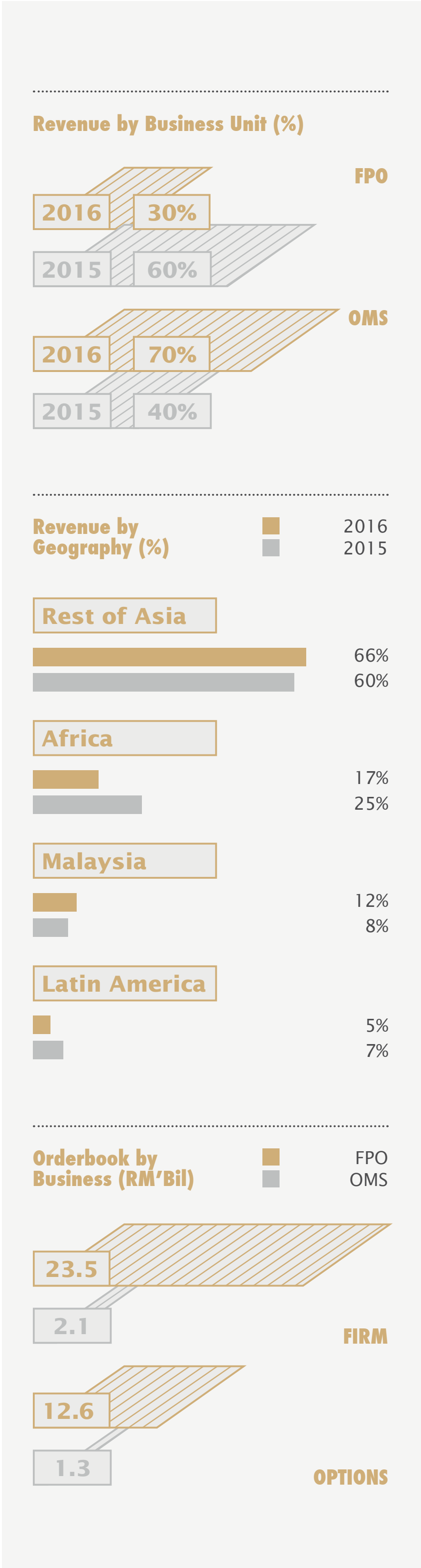
MANAGEMENT DISCUSSION AND ANALYSIS

VISION

Bumi Armada's vision is to be the preferred provider of offshore production and support services to our clients. In support of this vision, we have built-up the crucial and necessary capabilities to undertake large complex FPSO projects, including engineering, project management, risk management, financing, operational capabilities and as well as our own proprietary technologies. The Company needs to repeatedly deliver the facilities and services to our clients safely, at the right quality, on time and on budget, and in doing so, provide clients with value creating solutions. Combined with an open and decisive management style this will further build our reputation as the first name to call for clients looking for offshore facilities and services as well as becoming a preferred employer for oil and gas talents.

SHAREHOLDER VALUE CREATION

The oil and gas market is a cyclical business, driven by global demand and supply for the end products. The development and enhancement in shale oil and gas extraction has dramatically changed the supply side of the equation, with North America moving from a net importer of oil and gas products to a net exporter. This has undermined OPEC's ability to control supply of crude oil. With stagnating global demand, this has subsequently driven down oil and gas prices. In turn, the expenditures of oil and gas companies were being significantly reduced and impacting substantially the oil and gas service sector, including Bumi Armada.



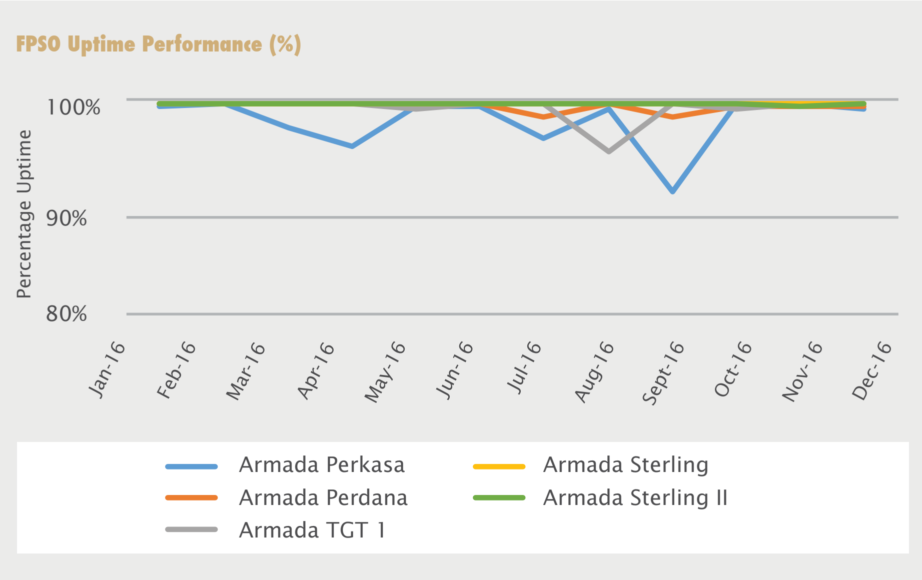
The impact on our Group activities is largest in the OMS business segment as the activity level of our vessels is closely linked to oil price movement. In the FPO business segment our production services are typically underpinned by long-term contracts generating long-term cash flows that are independent from movement in oil price.

We remain convinced of the future business potential of offshore oil and gas production and the continuing need for our services for the coming decades. Particularly in the fields of large and complex FPSOs there are very few players and Bumi Armada is uniquely placed given its track record of delivering fit-for-purpose solutions and ensuring production operations with excellent safety and uptime records.

By focusing strongly on risk management (including contracts) and by growing the capabilities of the organisation in consistently delivering our services safely, on budget, on time and with the right quality. We will ensure value creation for our clients, and this will ultimately deliver value for our stakeholders and shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

THE YEAR IN REVIEW



Floating Production and Operation

At an operational level the FPO business has performed very well, with the existing FPSOs, both those owned directly, as well as those under joint venture arrangements, recording no incidents harming either man nor environment, while maintaining an average fleet uptime of almost 100%.

Armada TGT 1 FPSO in Vietnam

The Armada TGT 1 FPSO, operating in the Te Giac Trang field in Vietnam, continues to work at a high level of uptime, averaging over 99%, for our client, Hoang Long Joint Operating Company which is a joint venture between PetroVietnam Exploration and Production Ltd., Soco Vietnam Ltd., Opeco Vietnam Ltd., and PTTEP Hoang Long Company Limited. The FPSO has been operating since 2011 on a seven-year firm contract and the contract includes an option mechanism to address a possible maximum total extension of eight additional years.

Armada Sterling and Armada Sterling II FPSOs in India

The Armada Sterling and Armada Sterling II FPSOs are both being chartered by Oil and Natural Gas Corporation Ltd, the national oil company of India and operating off the west coast of India in the D1 and C7 blocks, respectively. Both FPSOs are owned and operated in a joint venture partnership with the Shapoorji Pallonji Group in India. The FPSOs have very successful safety and uptime performance records. Just recently, the Armada Sterling II was recognised by the British Safety Council with the International Safety Award for protecting its employees from injury and ill health.

Termination of the Armada Claire FPSO contract in Australia

The contract for the Armada Claire FPSO in the Balnaves Field in Australia remains the subject of a legal case, due to the unlawful purported termination of the contract by Woodside Energy Julimar Pty Ltd ("Woodside"). As we announced in April 2016, the Company is seeking damages of USD275.8 million for the purported repudiation of the contract by Woodside. We are waiting for a trial date to be set by the courts in Australia. Meanwhile, the Armada Claire FPSO has been demobilised from the field and is warm-stacked in Batam, Indonesia, while we pursue redeployment opportunities for her.

Challenges in Nigeria

The lower oil price has had a negative financial impact on our two clients in Nigeria, resulting in irregular charter payments for both the Armada Perkasa FPSO and Armada Perdana FPSO. We have been working with these clients to find a solution to recover the outstanding charter amounts. In the case of Amni, this has resulted in the sale of the Armada Perkasa FPSO post year end 2016. For Erin, we are in discussion with the client in an effort to support their initiatives to increase the oil and gas production rates from their reservoirs.

First Gas Unit Goes on Charter

The Group's first gas unit, the Armada LNG Mediterrana FSU, which was converted in 2016, is now operational in Malta at the Delimara LNG Regasification Terminal for our client ElectroGas Malta Ltd. The sail away ceremony for the unit, which was attended by Dr. Joseph Muscat, Prime Minister of the Republic of Malta, was held on 1 August 2016 prior to her departure from Singapore. The unit achieved first LNG on 16 January 2017 and has been in operation since.

Three New FPSOs Coming On Stream

In addition to the Armada LNG Mediterrana FSU, the Group has been extremely busy in delivering three other FPSO projects from the Keppel yard in Singapore.

Firstly, the Armada Olombendo FPSO which is chartered on a 12-year firm contract by Eni Angola S.p.A. This is a large and complex FPSO unit with ~19,000 tonnes of Topsides, featuring one of the world's largest external turret mooring systems. This turret system has been developed fully in-house and has a range of provisions to cater for future field tie-ins.

The naming ceremony for the Armada Olombendo FPSO was held in the Keppel yard in Singapore on 14 October 2016 and she left Singapore on 1 November 2016 for Angola. After a 40-day voyage, the FPSO arrived in Angola and was hooked-up to the pre-installed anchor lines. Following a short riser connection and start-up preparation period, she delivered First Oil on 8 February 2017. Full commissioning of the FPSO is on-going and Armada Olombendo is expected to be fully operational in the second quarter of 2017. Secondly, the Armada Kraken FPSO is chartered for an eight year period to Enquest

MANAGEMENT DISCUSSION AND ANALYSIS

Heather Limited, Enquest ENS Limited, and Nautical Petroleum Ltd (collectively Charterers) and will be operating in the harsh environment of the UK North Sea. The unit is specifically designed to suit the requirements for the production of heavy oil, and moreover, Bumi Armada will be the duty-holder of the offshore operations.

The Armada Kraken FPSO left the Keppel yard on 23 November 2016, arrived in the North Sea on 13 February 2017, where she was hooked-up to the preinstalled mooring buoy on 17 February 2017. At the time of writing, she is undergoing start-up and commissioning activities with a plan to achieve First Oil in mid 2017. From a schedule and budget viewpoint, the progress of the Armada Kraken conversion project has been very disappointing throughout the project period and with a resulting delay of more than one year in total. This has resulted in supplementary payments being committed to the Charterers. At the time of writing, we are in process of finalising the contract amendments and have agreed in principal to redefine the final delivery date from 1 April 2017 to 15 July 2017.

Finally, the Karapan Armada Sterling III FPSO which is chartered to Husky CNOOC Madura Ltd ("HCML") for a period of 10 years, will be operated on the Madura field in Indonesia. This FPSO is a unique gas production facility with the capability to extract and store the condensates as well as large volumes of molten sulphur. The construction and delivery of the FPSO was performed under a joint venture arrangement with the Shapoorji Pallonji Group from India. The FPSO conversion was conducted at the Keppel yard in Singapore, and she left Singapore on 20 December 2016. The unit was moored and all riser lines connected to the FPSO on 16 January 2017 and she is now waiting for our client HCML to provide first gas. HCML expects to complete the full ramp up of production in the second half of 2017.

These four new projects include the two largest FPSOs Bumi Armada has ever built, as well as our first sour gas and LNG project. We expect these four projects to contribute

significantly to the financial performance of the Company from 2017 and onwards.

Offshore Marine Services

2016 continued to be a difficult year for the OSV business. The fleet managed an average utilisation rate of approximately 50% during for the year and closed full year 2016 with 19 OSVs cold-stacked as the market remains oversupplied. However, we did pick up some new short-term charters for vessels during the year, but rates remain low. As a result, we continue to be selective on charters and are persistent in seeking to remain cash flow positive on contracts.

On a positive note for the OSV business, we started operations of our three Ice-Class support vessels in the Caspian Sea, which are under long term contract with LUKOIL Nizhnevolzhskneft ("LukOil"). These three vessels have each a 10-year firm charter, with options for potentially 20 additional years.

Our two pipe-laying and construction barges in the Caspian sea under the SC business, the Armada Installer and Armada Constructor, were also kept busy working in the Turkmenistan and Russian sectors during the year. We expect work for the Armada Installer to be stable in 2017 on the back of work commitments with both Petronas Turkmenistan and LukOil.

Refining the Internal Organisation

During the year, we continued to look internally at efficiencies and streamlining the organisation to fit the needs of the market going forward. We have undertaken several significant organisational improvement initiatives which include implementing a BMS to refine and enhance our corporate processes and operational procedures as well as provide a platform for continuous improvement.

We have also focused on improving the procurement and supply chain management to ensure both integrity and effectiveness within the system. In the project and engineering departments we are dealing with a reduction in workload following the completion of the four large conversion projects. Hence we have reviewed the capability and capacity of the project and engineering units, to ensure we maintain critical skills as well as have the flexibility to take on both bidding and ultimately new projects, effectively.

People

At time of writing, we have rationalised our on-shore employees leading to an 19% reduction of on-shore staff.

Furthermore, we revisited our human capital practices and refocused our efforts on enhancing employee engagement with Talent Reviews, Succession Planning and overall employee interaction. The enhancements implemented take a more cohesive and streamlined approach to keep our employees engaged and striving towards our long-term goals. In parallel, we have achieved through 2016 some of

MANAGEMENT DISCUSSION AND ANALYSIS

our objectives like a significant increase in our diversity ratios and maintaining similar percentage of training despite the downturn of the market.

Safety

Safety statistics in 2016 showed a marked improvement over 2015, with both a reduced LTI performance and an increase in the management visit ratio, which highlights more senior management involvement in projects and operations.

During the year, we did register three LTIs during the delivery phase of our FPSO projects and our front-line OMS businesses. Fortunately, none of the incidents were life-threatening and all the people involved have recovered. These incidents however are a constant reminder of the need to be vigilant to the risks that our operations are exposed to. It is for this reason that we will continue to remain focused of our employee safety and safe operations on all our vessels and assets.

During the year, all our operating FPSOs recorded LTI-free performances for the year, with several of our units recording multi-year LTI-free performances:

- Armada TGT 1 FPSO – five years without any LTI
- Armada Sterling FPSO – three years without any LTI
- Armada Perdana FPSO – three years without any LTI
- Armada Perkasa FPSO – one year without any LTI
- Armada Sterling II FPSO – one year without any LTI (the units' first full year of operations)

We also improved our performance in our plans to reduce greenhouse gas ("GHG") emission levels. More details of this is captured in our Sustainability section.

FINANCIAL PERFORMANCE

For financial year ended 31 December 2016 ("FY2016"), Bumi Armada posted a revenue of RM1,317.4 million, a decrease of 39.6% compared to the financial year ended 31 December 2015 ("FY2015"). The decrease was mainly attributed to lower conversion activities from the Armada Olombendo and Armada Kraken FPSO projects, recognition of supplementary payments for Armada Kraken FPSO, reduced contribution from Armada Claire FPSO, Armada Perdana FPSO, Armada Perkasa FPSO and lower OSV vessel utilisation. However, these were offset by the higher contribution from the LukOil project in the Caspian Sea.

During the financial year, the Group made a non-cash impairment charge of RM1,743.2 million, comprising RM1,738.0 million for certain FPSO and OMS vessels, and RM5.2 million for available for sale financial assets. As a result of the impairment, the Group reported a net loss of RM2,005.0 million for FY2016 (RM241.8 million net loss for FY2015). Excluding the impairment charge, the Group would have posted a net loss of RM261.8 million.

As at 31 December 2016, the property, plant and equipment of the Group increased to RM16,602.6 million from RM14,143.9 million as at 31 December 2015 due to capital expenditure ("CAPEX") of RM4,048.0 million arising mainly from conversion activities for the Armada Olombendo and Armada Kraken FPSO projects which was offset by the impairment charge of RM1,738.0 million. The Group had authorised CAPEX amounting to RM1,971.3 million for property, plant and equipment which was not incurred as at 31 December 2016.

Deposits, cash and bank balances increased from RM1,525.7 million to RM3,015.9 million, comprising RM2,758.2 million deposits with licensed banks and RM257.7 million of cash and bank balances. The increase was mainly due to drawdown of the term loan for a conversion project which was initially funded using the Group's internally generated funds.

The increase in the Group's borrowings from RM8,029.6 million in FY2015 to RM13,046.1 million in FY2016 is attributable to the drawdown of loan facilities as well as revolving credit facilities. The Group maintains sufficient cash and availability of funding through an adequate amount of committed credit facilities from financial institutions to support its daily operations.

The capital structure of the Group consists of borrowings (excluding cash and cash equivalents) and total equity. The Group generates funds from operating activities as well as obtain external funding for working capital purposes and specific borrowings for FPSO projects. The Group's shareholders' equity as at 31 December 2016 stood at RM5,590.1 million, a decrease of RM1,705.7 million from the previous financial year. The decrease was mainly due to net loss for the year which was offset by other comprehensive income for the year.

RISK FACTORS

Bumi Armada's key risks revolve around three main areas; the state of the oil and gas industry, the contracts that Company undertakes and the funding requirements to undertake large new projects.

Oil Price Risk

The fall in oil prices has resulted in oil companies significantly reducing their capital expenditure investment in new projects, which resulted in a reduction of their required demand for our services. As we have seen over the last two years, the downturn in the oil and gas market has resulted in lower demand for our vessels and well as lower charter rates, which has had a significant negative impact of the performance of our OSV business. The lower oil price has also had an impact on some of our clients in the FPSO businesses, where the clients' field economics are affected, resulting in the inability to service all their costs, including the charter payments on our FPSO.

Contractual Risk

As a business, we are exposed to risks inherent in the contracts that we undertake. Some of the terms of the contracts include key milestones on the construction and delivery schedules as well as the operational performance of the facilities. Failure to meet any of the key terms or conditions of the contracts that we have entered into, will expose the Company

MANAGEMENT DISCUSSION AND ANALYSIS

to potential penalty payments, liquidated damages or ultimately, termination of the contract. In 2016, we received a purported notice of termination of the contract for the Armada Claire FPSO, for which we have instituted legal proceedings in Australia against the client, Woodside. Additionally, we have also incurred supplementary payments on the Armada Kraken FPSO contract.

Funding of New Projects

FPSOs are by the nature of the business, capital intensive projects. The projects that are currently up for bidding are all large in scale, driven by the types of fields that the clients are looking to develop and where project economics for the clients make the most sense going forward. The FPSOs for these developments are likely to entail capital investments in excess of USD1 billion. The scale of these capital commitments will require the Group to provide significant amounts of equity, which will only generate cash flows two to three years after the contracts have been signed. As a result, the Group will need to be selective in the projects that it undertakes in the future or will need to find alternative strategies to take on more new projects in the future. Limitations in the Group's ability to fund new projects or restrictions in raising sufficient funding in certain situations, may restrict the Group's ability to grow.

For further details on the risks and the other risks our Group is exposed to, please refer to the Statement on Risk Management and Internal Control section of this Annual Report (Page 69).

OUTLOOK

Oil prices going forward are expected to be relatively stable in the medium term, but are likely to be relatively volatile over the short-term. The anticipated stability in the outlook for oil prices is also expected to provide confidence for oil companies to start investing in selected identified and approved projects. Exploration activity for oil in new areas however, is not expected to see a significant increase in 2017.

There are signs of improving sentiment in the floating production business, with an increase in new tenders and enquiries in the latter half of 2016. At the time of this report, the Company was heavily involved in a handful of potential new projects, of which we hope to secure at least one new FPSO project in 2017. Due to the ongoing over supply of OSVs in the market and the outlook for limited new exploration by the oil companies, we do not expect to see a significant improvement in the OSV business in 2017. The SC business in the Caspian Sea will continue to be underpinned by the current activities with Petronas Turkmenistan and LukOil in 2017 and we expect to secure more work for the Armada Installer and Armada Constructor in the region.

CLOSING

Finally, I would like to add a few personal observations. Since my arrival on 16 May 2016, it has been a very dynamic period as the Group had to navigate through stormy weather with the purported termination of the Armada Claire FPSO, delays on completion of Armada Kraken FPSO, challenged cash collections in Nigeria and the heavy underutilisation in the OSV sector, which have put a big strain on the Group, on our people and on our financial results. At the same time there have been many highlights: we delivered four complex FPSO projects, each featuring unique technologies, we have achieved an impressive operational performance throughout our OSV, SC and FPSO fleets and recorded good safety performances across all our operational assets.

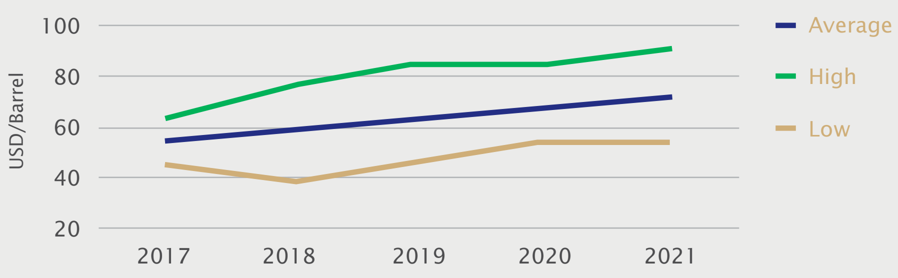
I would like to thank the shareholders and the Board for the trust that has been put in me to lead the Company through this trying time. It is not a responsibility that I take lightly and I hope to reward that trust by taking Bumi Armada into its next phase of growth. I would also like to thank Mr. Chan Chee Beng for his guidance and support in taking over the wheel of the Company, one which he steered before I came on board.

My gratitude also goes to our Chairman Tunku Ali, the other Directors and my colleagues, whom have been working with me, all pulling in the same direction, to bring the Company forward.

I believe that our Company has built a real competence in the Floating Production business. We are now on the verge of making a step change in our capability to deliver large scale projects to our clients. The OMS business has struggled due to the market conditions, but our services are still chosen ahead of others, based on our experience and capability to operate for our clients, and not necessarily at the lowest charter rates. Given these key ingredients, I look forward to working with all our stakeholders to develop the potential that will allow Bumi Armada to emerge from this trying period, stronger.

Leon Harland
Executive Director/ Chief Executive Officer

Bloomberg Consensus Forecast for Brent Oil (USD/Barrel)



SUSTAINABILITY STATEMENT

Bumi Armada is a Malaysia-based international offshore energy facilities and services provider with a responsibility to build a sustainable business model based on the Environmental, Social and Governance ("ESG") platform, balancing our impact on the environment, the safety of people, and creating ethical long-term stakeholder value.

Material Issues

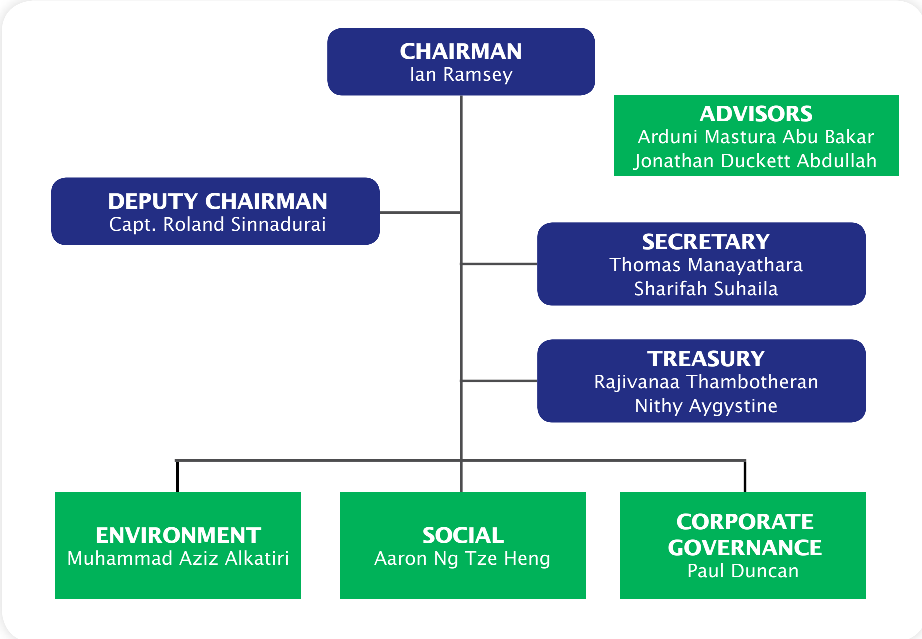
In 2016, the formal role of Sustainability in Bumi Armada has been consolidated under the Investor Relations, Communications and Sustainability Department ("IRCSD"). While the budget for Sustainability is held under this department, the sustainability initiatives are now led by the Sustainability Committee ("SComm") which is guided by the IRCSD, and reports to the Board of Directors. The SComm is made up of employees from different departments who have volunteered to take on the responsibility of selecting, participating in and monitoring the initiatives that have been identified to be supported.

SUSTAINABILITY STATEMENT

While the Company looks at formal sustainability initiatives under the SComm, aspects of sustainability under the ESG platform are apparent in the day to day way that Bumi Armada operates. Clear examples of these are the operational focus on safety to people, facilities and the environment and awareness of potential risks in working in the construction of huge facilities under strict timelines, as well as the hazards inherent in working in the offshore environment. The detailed focus on these areas is the reason that the Company has clear policies and procedures regarding all areas of safety, employee behaviour, compliance, quality assurance and enterprise risk management, amongst others.

Bumi Armada's approach to Sustainability under the SComm has been to select several initiatives which have both a local and an international impact, as well as run on an annual and multi-year basis. The reason for selecting both local and international initiatives reflects the geographical coverage of the Company's businesses and where possible, directly benefit the countries in which we operate.

Bumi Armada's Sustainability Steering Committee



ENVIRONMENTAL

SComm Initiatives

As part of the Company's efforts on carbon offset, 2016 marked the fourth year of a five-year programme in support of the Forest Research Institute of Malaysia ("FRIM"). Bumi Armada continued to support FRIM in 2016 with the planting of indigenous jungle trees as well as supporting educational tours within the FRIM forest reserve.

Under Bumi Armada's marine conservation initiatives, the Company continued to sponsor the Turtle Sanctuary and Information Centre in Cherating, Pahang. In 2016, the sponsorship covered improvements to the centre's infrastructure and turtle hatchery, as well as electronic tagging and monitoring equipment for tracking adult turtles in the wild.

SUSTAINABILITY STATEMENT

With one of the Company's joint venture companies involved in an FPSO project off Madura Island in Indonesia, the SComm selected a marine conservation programme run by the Biosphere Foundation called the Mooring Buoy Programme. The programme has installed 33 mooring buoys off the marine reserve of Menjangan Island to stop visiting vessels from dropping anchors, which destroy the marine coral. In addition to installing the buoys, the programme also cleans the beaches of trash that has washed up on the island as well as clear the coral of Crown of Thorns star fish and Drupella snails which destroy the live corals. Bumi Armada provided funding to Biosphere to replace and maintain the buoys, and several employees from both the KL and Jakarta offices took part in the beach clean-up.

In the UK, employees at the Company's office in Aberdeen went on a beach clean-up organised by the Marine Conservation Society at Donmouth Beach along the River Don in Scotland. Apart from the benefit to the community of the clean-up there was also a presentation to emphasise the importance of sustaining the local beaches and marine wildlife.

As part of the business operations

As part of its corporate sustainability, Bumi Armada has made a commitment to reduce the level of fuel and electricity consumption across our operations with an overall target to see an annual reduction of 5%. The level of consumption in both these areas is influenced by a number of variables, such as level of business activity or the launch of new projects or operations.

	2015 (t.CO_2-e manhours)	2016 (t.CO_2-e/manhours)	% YTD difference
Fuel + Electricity	0.076121465 (7.6×10^{-2})	0.071001075 (7.10×10^{-2})	-6.7266
Fuel	0.1068403961 (1.1×10^{-1})	0.099048347 (9.9×10^{-2})	-7.2932
Electricity	0.00044656 (4.47×10^{-4})	0.000397964 (3.98×10^{-4})	-10.882

"The funds provided were to purchase new equipment for Malaysian Association Help for the Poor and Terminally Ill to ensure that terminally ill patients had some comfort and support."

As part of the operational standards under the International Maritime Organisation ("IMO"), all our vessels are required to collect and sort vessel waste materials and dispose them in accordance with the regulations. In addition to waste, the IMO has strict regulations regarding pollution levels of oil and chemical spillage. All these items must be monitored and reported to the IMO annually.

SOCIAL

SComm Initiatives

During the year, the SComm undertook a number of new societal support initiatives, which included supporting the Pertiwi Soup Kitchen, which provide free meals to the homeless and destitute in Kuala Lumpur, "Stop Hunger Now!", which is a global food relief body that packs emergency relief meals and provides them in areas of natural, political or other disasters. Employees from the Company packed over 60,000 relief meals in two Stop Hunger Now! events in 2016.

SUSTAINABILITY STATEMENT

In 2016, Bumi Armada also sponsored the provision of selected medical equipment for the terminally ill. The funds provided were to purchase new equipment for Malaysian Association Help for the Poor and Terminally Ill to ensure that terminally ill patients had some comfort and support.

Two of the biggest threats to children in developing countries is a lack of clean water and the spread of disease. As part of the international efforts towards helping society, the SComm supported UNICEF in two programmes during 2016. The first provides clean drinking water in areas where water is either scarce or highly polluted and the second, the immunisation of children against diseases such as measles, diphtheria and tetanus.

Bumi Armada also looks to take care of its employees and organised free health screenings for its employees in Kuala Lumpur in support of World Health Day. The screenings covered blood tests and general heath checks and was carried out at the lobby of the head office in Kuala Lumpur. The Company also had a series of health and fitness events for its employees throughout the year.

As part of the business operations

The safety of people is a key focus area in the oil and gas industry and when working in the offshore environment, that focus must be even more diligent. The risk to safety is extremely highly and it is for this reason that the Company, as a service provider with front line operations, monitor processes and procedures meticulously. In 2016, the Company had a strong safety performance, but the role and indoctrination of a safety culture is endless as new operations come on stream and new employees join the Company both on-shore and offshore.

Year	2012	2013	2014	2015	2016
LEADING INDICATORS – PER 200,000 MHRS *					
Safety Observation Frequency	284.4	560.5	720.8	902.0	599.0
Near Miss Reporting Frequency	1.26	1.34	1.66	1.69	1.19
Management Visit Ratio	7.52	5.20	5.83	4.78	8.33
HSE Training Man hours	12,836	22,710	30,365	23,850	28,627
LAGGING INDICATORS – PER 1 MILLION MHRS *					
Lost Time Injury Frequency	0.19	0.44	0.66	0.27	0.12
Total Recordable Injury Frequency	1.11	1.31	1.58	2.28	0.73
First Aid Case Frequency	3.34	2.32	2.76	2.69	1.46
Total Man-Hours (BAB Only)	5,396,481	6,883,405	7,608,765	7,445,199	8,239,342

* MHRS - Man-hours

SUSTAINABILITY STATEMENT

As the Company undertakes new projects and operations internationally, it is important to hire and train competent local employees to work in the offices and facilities that we operate. As a Company and as an industry, it is not only critical to develop local resources and content to benefit the people and businesses in the countries in which we operate, but also to increase the availability of talent, competence and capability of those resources going forward. While there is a financial benefit to hiring local talent in specific countries that we operate in, the development of international talent remains a critical ingredient to Bumi Armada's success going forward.

Key milestones achieved during 2016 on our operations include:

- Zero LTI; and
- Total Recordable Incident Frequency Rate ("TRIFR") = 0.69 which is based on 1 Medical Treatment Case, and with a total man-hours of 1,451,775

The following safety performance records were recognised across the organisations:

- Armada Sterling II FPSO - 1st year of LTI free operations, 11 March 2016;
- Armada Perkasa FPSO - 1 year without LTI, 21 April 2016;
- Armada Sterling FPSO - 3 years without LTI, 21 April 2016;
- Armada Perdana FPSO - 3 years without LTI, 6 May 2016;
- Armada TGT 1 FPSO - 5 years without LTI, 18 July 2016

GOVERNANCE

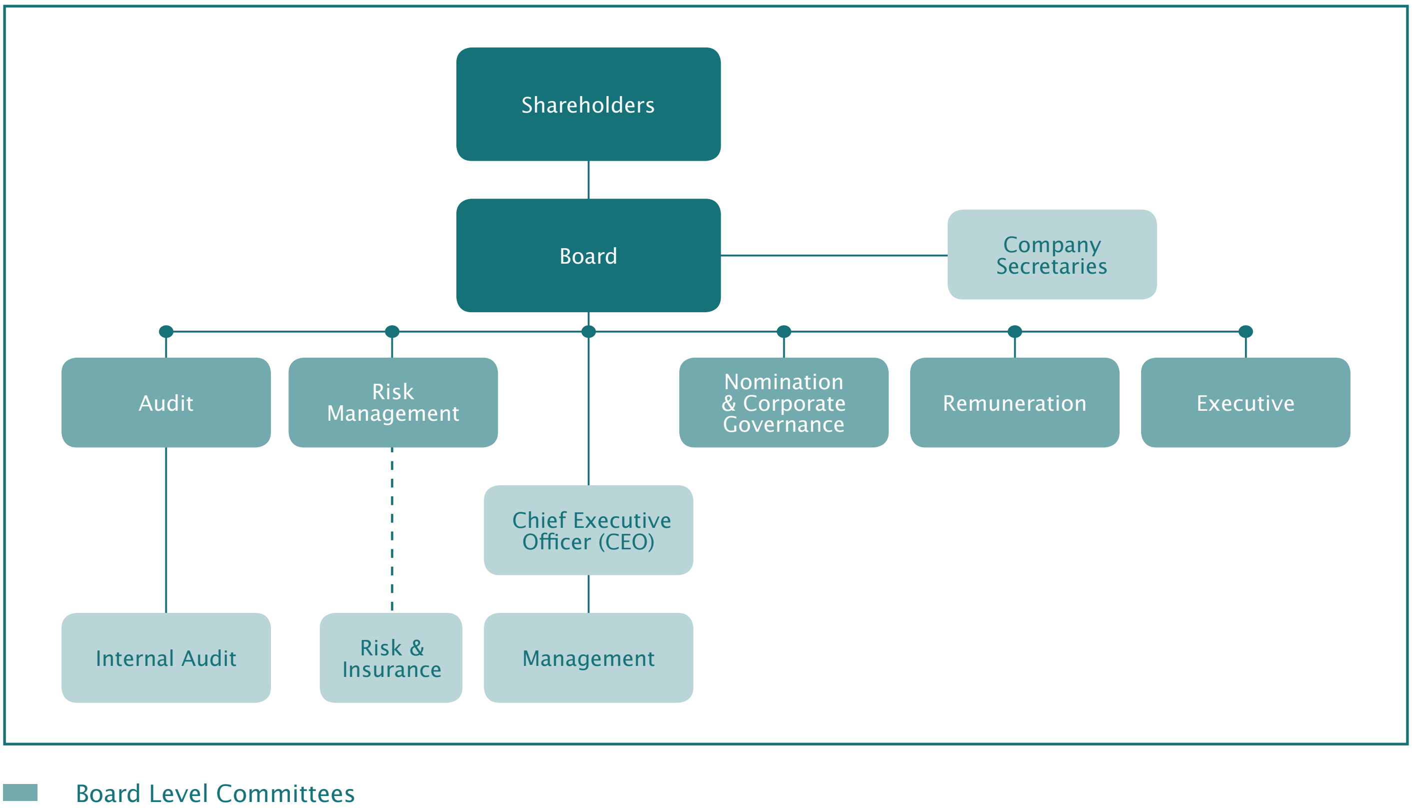
In corporate governance, Bumi Armada strives to comply with the best practises in regulatory requirements and to be as transparent as possible without risking either the Company's commerciality or competitiveness. To achieve the right balance, the Company works closely with the Internal Audit function and External Auditors to ensure compliance to the reporting regulations. For further details regarding our internal processes and procedures on employee ethics, internal audit, enterprise risk management and others, please refer to the Corporate Governance Statement in this report or please refer to the corporate governance section on our website at www.bumiarmada.com. Our efforts to manage our sustainability responsibilities have also been recognised through the Company's inclusion in the FTSE4Good Bursa Malaysia Index, the Dow Jones Sustainability Emerging Market Index and the Morgan Stanley Composite Index ("MSCI") Global Sustainability Index.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Bumi Armada Berhad ("Bumi Armada" or "Company") continues to be committed to maintaining a high standard of corporate governance and ensuring controls, systems and processes are in place throughout Bumi Armada and its subsidiaries ("Group") to safeguard the Group's business and realise its vision to be the preferred provider of offshore production and support services to our clients.

This Statement is prepared pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and describes the manner in which Bumi Armada has applied the Principles under the 2012 Malaysian Code on Corporate Governance ("CG Code") having regard to the Recommendations therein for the financial year ended 31 December 2016 ("FY2016"). The guidelines outlined in the Corporate Governance Guide ("CG Guide") by Bursa Securities have also been considered in applying the Principles under the CG Code and in preparing this Statement.

The Board will continue to review the Company's governance model to ensure its relevancy in ensuring it achieves its mission to provide effective integrated floating solutions in a safe, sustainable, reliable and environmentally-friendly manner therefore fuelling the Group's growth, as well as the growth of its host nations and communities.



CORPORATE GOVERNANCE STATEMENT

1. ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and Management

The Board has collective responsibility for the direction and management of the business and affairs of the Company towards enhancing business prosperity and corporate accountability, with the ultimate objective of realising long-term shareholder value whilst taking into account the interests of other stakeholders. In order to discharge that responsibility, it has to provide the requisite leadership and ensure it has laid the necessary governance structures for effective control of the Company and stewardship over its assets.

The Executive Directors ("ED") are directly responsible for the day-to-day management of the business and operations, for procuring new business and for the commercial and corporate performance of the Company within the parameters of good governance. The Non-Executive Directors ("NED") play a vital check and balance role by challenging and scrutinising Management's recommendations and proposals in an objective manner and bringing independent judgment to the decision-making process at the Board and Board Committee levels.

The Board Charter was adopted by the Board in April 2015 and was recently reviewed by the Board in March 2017. It outlines the following responsibilities as a primary premise for effective discharge of its fiduciary and leadership functions, which are substantially aligned with the CG Code and conform with international best practice in relation to major accident hazards:

- *Reviewing and approving strategic plan for the Group* - The Board has responsibility for reviewing, challenging and approving Management's proposals on strategic plans for the Company and its subsidiaries. The Board is also responsible for monitoring the implementation of strategic plans by Management;

- *Overseeing the conduct of the Group's business* - The Board is responsible for overseeing the performance of Management to determine whether the business of the Group is being properly managed and for ensuring that there are measures in place against which Management's performance can be assessed;

- *Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures* - The Board is responsible for understanding the principal risks of all aspects of the Group's business and recognises that business decisions involve the taking of appropriate risks, to achieve a proper balance between risks incurred and potential returns to shareholders, and for ensuring that there are systems in place which effectively monitor and manage these risks;

- *Succession planning* - The Board is responsible for ensuring that candidates appointed to top management positions are of sufficient calibre and ensuring that there are programmes in place to provide for the orderly succession of top management;

- *Overseeing the development and implementation of a shareholder communications policy for the Group* - The Board is responsible for ensuring that the Company has a policy in place to enable effective communication with its shareholders and other stakeholders. Such policy include how feedback received from stakeholders is considered by the Company when making business decisions;

- *Reviewing the adequacy and the integrity of management information and internal control systems of the Group* - The Board is responsible for ensuring that there is a sound framework of reporting on internal controls and regulatory compliance; and

CORPORATE GOVERNANCE STATEMENT

- *Providing leadership and assurance on the effective management and monitoring of health, safety and environment risks* - The Board is responsible for ensuring that the Company implements a management system relating to Health, Safety, Security, Environment and Quality ("HSSEQ") based on the goal of zero harm to personnel, with safety risks being As Low As is Reasonably Practicable ("ALARP") in respect of major accident hazards and the adoption of Best Available Technology ("BAT") and practices to minimise harmful emissions to the environment.

During FY2016, the Board had deliberated on key issues in discharging its duties and responsibilities pursuant to its terms of reference ("TOR"), among others:

(i) Reviewed and approved the strategy and business plan of the Group for FY2016 based on input from the various heads of department;
(ii) Reviewed proposals on new projects including joint ventures in line with the business plan as well as the respective project financing;
(iii) Reviewed quarterly operational review reports;
(iv) Reviewed the related party transactions for proposed joint ventures for potential projects;
(v) Reviewed and approved the quarterly financial results for FY2016 and the financial year ended 31 December 2015 ("FY2015") of the Group and their release to Bursa Securities as recommended by the Audit Committee ("AC") of the Board;
(vi) Identified principal risks and ensured the implementation of appropriate internal controls and mitigation measures with overview from the Risk Management Committee ("RMC");
(vii) Ensured that there are programmes in place for succession planning for Senior Management with monitoring from the Nomination & Corporate Governance Committee ("NC") as well as participated in interviews of potential candidates for the CEO position, deliberated on the selection and appointment of the CEO, including his contract terms;
(viii) Deliberated on the annual remuneration of staff including Management for FY2016 as per the recommendation of the Remuneration Committee ("RC") of the Board;
(ix) Deliberated on litigation cases involving the Group;
(x) Considered and approved the contents of the Company's 2015 Annual Report, which included the AC Report, the Corporate Governance Statement, Statement on Risk Management and Internal Control and Directors' Responsibility Statement;
(xi) Maintained robust regulatory compliance at all times;
(xii) Ensured effective implementation of shareholders and stakeholders communication which enabled feedback received to be considered when making business decisions;
(xiii) Considered and approved Project COMPASS, which is an integrated Business Management System aimed at improving work processes by standardising practises and systems across the Group;
(xiv) Discussed and approved the sustainability initiatives for FY2016 as recommended by the Sustainability Committee;
(xv) Deliberated and approved the Management Incentive Plan ("MIP") as per the recommendation of the RC, as well as recommended the MIP to shareholders for approval;
(xvi) Deliberated and approved the revision of existing HSSEQ policies and the addition of key policies related to Major Accident Prevention and Asset Integrity, including the regular assurance of HSSEQ risks via their effective implementation;
(xvii) Reviewed the actions taken to enable the Company to obtain a licence to operate the Armada Kraken FPSO within the United Kingdom Continental Shelf as required by the Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015 (SCR 2015); and
(xviii) Reviewed and approved the Information Technology ("IT") roadmap and milestones from 2015 to 2018 covering application, infrastructure and IT Security and the related resources and budget.

The Board has delegated specific responsibilities to five Board committees, namely the AC, NC, RC, RMC and Executive Committee, all of which operate within their respective approved TORs. These Committees assist the Board in making informed decisions through focused and in-depth deliberations on issues within their respective purview. The final decision on all matters, however, lies with the entire Board after considering recommendations by these Committees except to the extent that certain matters are delegated by the Board to the said Committees.

CORPORATE GOVERNANCE STATEMENT

1.2 Division of Roles and Responsibilities between the Chairman and the CEO

There is a distinct division of roles and responsibilities between the Independent Non-Executive Chairman of the Board and the CEO. The Chairman has a non-executive role while the CEO who is also an ED has executive functions. The CEO was appointed in May 2016 and the previous Acting CEO was re-designated as a Non-Independent NED. Further details on the separation of the roles and responsibilities of the Chairman and CEO are set out in Section 3.3 of this Statement.

Pursuant to the CG Code, the Chairman of the Board, Tunku Ali Redhauddin ibni Tuanku Muhriz ("Tunku Ali") is an Independent NED.

1.3 Ethical Standards through a Code of Ethics

Since 2006, the Company has in place a Code of Ethics ("COE"), covering business ethics, conflicts of interest as well as gifts and entertainment. Following a review by the NC in 2013, the Board has endorsed the COE.

The COE outlines standards every individual in the Company is expected to comply with within our business dealings. It sets out guidelines for legal compliance, integrity in business dealings, illegal and questionable payments, gifts and entertainment. The Company does not tolerate incidents of corruption. All employees are required to declare that they have received, read and understood the provisions of the COE, as well as agree to abide by it. Failure to comply with the COE may constitute misconduct that can lead to the Company initiating appropriate disciplinary action. The COE will be reviewed and updated as may be required to ensure that it is consistent with global trends and new legislation.

To reinforce the standards prescribed in the COE, the Board (in 2012), established a Whistle Blowing Policy and Procedure to promote responsible corporate conduct across the Group. A Whistle Blowing Committee attends to all whistle blowing complaints received and presents reports on a quarterly basis to the AC on all such complaints received and the outcomes of preliminary investigations as to the merits of the complaints and whether they warrant further investigations.

Separately, the Board has adopted a Code of Business Conduct and Ethics specifically applicable to Directors that establishes a standard of ethical behaviour and values to uphold the spirit of responsibility for managing a company. Amongst others, it governs the handling of conflicts of interest, dealings in securities, confidentiality and Company information.

The Company aims to encourage a universal respect for high business standards as evidenced by the above measures in place. The summary of the COE and the Whistle Blowing Reporting Procedure are available on the Company's website.

1.4 Strategies that Promote Sustainability

Bumi Armada affirms its commitment to being a good global corporate citizen. It believes sustainability is about balancing growth with corporate responsibility, conserving resources for future generations by minimising carbon footprint activities, amongst other things that may have a negative impact on the environment. It also believes in driving efficiency and productivity while returning value to its stakeholders in a variety of ways.

In 2016, Bumi Armada was again recognised for its positive Environmental, Societal and Governance ("ESG") efforts under its Sustainability initiatives by being included in the FTSE4Good Index, the Morgan Stanley Composite Index Sustainability Index and the Dow Jones Sustainability Index. All these indices rate companies based on their efforts to improve the societies in which they operate, make efforts to limit the damage or contribute positively to environmental causes and operate and practice high standards of corporate governance. Throughout 2016, the Company continued to improve efforts where possible in all three areas.

Further details of the Company's Sustainability initiatives are laid out in the Sustainability Statement on pages 46 to 50 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

1.5 Board Members' Access to Information and Advice

The Board has agreed to a protocol for access to information pertaining to the Company and for seeking independent professional advice necessary for the Board and Board Committee members individually or collectively, to discharge their duties effectively. Any expenses incurred in seeking independent professional advice are to be borne by the Company. Where the expenses exceed RM50,000, the Chairman's approval is required.

1.6 Support of Company Secretaries

All Directors have access to the advice and services of the Company Secretaries who ensure that adequate processes and procedures are in place and adhered to for the effective functioning of the Board. This includes setting the agenda, convening, facilitating proper conduct and recording proceedings and decisions of the Board and Board Committees. They advise the Board on various matters including Directors' duties, disclosure obligations, compliance with companies and securities laws, regulatory requirements and corporate governance initiatives. They also ensure statutory and meeting records of the Company are properly maintained and relevant disclosures, submissions and filings are made in a timely fashion to the regulators on behalf of the Company and the Board.

1.7 Board Charter and Schedule of Matters Reserved for the Board

In line with Principle 1 and Recommendation 1.7 of the CG Code, a Board Charter has been adopted which sets out the Board's strategic intent and outlines the Board's roles and responsibilities and other matters concerning and regulating the affairs of the Board, details as explained in the above section 1.1. It constitutes the terms of reference within which the Board will operate, subject to the provisions of relevant legislations, regulations, governance codes and the Company's Articles of Association ("Articles") and is a source of reference and primary induction literature providing insights to prospective Board members and Senior Management.

The Board Charter provides guidance to Directors, both serving and coming on board, on the role and responsibilities of the Board, the Board Committees and the different categories of Directors as well as the process for scheduling, calling and convening of Board meetings, principal matters reserved for the Board and reference on induction and training of Directors, among other matters.

The Board's role is to provide strategic leadership to the Company within a framework of effective and prudent controls which enables risks to be assessed and managed. It also provides leadership and direction to Management, promotes an ethical and performance-based culture that drives value creation and accountability and contributes towards high quality decision making. In so doing, it considers initiatives and measures that strengthen governance in the various activity streams within the Group.

Recognising the importance of providing clarity to the roles, responsibilities and powers of the Board, separate from the Board Committees and Management, a Schedule of Matters Reserved for the Board has been developed and adopted. The setting of business strategy, approval of annual business plan and budget including annual capital and operating expenditure, approval of major new projects and the capital and operating expenditure related to such projects, acquisitions and disposals of strategic investments and joint ventures, borrowings, capital restructuring and annual and quarterly financial statements vest with the Board.

The Board Charter is reviewed from time to time and at least once in two years to ensure it is updated with changes in the relevant regulations and best practices as well as to ensure its effectiveness and relevance to the Board's objectives. Further to the review of the Board Charter in March 2017, the next review of the Board Charter would be done in 2019. The Board Charter is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

2. STRENGTHEN COMPOSITION OF THE BOARD

2.1 Nomination & Corporate Governance Committee

The Board recognises that the quality of the composition of Board membership with an appropriate mix of skills, competencies and expertise, is fundamental to how policies and strategies are shaped and contribute to the quality of decision making.

In this regard, the NC is charged with the following primary responsibilities and for making the appropriate recommendations to the Board:

- formulating the nomination, selection, election and succession policies for members of the Board and Board Committees;
- reviewing the optimum size and composition of the Board having regard to the mix of skills, independence and diversity, and formalising a transparent procedure for proposing new nominees to the Board and Board Committees;
- assessing the effectiveness of the Board as a whole and the contribution of each individual Director and member of each Board Committee;
- overseeing Board induction and training; and
- reviewing policies, procedures, measures and initiatives that promote good corporate governance practices in line with Malaysian and international standards as deemed suitable for the Group.

The duties and responsibilities of NC are in the NC TOR which is available on the Company's website in compliance with the MMLR.

The NC presently comprises five NEDs, four of whom are Independent Directors; Tunku Ali, Ms Alexandra Schaapveld, Mr Saiful Aznir Shahabudin ("Mr Saiful"), Mr Chan Chee Beng ("Mr Chan") and Mr Uthaya Kumar K Vivekananda ("Mr VU Kumar"). Mr VU Kumar was appointed as a member of the NC effective 10 April 2017.

The NC met five times in 2016 and the activities during the reporting period is as follow:

- reviewed the Board and Board Committees' composition and the eligibility, skills, competencies and experience of new candidates nominated for appointment to the Board and those seeking election/re-election to the Board;
- reviewed the limits of authority in relation to the matters reserved for the Board;
- reviewed the annual board evaluation for FY2015 and proposed Actionable Improvement Programme ("AIMP");
- discussed on talent review and succession planning for the CEO and Senior Management;
- deliberated on the changes to the position of the CEO and Chief Financial Officer ("CFO");
- commenced the search for new Independent Directors and deliberated on the selection of a new Independent Director;
- reviewed the TOR of the NC;
- set a timeline and facilitate the 2016 Board and Board Committees assessment process including assessing and reviewing and reporting the findings and making the appropriate recommendations to the Board;
- followed through on actions on succession planning for key Management Team;
- assessed the training needs of Directors further to a formal analysis done and recommended the Directors' Training Plan 2016 which included the continued practice of briefing to Directors by reputable external experts on relevant topics; and
- reviewed policies, initiatives, measures and procedures to strengthen and give effect to matters pertaining to corporate governance, having regard to provisions of the CG Code and in line with best practices including a review of the Board Charter.

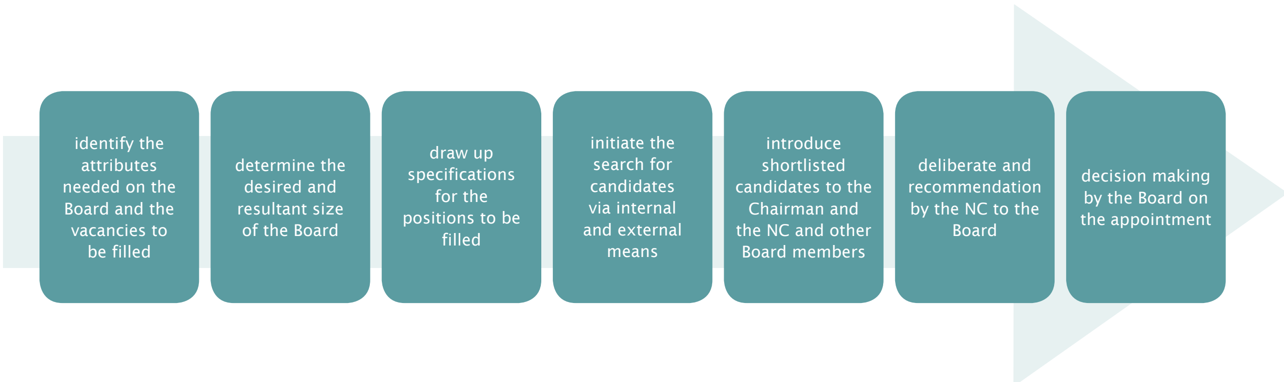
CORPORATE GOVERNANCE STATEMENT

2.2 Criteria for Recruitment and Annual Assessment of Directors

On the recommendation of the NC, a Board Diversity Policy ("Policy") was adopted by the Board in 2013, taking into account the provisions under the CG Code. The Policy was developed to enhance the selection process of candidates to the Board. The Policy reiterates that the Board shall comprise members who collectively have the right mix of qualifications, skills and competencies and other complementary attributes that will best serve the needs of the Company. It identifies gaps in competencies, skills and diversity among members and takes the necessary steps to remedy them to ensure they can add value to the deliberations and decision-making at the Board and Board Committee levels. The Policy also aims to provide a competitive edge to the Company in achieving its corporate and strategic objectives, and with the expectation of enhancing shareholder value. The Policy was recently reviewed in November 2016.

Measurable objectives, targets and timelines have been set to address the gaps. Persons selected must have the right attributes for the roles they are expected to play. Whilst the Policy recommends and promotes gender and age diversity and aims to increase the representation of women candidates on the Board, it also aims to identify a candidate with engineering qualifications and offshore oil and gas experience.

The Board's selection process entails the following steps:



The appointed candidate will participate in an induction programme to have a better understanding of the Group's business, operations and functional areas and this will include meeting with other Board members. The NC also reviews the eligibility and performance of Directors who are subject to re-election/election at the AGMs to ensure they will continue to contribute.

Leading up to the 21st AGM, Ms Alexandra Schaapveld, Ms Maureen Toh Siew Guat ("Ms Maureen Toh") and Mr Shaharul Rezza bin Hassan ("Mr Rezza") are Directors due for retirement by rotation pursuant to Article 113 of the Articles. Being eligible, Ms Alexandra Schaapveld, Ms Maureen Toh and Mr Rezza have offered themselves for re-election. Mr VU Kumar who was appointed to the Board on 10 April 2017, has offered himself for election pursuant to Article 120 of the Articles.

Mr Saiful has informed the Board of his intention not to seek for re-appointment as an Independent Director in view that he has served for more than nine years as an Independent Director.

The Board, on the recommendation of the NC, is satisfied that those standing for re-election or election will continue to bring to bear 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 competences.

For the assessment of the Board and Board Committees in respect of 2016, the Board had in November 2016 reviewed the previous year's assessment criteria and based on the NC's recommendation agreed that the criteria set as per previous year should remain unchanged.

CORPORATE GOVERNANCE STATEMENT

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 EDs (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 which approved the AIMP that identified certain areas for improvement. The areas for improvement included ensuring sufficient reviews and monitoring of the capital budgets and strategic plans, improved substance and time allocation for Board to make decision on strategies, operations and marketing, and leadership and assurance on effective management and monitoring of HSSEQ risks. The AIMP sets out clear action plans and persons responsible for each plan and timelines which progress will be reviewed by the Board on half-yearly basis. An area that was identified needing improvement in 2015 was the periodic review of the development and succession plans for key senior executives. The Board has seen improvements in this area which remains as a key focus area for the Board in 2017.

2.3 Remuneration Policies and Procedures

i) RC Composition and Responsibilities

The RC comprises four NEDs, the majority of whom are independent; Ms Alexandra Schaapveld, Mr Saiful, Ms Maureen Toh and Mr VU Kumar. Mr VU Kumar was appointed as a member on 10 April 2017.

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 MIP.

The Company has implemented the MIP with effect from 10 October 2016. The day-to-day functions relating to the implementation of the MIP will be handled by the Management level MIP Management Committee.

ii) Remuneration Policy and Procedure

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. The remuneration of the EDs is structured so as to link rewards to individual responsibilities and to corporate and individual performance.

In the case of NEDs, their remuneration shall commensurate with 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 EDs' 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. At the 21st AGM, the proposal on the allotment of shares to the EDs under the MIP will be tabled to the shareholders for approval. The EDs are not entitled to receive any meeting allowance for Board or Board Committee meetings that they attend.

The NEDs' remuneration comprises fees and meeting allowances.

CORPORATE GOVERNANCE STATEMENT

The Directors also have the benefit of Directors' and Officers' Liability Insurance in respect of liabilities arising when acting in their capacity as Directors and Officers of the Company and Group.

The Articles provide that unless otherwise determined by an ordinary resolution of the Company in a general meeting, the total fees of all NEDs in any year shall be a fixed sum not exceeding in aggregate RM3,000,000 and divisible among the Directors as they may agree, or failing agreement, equally. Any increase in NEDs' remuneration above the cap provided in the Articles shall be approved at a general meeting of the Company. The aggregate fees paid to the NEDs for 2016 did not exceed the aforementioned fee cap. Pursuant to Paragraph 7.24 of the MMLR and Section 230 of the Companies Act 2016, the Company will be seeking shareholders' approval at the 21st AGM on the NEDs' fees and benefits from 31 January 2017 until the conclusion of the next AGM. The Articles would be reviewed accordingly in ensuring compliance with the Companies Act 2016 and the MMLR and any proposal on amending the Articles would be tabled to the shareholders for approval.

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 met five times in 2016 and the meetings were attended by all members. The RC dealt with the following matters during 2016:

- deliberated on the evaluation of performance of EDs for 2016 and recommended the proposal to the Board;
- reviewed and recommended the proposal on the MIP which was approved by the shareholders at the Extraordinary General Meeting ("EGM") in May 2016;
- setting the 2016 KPIs for the key Management Team;
- reviewed the broad parameters and criteria for employee increments and bonuses for FY2016;
- reviewed the contract of employment for the CEO;
- deliberated on the changes to the position of the CEO and CFO; and
- undertook a talent review of 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.

Under the By-Laws governing the ESOS, the total number of new shares which may be issued under options granted pursuant to the ESOS shall not exceed in aggregate 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 members of Senior Management of the Group shall not exceed in aggregate 50% of the total number of shares to be issued under the ESOS ("Permissible Allocation").

Since the commencement of the ESOS up to 31 December 2016, the options under the Permissible Allocation which have been granted to and accepted by our EDs and Senior Management were 1.13% and 4.13% respectively.

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. As at 10 April 2017, no share has been offered and granted to either the EDs or the Senior Management. The Company is seeking shareholders' approval on the offer and grant of shares under the MIP to the EDs at the 21st AGM.

CORPORATE GOVERNANCE STATEMENT

iii) Remuneration of Directors

The details of Directors remuneration (both Executive and Non-Executive) is shown under Note 12 of the Company's audited financial statements for the FY2016. The aggregate amounts of emoluments received and receivable by Directors from the Group and the Company during the financial year were as follows:

	Group RM'000	Company RM'000
Non-Executive Directors:		
- fees	2,252	2,252
- allowances	753	753
Executive Directors:		
- salaries, bonuses, allowances and other staff related costs	2,901	2,121
- defined contribution plan	94	-
- share-based payments	1,105	1,105
	7,105	**6,231**

Benefits-in-kind received by the EDs from the Group and the Company amounted to RM60,000.

The aggregate remuneration of the Directors for FY2016 analysed into the appropriate bands of RM50,000 is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM200,001 - RM250,000	-	2
RM400,001 - RM450,000	-	3
RM450,001 - RM500,000	-	1
RM700,001 - RM750,000	-	1
RM850,001 - RM900,000	1	-
RM2,100,001 - RM2,150,000	1	-

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

On the recommendation of the NC, the Board has adopted a policy, procedure and criteria for the assessment of the independence of Independent Directors in 2013. An assessment of the independence of the Independent Directors as of 2016 was undertaken in February 2017, which re-affirmed their independence. The policy and procedure also provides for assessment to be undertaken when new members are appointed to the Board in an independent capacity, prior to their appointment. Confirmation is also required for disclosures for regulatory purposes. However, the Independent Directors are expected to inform the Board, at any time when circumstances arise which could interfere with their exercise of independent judgment, and objectivity or their ability to act in the best interest of the Company. The policy and criteria will be reviewed from time to time.

3.2 Tenure of Independent Directors

A limit of nine years' service is provided for under the criteria for independence in the CG Code which has been incorporated in the Company's Policy on Assessment of the Independence of Directors. In complying with best practice in the CG Code, Mr Saiful is not seeking re-appointment as an Independent Director as he has served on the Board in an independent capacity for more than nine years. None of the other Independent Directors have exceeded the limit of nine years' service.

CORPORATE GOVERNANCE STATEMENT

Although long tenure of an Independent Director may incline towards or be perceived as compromising independence, the Board will review its position and criteria from time to time. This is to ensure that Independent Directors who have the necessary knowledge, skills and competencies, and who continue to exercise independent and objective judgment, play their part effectively on the Board in the best interest of the Company and satisfy the independence criteria, are not excluded based merely on the nine-year tenure criteria.

3.3 Separation of positions of the Chairman and CEO

There is a distinct division of roles and responsibilities of the Chairman of the Board and the CEO. The positions of the Chairman and CEO are held by separate individuals in the interest of checks and balances. The current Chairman, Tunku Ali who assumed the position in June 2013 is an Independent NED.

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; and
- presiding over shareholder meetings and representing the Company at certain key events.

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 its 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 Social Responsibility.

The annual KPIs set for the CEO are recommended by the RC and approved by the Board.

3.4 Composition of the Board

Following the appointment of Mr Leon Harland as CEO and ED in May 2016, Mr Chan was re-designated as a Non-Independent NED in May 2016. Throughout 2016, the Board's composition was constituted by at least one-third Independent Directors. Following the resignation of Mr Shapoorji Pallonji Mistry ("Mr Shapoor Mistry"), a Non-Independent NED from the Board on 21 February 2017 and the appointment of Mr VU Kumar on 10 April 2017, the Board currently has five Independent NEDs, two Non-Independent NEDs, and two EDs.

CORPORATE GOVERNANCE STATEMENT

The Independent NEDs which currently make up more than half of the Board, provide an effective check and balance in the functioning of the Board. They play a pivotal role in corporate accountabilities as they provide unbiased and independent views, advice, opinions and judgment at the Board and Board Committee deliberations, with regard to the interest of minority shareholders and other stakeholders. None of the NEDs participate in the day-to-day management of the Group. The Independent and Non-Independent NEDs play key roles in the various Board Committees in shaping and contributing ideas and essential feedback towards the development and strengthening of the governance structures and foundations of the Company.

With Mr Saiful's retirement upon the conclusion of the 21st AGM and Mr VU Kumar's election at the 21st AGM, the Board subsequently will comprise four Independent NEDs, two Non-Independent NEDs and two EDs which complies with the MMLR for the Board to comprise of at least one third Independent Directors.

Together, the Directors act in the best interest of the Company and believe that the current Board composition fairly reflects the interests of its shareholders to provide effective leadership, strategic direction and necessary governance to the Group. These Directors bring to the Board a wide and varied range of business, commercial, financial, technical, corporate and legal experience for the effective management of the Group's businesses. The Directors' profiles are presented on pages 22 to 29 of this Annual Report.

3.5 Senior Independent Director

The Board has appointed Ms Alexandra Schaapveld as the Senior Independent Director whom shareholders may raise their concerns to regarding the Group. She may be contacted at her email address: alexandra@bumiarmada.com.

4. FOSTER COMMITMENT

4.1 Time Commitment

The Directors have demonstrated their commitment to the business of the Board and Board Committees and all Directors, have made time for meetings (see details below) and key events, towards discharging their roles and responsibilities and fiduciary duties as Directors of the Company. Commitment to the time necessary to carry out their duties as Directors is a term of their appointment.

The Directors are aware of the limits of directorships they can hold in public listed companies quoted on Bursa Securities ("PLC"). While the Directors notify the Company Secretaries as and when they are appointed to other directorships, the Company Secretaries also obtain updates of their other directorships every quarter to monitor compliance with the limit. None of the Directors hold directorships in other PLCs. However, certain Directors hold directorships in public companies that are not quoted on Bursa Securities as well as in public or public listed companies that are incorporated outside Malaysia or listed and quoted on other stock exchanges. Details of such directorships are disclosed in their profiles set out in pages 22 to 29 of this Annual Report.

The Board and Board Committee meetings are scheduled at the end of the preceding year for the following calendar year and an annual Schedule of Meetings with an indication of the key business items for each meeting is circulated to all Directors. In November 2016, the Board approved the Board Annual Outline Agenda which specifies the areas of focus the Board wishes to discuss throughout 2017 and ensures that all key matters are deliberated by the Board and topics are well spread out throughout the year.

The Board meets at least five times a year, with additional meetings convened when decisions on urgent matters are required between scheduled meetings. Due notice is given to all Directors of all scheduled meetings while special unscheduled meetings may be subject to shorter notice periods. Papers and documents pertaining to matters on the agenda for the Board and Board Committees meetings are furnished to them in a timely manner prior to the meeting to allow the directors reasonable time to consider the matters. However, papers that are deemed urgent may still be submitted to the Company Secretaries at short notice, subject to the approval of the Chairman and the CEO.

In respect of scheduling the meetings, the Board Committees' meetings are usually held at least one day before or prior to the scheduled Board meetings, to allow the Committees to deliberate on matters in detail and escalate to the Board either for noting or for approval.

CORPORATE GOVERNANCE STATEMENT

During FY2016, ten Board meetings were held of which five meetings were unscheduled meetings. The record of attendance of each Director at the Board meetings of the Company in FY2016 is as set out below:

Name	No. of Meetings Attended	Percentage of Attendance (%)
Tunku Ali Redhauddin ibni Tuanku Muhriz	10/10	100
Saiful Aznir bin Shahabudin	9/10	90
Alexandra Schaapveld	9/10	90
Steven Leon Newman	9/10	90
Chan Chee Beng	10/10	100
Shapoor Mistry #	5/10	50
Maureen Toh	10/10	100
Leon Harland*	5/5	100
Shaharul Rezza bin Hassan	10/10	100
Ravi Shankar Srinivasan *(Alternate director to Shapoor Mistry)* #	8/10	80

* *Appointed on 16 May 2016.*
\# *Resigned on 21 February 2017.*

Based on the above, all Directors have complied with the minimum 50% requirement on attendance at Board meetings held in FY2016.

4.2 Training

The Directors are fully cognisant of the importance and value of enhancing their knowledge and expertise to keep abreast with the latest developments and changes in the following segments:

- the industry in which the Group operates;
- the area of their respective competencies; and
- economic, financial, regulatory, corporate and governance fields.

Trainings add value to their contributions in the deliberations, discussions and decisions at the Board and Board Committee levels. The Directors also feel it is important to develop a better understanding of the business of the Group through visits to the Group's vessels and operating sites where the Group operates.

A Directors' Induction and Training Policy and Programme was adopted in 2015 by the Board on the NC's recommendation, to formalise the induction and training activities for Directors. Mr Leon Harland who was appointed on 16 May 2016 had completed the Mandatory Accreditation Programme for Directors of Public Listed Companies ("MAP") in September 2016 within the prescribed deadline. Mr VU Kumar who was appointed on 10 April 2017 had previously attended the MAP.

In 2016, the Directors have also attended and participated in various briefings at the Board, conferences and other programmes covering topics on finance, governance, corporate and global business and industry developments, which they have individually or collectively considered as relevant and useful in the discharge of their duties as Directors.

The Directors are also kept up-to-date with market developments and related issues through Board discussions and meetings with the CEO, Acting CFO and other Senior Management members of the Group as well as the External and Internal Auditors of the Company. During the year, several Directors also went for vessel visits in conjunction with few naming ceremonies.

The Company Secretaries facilitate the organisation of internal training programmes and the Directors' attendance at external programmes while keeping a record of the training received or attended by the Directors. The training records are tabled for review of the NC on a quarterly basis, which assists the Board on the assessment and determination of the training needs of the Directors. During the Board Annual Assessment exercise for FY2016, an analysis of the Directors' training needs was done and the Board had approved the Directors' Training Plan for 2017 as recommended by the NC.

CORPORATE GOVERNANCE STATEMENT

The following internal and external training programmes, briefings, conferences, presentations, etc. as relevant to the Directors individually and collectively, were attended by them in FY2016:

Courses/ Seminars/ Programmes/ Workshops/ Conferences Attended	Date	Directors' Name	Company Sponsoring/ Organiser
IT Strategy and Digital - Impact of IT Development - Disruptive Technologies	1 February 2016	AS	KPMG
Current Global Oil and Gas Market and Outlook	24 February 2016	TA, SA, AS, SN, CCB, RH	Bumi Armada organised Internal Training presented by an external consultant ("Bumi Armada Internal Training")
IT Architecture - Data Quality - Legacy Issues	14 March 2016	AS	KPMG
Presentation on Kraken Project	23 March 2016	TA, SA, AS, SN, CCB, MT, RH	Bumi Armada Internal Training
IT Management - Business Case IT Project - Evaluation	11 April 2016	AS	KPMG
Cyber Security - Security Strategy - Recovery Strategy	23 May 2016	AS	KPMG
IT Outsourcing - Impact on organisation - Benchmarking of costs	13 June 2016	AS	KPMG
Vessel visit in conjunction with LukOil Operational Sail Away Ceremony	18 July 2016	RH	Vessel Visit organised by Bumi Armada
Vessel visit in conjunction with sail away ceremony for Armada LNG Mediterrana FSU	1 August 2016	CCB, MT, RH	Vessel Visit organised by Bumi Armada
MAICSA Annual Conference 2016	8 & 9 August 2016	SA	The Malaysian Institute of Certified Public Accountants
Site visit and briefing on Armada Olombendo FPSO at Keppel shipyard, Singapore	24 August 2016	TA, SA, AS, SN, CCB, MT, LH, RH	Site Visit organised by Bumi Armada
Vessel visit in conjunction with naming ceremony for Armada Kraken FPSO	27 August 201	TA, MT, LH, RH	Vessel Visit organised by Bumi Armada
Mandatory Accreditation Programme for Directors of Public Listed Companies	7 & 8 September 2016	LH	Bursatra Sdn. Bhd.
Human Resource & Compensation Committee - Readiness for Year-End Decisions	5 October 2016	SN	Institute of Corporate Directors
Vessel visit in conjunction with naming ceremony for Armada Olombendo FPSO	14 October 2016	TA, MT, LH, RH	Vessel Visit organised by Bumi Armada
Vessel visit in conjunction with naming ceremony for Karapan Armada Sterling III FPSO	15 October 2016	MT, LH, RH	Vessel Visit organised by Bumi Armada
From the Boardroom to the Courtroom – The Convergence of Civil, Criminal and Regulatory Litigation	27 October 2016	SN	National Association of Corporate Directors ("NACD")

CORPORATE GOVERNANCE STATEMENT

Courses/ Seminars/ Programmes/ Workshops/ Conferences Attended	Date	Directors' Name	Company Sponsoring/ Organiser
MIA International Accountants Conference 2016	15 & 16 November 2016	SA	Malaysian Institute of Accountants
How Energy & Offshore Markets Recover	21 November 2016	TA, SA, AS, SN, CCB, MT, LH, RH	Bumi Armada Internal Training
The Top 5 Compensation Questions Boards Should Be Asking in 2017	2 December 2016	SN	National Association of Corporate Directors

AS - Alexandra Schaapveld
CCB - Chan Chee Beng
LH - Leon Harland
MT - Maureen Toh
SA - Saiful
SN - Steven Newman
RH - Rezza
TA - Tunku Ali

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board is committed to providing a balanced, clear and understandable assessment of the financial position, performance and prospects of the Group in the disclosures made to the shareholders and the regulatory authorities.

The Board, assisted by the AC, oversees the Group's financial reporting process, compliance with applicable accounting standards and the quality of its financial reporting. The details of the membership of the AC and the qualifications and experience of the members can be found on pages 23 to 25, 27 and 209 of the Annual Report respectively.

The External Auditors provide a quarterly report to the AC which among others highlights any changes to the reporting regime and any new Applicable Accounting Standards ("AAS") and provides their views on the application and impact of the AAS and report any area where there is divergence of views with management. Differences in views are then properly debated and resolved with the AC as an independent arbiter.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 80 of this Annual Report.

5.2 Assessment of suitability and independence of External Auditors

The Board maintains a formal and transparent professional relationship with the Group's auditors, both Internal and External, through the AC. The role of the AC in relation to these Auditors is described in the TOR of the AC which is available on the Company's website (www.bumiarmada.com).

The External Auditors are required to declare their independence annually to the AC as specified by the By-Laws issued by the Malaysian Institute of Accountants. This is also specified in the TOR of the AC. The External Auditors have provided such declaration in the annual audit plan presented to the AC. The AC also makes its own assessment of their suitability and independence in connection with the recommendation to retain them as External Auditors for the ensuing year, which is subject to approval of shareholders at the Company's 21st AGM. Such assessment is based on:

- their professionalism;
- their objectivity and independence, in relation to the audit and non-audit services rendered by them based on feedback from the management;
- their performance; and
- their interaction with the AC during AC meetings and at meetings in the absence of Management.

CORPORATE GOVERNANCE STATEMENT

The Policies and Procedures on Independence of External Auditors including a framework for engaging them in the provision of non-audit services, together with criteria relating to their performance and independence has been updated to be in line with the Group's revised Limits of Authority in November 2015. The policies and procedures have been adopted by the Board and applied by the AC in making its recommendation on whether the External Auditors should be retained. Further to the AC's assessment on the External Auditors' independence, objectivity and effectiveness of the audit process, taking into consideration relevant professional and regulatory requirement, and based on the AC's recommendation, the Board is satisfied that the External Auditors are suitable and remain independent to continue as the Company's external auditors and recommend their re-appointment to the shareholders at the forthcoming 21st AGM.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The Board has ultimate responsibility for establishing a sound framework to manage risks.

The Company enhanced its resources and intensified its activities to improve and strengthen its risk management processes and reporting. A series of roundtable discussions, facilitated by the Risk & Insurance Department ("R&ID"), with business units and support functions were carried out, to identify risks and the associated mitigation plans. The R&ID presents its Risk Management Reports on a quarterly basis to the RMC. The CEO and CFO are also expected to attend the RMC meetings.

For FY2016, the RMC comprised three members; two NEDs and an Independent Director. Mr Shapoor Mistry resigned as a member on 21 February 2017. The RMC is chaired by Mr Steven Leon Newman ("Mr Steven Newman") and its other member is Ms Maureen Toh. The RMC met five times in 2016 to monitor and oversee risk identification, assessment, rating and mitigation measures relating to new and ongoing projects and contracts related to these. The chairperson of the RMC reports to the Board on matters of concern or significant risk exposures and other highlights dealt with at the RMC meetings. The risk management activities are detailed in the Statement on Risk Management and Internal Control incorporated in this Annual Report.

6.2 Internal audit function

The Board acknowledges its overall responsibility for the Group's system of internal control and its effectiveness, adequacy and integrity to safeguard shareholders' investment and the Group's assets.

The Company's Internal Audit function has been fully outsourced to an external firm since late 2012. On the AC's recommendation, the Board in early 2016 had approved for the internal audit function to be in-housed. The Head of Internal Audit joined the Company in March 2016 and is currently building up the internal audit function within Bumi Armada. For FY2016, the Head of Internal Audit was still largely supported by an external team. The Head of Internal Audit reports directly to the AC. This initiative enables the review of the internal control systems by an independent party. The internal audit function is independent of the activities it audits.

The Statement on Risk Management and Internal Control set on pages 69 to 76 of this Annual Report provides an overview of the state of internal controls within the Group.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board understands the need for timely and accurate disclosures in compliance with the MMLR and for proper procedures and processes to be in place in ensuring the maintenance of confidentiality and proper handling of material price sensitive information, prior to them being announced to Bursa Securities. Various procedures and processes are in place to govern different corporate activities including timely disclosure of the quarterly and annual results. The Corporate Disclosure Policy and Procedure was adopted by the Board in November 2015 in relation to seeking approvals for transactions and handling of material information to comply with the MMLR. The policies and procedures will be reviewed and enhanced from time to time.

CORPORATE GOVERNANCE STATEMENT

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Board believes that constructive and effective investor relations are essential in enhancing shareholder value and recognises the importance of timely dissemination of information to shareholders and other stakeholders as widely as possible for equal and fair access. Such information is communicated through the Annual Reports, Circulars to shareholders, general meeting notices, various disclosures and announcements to Bursa Securities, including quarterly and annual results and reports. Disclosures to Bursa Securities are made via the Bursa LINK as well as through press releases where deemed relevant. For ease of access, such information, reports and announcements are also uploaded immediately onto the corporate website of the Company at www.bumiarmada.com. More items and sources of information will be identified for uploading onto the Company's website going forward to reach a wider audience.

8. STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

The AGM is the principal forum for dialogue with shareholders as it offers the Company an opportunity to explain the business and financial performance and operations of the Company. Shareholders' attendance and participation at the AGM are encouraged through several means.

The Notice of the Company's AGM is advertised in at least one mainstream newspaper on the date on which it is despatched to shareholders. Such Notice is also announced in advance through the Bursa LINK. For the 2016 AGM, the Notice was issued together with the annual report in electronic form, and the abridged version of the annual report, 24 clear days prior to the date of the 2016 AGM, which was more than the minimum 21 days' notice required to be given. This year, we intend to maintain the practice of giving more than the minimum prescribed notice, to allow shareholders sufficient time to make arrangements to attend the AGM.

When the AGM Notice is despatched, it would also incorporate detailed advice and instructions on members' entitlement to attend the meeting, appoint proxies and the address and deadline for lodgement of Proxy Forms. An Administrative Guide that is sent together with the AGM Notice and Proxy Form also provides pertinent information on the venue of the meeting, parking, directions to the registration and meeting halls and the registration process, to facilitate shareholders' attendance and assist them in their registration.

While the Articles were amended in 2012 to accept electronic lodgement of Proxy Forms, the Company has not implemented this as it has been exploring with its Share Registrars the mechanics of such lodgement. The Company will allow the electronic lodgement of Proxy Forms after such facility is available and tested and when the Company is ready to adopt the same. A proxy need not be a member. The Articles allow exempt authorised nominees for multiple beneficial owners in one omnibus account to appoint multiple proxies.

Members present in person or by proxy or via a corporate representative or attorney have the right to attend, speak and vote at the meeting both on a show of hands and/or a poll, pursuant to the Articles. The Chairman also explicitly mentions the members' and proxies' voting rights and their right to demand a poll, during the meeting.

Shareholders are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns at this forum.

8.2 Poll Voting at General Meetings

No poll was demanded on any resolutions tabled at the 2016 AGM and EGM held immediately after the AGM and nor were any resolutions tabled at the 2016 AGM and EGM that were required to be subject to a poll.

Pursuant to Paragraph 8.29A of the MMLR, all resolutions set out in the notice of any general meeting held after 1 July 2016 are to be voted by poll. In compliance with this, all resolutions to be tabled at the 21st AGM will be voted by poll via e-polling for more expeditious verification and counting of votes.

CORPORATE GOVERNANCE STATEMENT

8.3 Effective communication and proactive engagement

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' profiles, Senior Management, 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, Directors are allocated responsibility to respond to questions that may be raised by shareholders in accordance with their Board or Board Committee roles. Directors are also encouraged to have direct interaction with the shareholders before and after the AGM.

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 clearly and equally understood by as wide an investor base as possible; and
- Ensuring that information provided and distributed by the Company to the investing public is in accordance with the regulatory requirements and in accordance with best practices.

The Investor Relations unit has frequent one-on-one and group meetings, both domestically and internationally with analysts, investors and potential investors throughout the year to provide constant communications and updates with the investment community. In 2016, Senior Management met with investors in Malaysia at both conferences and one-on-meetings, while international investors were engaged at conferences or other meetings in Singapore, Hong Kong, London, Oslo, New York and Boston. In addition to these meetings, analysts and investors were also invited during the year to site visits to the Armada Kraken and Armada Olombendo FPSOs while they were in the shipyard.

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.

COMPLIANCE STATEMENT

The Principles and Recommendations of the CG Code have been considered in making this Statement, and the Board is pleased to note its compliance with the CG Code. The Board recognises that there are still areas for further enhancement and re-affirms its continued efforts to improve on corporate governance standards practiced throughout Bumi Armada Group.

This Statement is made in accordance with a resolution of the Board of Directors dated 10 April 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") and the 2012 Malaysian Code on Corporate Governance ("CG Code") issued by the Securities Commission, the Board of Directors of Bumi Armada Berhad ("Board") is pleased to provide the following statement that is prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the Taskforce on Internal Control with the support and endorsement of Bursa Securities which outlines the nature and scope of the Group's internal control and risk management during the financial year ended 31 December 2016 ("FY2016").

BOARD'S RESPONSIBILITY

The Board in discharging its responsibilities is fully committed to maintaining a sound risk management and internal control environment to safeguard shareholders' investments and the Group's assets.

The Board has overall responsibility for the Group's system of internal control and its effectiveness, as well as for its adequacy and integrity. The system of risk management and internal control covers governance, financial, strategy, organisational, operational, regulatory and compliance matters. This system is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate these risks. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. Management is ultimately responsible for ensuring that the policies and procedures on risk and internal control are implemented and enforced.

The Group continues to take measures towards enhancing the adequacy and effectiveness of the risk management and internal control system. The identification, evaluation and management of risks is an ongoing process and significant efforts have been put in place to improve overall risk management.

The following two committees at the Board level are involved in the oversight of the Group's risk management and internal control systems and procedures:
- Audit Committee ("AC")
- Risk Management Committee ("RMC")

Summarised below are the main features of the Group's risk management and internal control system.

1. Risk Management

Risk Management Committee

The RMC with its own terms of reference ("TOR") was established in line with good practice, to enable the Board to closely monitor areas of risk exposure. The primary responsibilities of the RMC include:

- The identification, assessment, monitoring and management of risks associated with the operations of the Group at the appropriate strategic and policy levels;
- The assessment, improvement and monitoring of Group-wide Enterprise Risk Management Framework;
- The creation of a risk-awareness culture which will ensure greater understanding of the importance of risk management and that its principles are embedded in key operational processes and all projects.

Given the Board's recognition of the importance of risk management, the RMC is supported by the Risk & Insurance Department ("R&ID"). The R&ID is tasked with leading the drive to embed risk management processes at all levels within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Enterprise Risk Management Framework

The Group has in place an Enterprise Risk Management Framework ("Framework") with the aim of providing a consistent approach for identifying, evaluating and managing the significant risks faced by the Group and facilitating a reasonably accurate perception of acceptable risks. Risk management is continuously embedded within the system of internal control and business environment and is periodically reviewed and updated. Managing risks is a shared responsibility and is integrated within the Group's governance, business processes and operations.

The Framework as endorsed by the RMC contains the following key elements:

(a) Risk Representatives in each business unit 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 business units. Their updates are then independently validated by the R&ID;
(b) Specified roles and responsibilities at each level of management in the Group in relation to Risk Management;
(c) Mechanisms, tools and techniques for managing risks in the Group; and
(d) Guidance on risk reporting. Risk reports are prepared for the RMC and include an assessment of risk, actions to mitigate the risk and its status.

Key Risk Management Activities for FY2016

Key activities pertaining to risk management undertaken during the financial year were as follows:

(a) Enhanced processes of determining the top enterprise risks and related mitigation actions and status;
(b) Refined risk reporting processes to Management and the Board;
(c) Rigorous risk reviews on capital projects to comprehend and assess top project risks;
(d) Risk review calendar to ensure a structured approach across all business units;
(e) Assessment of risk transfer mechanisms, such as insurance products; and
(f) Continued initiatives to create risk awareness within the Group.

Significant Risks Relating to Business and Operations

The Group is exposed to several external and internal risks in relation to the oil and gas industry and the execution of the Group strategy. The table below summarises the significant risks and its mitigation actions.

RISK	DESCRIPTION	MITIGATION
CHANGES IN REGULATIONS OR LEGISLATIONS	Our operations are subject to local and international regulations in countries in which our vessels operate. We are required to maintain HSE standards as well as certain licenses and certifications, in the course of providing our services. Any failure to maintain these may result in the cancellation of current contracts as well as fines and penalties being imposed by regulatory authorities.	The Group has a Corporate HSSEQ Plan in place, aimed at minimising HSE incidents and compliance with the applicable HSE standards. In addition, the Group's legal team actively monitors any changes to regulatory requirements and ensures the compliance to these.
COUNTERPARTY CREDITWORTHINESS	The current volatile economic environment could affect counterparties' (such as clients, vendors or subcontractors) ability to fulfil their contractual requirements.	The Group regularly monitors counterparty exposure and analyses the solvency of companies that we currently work with, as well as those companies we may potentially work with. We have established robust credit control procedures and any defaults are highlighted to Management in a timely manner.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK	DESCRIPTION	MITIGATION
FINANCING	Failure to raise required capital may limit our expansion and growth. Additionally, our ability to meet our current debt obligations depends on the ability to generate sufficient revenues and cash flow from our operations.	The Group has a strong finance team which explores all available financing options, leveraging on our track record of strong project execution. Cash flows are regularly reviewed by Management and the Board to ensure debt can be serviced and future funding requirements can be met. In addition, we actively monitor the Group's compliance with existing debt covenants. The Group has put in place a Euro Medium Term Note programme, with a facility of up to USD1.5 billion, which may be utilised as appropriate, for future funding requirements.
HUMAN RESOURCES AND PEOPLE	The Group's strategy and growth must be underpinned by a competent workforce. The absence of adequate resources and talent could hinder the execution of strategy and growth of the organisation.	The Group promotes a culture where Safe, United, Responsible and Excellent are key values and where a hands-on management style aims to attract talent from the industry. Moreover, the Group has competitive remuneration packages which have been and continue to be benchmarked across our peers. In addition, initiatives such as talent identification and succession planning have been embedded across the organisation.
LEGAL AND CONTRACTUAL	Our charter contracts are broadly in line with industry practice. Some of the terms of the contracts include key milestones on the construction and delivery schedules, as well as operational performance of the facilities. Failure to meet any key contract term will expose the Group to potential penalty payments, liquidated damages or ultimately termination of the contract. Any termination of a major contract will have an adverse impact on our Group's financial position as well as on our loan covenants, and may result in our lenders calling for early repayment of the term loan taken in relation to such project.	We have recently established our 'Golden Contracting Rules' which set out the terms that the Group will need to comply with, when entering into future contracts. Any deviations from these rules will require Board approval. The Group Legal Department monitor all current charter contracts to ensure we are compliant with our contractual obligations at all times.
	In relation to the Armada Kraken FPSO Project, the Group is negotiating with the charterers to revise the backstop date of 1 April 2017 for first oil, failing which the charterers have the right to terminate the charter. The consequence of such termination is the repayment of the term loan that has been taken to finance this project, if the lenders call an event of default.	With respect to Armada Kraken, our Group is currently in active negotiations with the charterers to agree to a new backstop date and have in principle agreed to a new backstop date of 15 July 2017. This timeline is underpinned by a schedule agreed with and supported by the clients as well achieving first oil before that date.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK	DESCRIPTION	MITIGATION
MARKET CONDITIONS	Low oil prices may affect the level of investment and capital spending leading to a reduced demand for our vessels and services. This may result in a decrease in our business activities and consequently, our financial condition may be adversely affected.	The Group continues to maintain strong relationships with existing and prospective clients. We have a compact yet experienced sales team to drive growth and explore suitable prospects and opportunities. Our FPSO business is based on long term contracts that are less susceptible to market fluctuations. We have also taken and continue to take considerable measures to reduce operating costs to preserve shareholder value in this volatile environment.
OPERATIONAL PERFORMANCE	Our operations are dependent on the operating efficiency and reliability of our vessels in terms of operational and HSE performance.	We have a proven track record of operational excellence with high uptimes across the fleet. Our HSE statistics are amongst the best compared to our peers. The Operations team has recently been strengthened with experienced resources, to ensure that the operations and maintenance of our vessels meet contractual and regulatory requirements. The installations are maintained per Classification Society regulations, local state regulations (where applicable – United Kingdom, Australia, Brazil, Indonesia) and international standards such as American Petroleum Institute ("API"), International Electrotechnical Commission ("IEC") and Oil Companies International Marine Forum ("OCIMF"). Current industry best practice is being implemented in the form of risk based inspections ("RBI") for both topsides and hull to augment the regulatory requirements. Inspection, testing and recording of the performance of the equipment and systems are controlled via a planned maintenance system.
PROJECT EXECUTION	We are subject to a number of contractual and project execution risks such as delays in construction, cost overruns and inability to meet the delivery performance requirements of our contracts.	We have an experienced and qualified project team to ensure the smooth implementation and delivery of projects. Key phases of the project (engineering, construction, procurement, transportation, start-up and operations) are regularly monitored with regards to schedules, budgets and quality control. Monthly project reviews are also held between Project Managers and Management to highlight any risks and issues that may have arisen, so that they can be dealt with in a timely manner. The robust processes around projects begin at the proposal stage, where schedules and budgets are developed. After a contract award, these processes are used by the project team and followed through until the end of contract, where lessons learnt are identified and recorded as feedback for any future contracts. From a cost perspective, there is a strong focus on the comparison of forecast and actual costs as well as the management of contingencies and risks. The project control function form an integral part of the project team and encompasses planning, cost control and cost accounting. The foregoing actions ensure that project budgets are consistently and regularly monitored. Additionally, the supply chain function has implemented changes in the procurement process to ensure that stronger controls are in place to protect the interests of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

2. Internal Control Environment and Structure

The key elements of the Group's control environment include:

i. Governance

(a) Organisation Structure

Besides the aforementioned RMC, the Board is also supported by a number of Board committees that have been established, to assist it in the execution of its governance and other responsibilities namely the Audit, Nomination & Corporate Governance, Remuneration and Executive Committees. Each Committee has its own clearly defined Terms of Reference ("TOR").

Responsibility for implementing the Group's strategies and day-to-day businesses are delegated to Management. The organisation structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship.

(b) Audit Committee

The AC comprises wholly of Non-Executive Directors, the majority of whom are Independent Directors. The AC evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. It also reviews internal control issues identified by the Internal Auditor, External Auditors and Management on a quarterly basis. Throughout the financial year, the AC members are updated on Malaysian Financial Reporting Standards, as well as regulatory requirements in addition to key matters affecting the financial statements of the Group.

The AC also reviews and reports to the Board on the engagement of the External Auditors, their independence and the audit plan, including the nature, approach, scope of the plan as well as other external audit matters as appropriate. The current composition of the AC consists of members who bring with them a wide range of knowledge, expertise and experience both from within the same industry and from other backgrounds as well. They continue to meet regularly and have full and unimpeded access to the Internal and External Auditors as well as to all employees of the Group. The AC also reviewed and approved the Internal Audit Plan during FY2016. Other activities of the AC during FY2016 are disclosed in the AC Report.

(c) Internal Audit

The Company's Internal Audit function was previously fully outsourced to an external firm. On 1 March 2016, the Company appointed a Head of Internal Audit and is currently building an internal audit function within Bumi Armada. For FY2016, the Head of Internal Audit was still largely supported by an external team. The Internal Audit function provides an independent review over key processes, monitoring the compliance of policies and procedures, evaluating the adequacy and effectiveness of internal control and risk management systems, and highlighting significant findings and corrective measures in respect of any non-compliance to the AC.

Internal audit reports are presented to the AC during its quarterly meetings. Findings and recommendations are presented to Management. Follow-up reviews in respect of previous audits are performed to ensure Management carries out the necessary action plans on prior audit recommendations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ii. Business Processes and Operations

(a) Business Management System

The Group has recently embarked on implementing a Business Management System which aims to achieve executional and operational excellence. This new integrated system will help to harmonise and standardise practices across the Group and further increase overall business effectiveness.

(b) Budgeting, Monitoring and Reporting Process

A detailed budgeting and reporting process has been established. Comprehensive budgets are prepared and submitted by the operating and support service business units to the Group Finance Department, which controls and consolidates these into a Group Budget ("Budget") and presents it to the Board for approval on a yearly basis. Upon approval of the Budget, the Group's performance is then tracked and measured against the approved Budget on a regular basis. 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 Board to enable them to gauge the Group's overall performance compared to the approved Budget and prior periods.

(c) 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 in order to make an early assessment of the merits of submitting a tender, assigning appropriate management resources and setting accountabilities, procuring timely approvals, and ensuring optimum project outcome. The Company's Limits of Authority ("LOA") specifies the various authority levels for approval, with the Board having the ultimate responsibility.

(d) Health, Safety and Environment ("HSE")

The Corporate HSSEQ Department is responsible for setting the overall direction on HSE implementation within the Group and drives strategies and monitors performance to ensure HSE risks are managed to as low as reasonably practicable. During the year, the Group recorded three Lost Time Injury ("LTI") incidents during the delivery phase of our FPSO projects and OMS businesses. The LTI incidents did not have any material financial impact on the Group for FY2016.

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 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.

(e) Quality Management System

The Group has implemented a comprehensive Quality Management System which fully complies with ISO 9001:2008 Quality Management Systems – Requirements. The Group operates an audit and compliance programme encompassing the FPSO and OMS fleet as well as corporate and project groups as required.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(f) Vessel Operations

The respective operating business units based in different country locations are responsible for identifying, tracking and monitoring compliance with all class requirements and maritime regulations in respect of all vessels located within their respective jurisdictions.

(g) Supply Chain Management

The Group Supply Chain Management procedures provide the guidelines to govern procurement and tender bidding processes, the technical and commercial evaluation of bids and the subsequent award to successful bidders. Specific Tender Committees with cross-functional representation have been established to provide check and balance, oversight and approval for the various categories of procurement as stipulated in the LOA.

(h) Limits of Authority

The LOA sets out the authorisation limits for various levels of the Group's Management and staff and those requiring the Executive Committee's and other Board Committees' review and Board's approvals to ensure accountability, segregation of duties and control over the Group's financial commitments. The LOA is reviewed and updated periodically to reflect business, operational and structural changes and needs. The LOA was last updated in 2015 to take into account organisational changes and operational needs.

(i) Whistle Blowing

The Whistle Blowing Policy and Procedure which was adopted by the Board in 2012 is accessible to all employees through the Group's intranet. The policy encourages and enables complainants to report any wrongdoing by any person in the Group to a designated person so that the appropriate action can be taken.

The Company also provides contact details on its website at www.bumiarmada.com for external parties to report any concerns or wrongdoings by any person in connection with the Group's business, systems, employees or contractors.

All concerns raised via the whistleblowing channel are treated with strict confidentiality and will be attended to by the Whistle Blowing Committee ("WBC") which will consider whether the complaints or concerns raised merit further investigations. The WBC reports to the AC on a quarterly basis, on complaints or concerns received. The policy also includes provisions to safeguard the confidentiality of the whistle blower, with no detriment to the whistle blower if he or she acts in good faith.

REVIEW OF EFFECTIVENESS

The Board reviews the effectiveness of the risk management and internal control systems with the assistance of the RMC and the AC through the Group's actual versus planned performance and other key financial and operational performance indicators to determine if the underlying risk management and internal control systems continue to be effective.

Specific transactions, projects or opportunities are also discussed with the Board when required. This allows the Board to determine if new risks have arisen that need to be addressed or action plans and internal controls need to be enhanced to improve results.

The Board does not have formal oversight over the risk management and internal control systems of its joint ventures, as the Board does not have any direct control over their operations. Notwithstanding this, the Company's interests are safeguarded through representations on the boards of the joint ventures and through monitoring controls. These representations and monitoring controls provide the Board with information to assess the performance of the Group's investments in these joint ventures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ASSURANCE FROM MANAGEMENT

The CEO and Acting CFO have provided their reasonable assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively in all key aspects for FY2016 and up to the date of approval of this Statement for inclusion in the Annual Report. 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, and would continue to strengthen the system and processes, 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 the Recommended Practice Guide 5 ("RPG 5") (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 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, information and assurance provided by the CEO and the Acting 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 in this section which would have resulted in material losses, contingencies or uncertainties requiring separate disclosure in the Annual Report. The internal control procedures will continue to be reviewed in order to improve and strengthen the system to ensure ongoing 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 10 April 2017.

AUDIT COMMITTEE REPORT

The Board of Directors of Bumi Armada Berhad ("Bumi Armada" or "Company") is pleased to present the Audit Committee Report for the financial year ended 31 December 2016 ("FY2016"), pursuant to Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") and recommendations under the 2012 Malaysian Code on Corporate Governance ("CG Code").

COMPOSITION AND ATTENDANCE

The Audit Committee ("AC") comprises five members, all of whom are Non-Executive Directors ("NEDs"). Four of the AC members are independent NEDs and one is a Non-Independent NED. 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 members of the AC and details of attendance of each member at the Committee meetings held during 2016 are as set out below:

Name	Status	Meetings Attended	Percentage of Attendance (%)
Saiful Aznir bin Shahabudin ("Mr Saiful")	Chairman, Independent NED	5 out of 5	100
Alexandra Schaapveld	Independent NED	5 out of 5	100
Steven Leon Newman	Independent NED	5 out of 5	100
Maureen Toh Siew Guat	Non-Independent NED	5 out of 5	100
Uthaya Kumar K Vivekananda ("Mr VU Kumar") *	Independent NED	-	-

* *Appointed on 10 April 2017.*

A limit of nine years' service is provided for under the criteria of independence in the CG Code which has been incorporated in the Company's Policy and Assessment of the Independence of Independent Directors. Mr Saiful, the Chairman of the AC has served in an independent capacity for 10 years as at 1 December 2016.

In 2016, the Board, via the Nomination & Corporate Governance Committee had reviewed the independent position of Mr Saiful and following such review, was satisfied that he has met the independence criteria as set out in the MMLR and the CG Code and hence had recommended the re-appointment of Mr Saiful as an Independent NED, for approval of the shareholders at its 20th AGM held on 23 May 2016 which was approved accordingly.

Mr Saiful will not be seeking re-appointment as an Independent Director at the 21st AGM. Mr VU Kumar is required to submit himself for election at the 21st AGM pursuant to Article 120 of the Company's Articles of Association. Subject to Mr VU Kumar's election at the 21st AGM, he will succeed Mr Saiful as the Chairman of the AC following Mr Saiful's retirement upon the conclusion of the 21st AGM.

TERMS OF REFERENCE

The AC is governed by its own terms of reference ("TOR"), which was approved by the Board on 18 June 2011, and is subject to annual review. An internal review of the TOR was conducted in February 2016 including ensuring its compliance with Paragraph 15 of the MMLR and the CG Code.

Based on the review, the TOR is in compliance with the relevant requirements and hence no changes were proposed to the TOR and the TOR remained unchanged.

The TOR is available on the Company's website at www.bumiarmada.com.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE COMMITTEE

During the year, the AC in the discharge of its duties and functions had undertaken the following activities:

Financial Reporting and Other Financial Matters

- reviewed the final quarter result for the financial year ended 31 December 2015 ("FY2015") and annual audited financial statements before recommending them for the Board's consideration and approval;
- reviewed the quarterly financial results for FY2016 before recommending them for the Board's consideration and approval;
- deliberated and assessed the going concern and viability of Bumi Armada and its subsidiaries ("Group") including the key assumptions made in relation to the foregoing;
- reviewed the Company's Strategy and Business Plan for FY2016;
- reviewed the proposed financial budget for the Group for the financial year ending 31 December 2017 before recommending them for the Board's consideration and approval;
- reviewed the Group's funding position and compliance with debt covenants;
- reviewed the assessment on the fixed asset impairment and other financial assets impairments before recommending them for the Board's consideration and approval;

External Audit

- reviewed the External Auditors' audit plan for FY2016 to ensure adequate scope and coverage as well as to ensure sufficient audit resources;
- deliberated the External Auditors' quarterly audit reports, including the recommendations for improvements;
- reviewed the suitability and independence of the External Auditors, PwC when they were recommended to be retained in line with the Policies and Procedures on Independence of External Auditors ("Policy");
- reviewed the fees for non-audit services provided by the External Auditors in line with the Policy while ensuring their independence is not impacted. This includes monitoring the fees of the total non-audit work carried out by the External Auditors so as not to impair their independent status;

Related Party Transactions

- reviewed and made recommendations to the Board on proposed related party transactions to be entered into by the Group to ensure such transactions are undertaken on the Group's normal commercial terms and on arm's length basis. The appropriateness of such transactions were also assessed;
- reviewed the related party transactions to be entered into by the Group to ensure compliance with the disclosure requirements under the MMLR;

Risk Management and Internal Controls

- reviewed together with Management, the Internal Auditors and External Auditors, the adequacy and effectiveness of the Group's processes to identify key risks and the systems to monitor and manage these risks;
- reviewed together with Management, the Internal Auditors and External Auditors, the adequacy and integrity of the Group's internal controls;
- reviewed the Statement on Risk Management and Internal Control, Audit Committee Report and Directors' Responsibility Statement and recommended their approval to the Board, for inclusion in the Company's 2015 Annual Report;
- reviewed the Asset Integrity and Maintenance reports and reports of the Whistle Blowing Committee on quarterly basis;

Internal Audit

- reviewed the Internal Auditors' scope of work and audit plan for the FY2016 and the adequacy of audit resources;
- reviewed the Internal Auditors' reports following their audits on various business, operational and support units and the status of their past internal audit recommendations;
- reviewed the key findings on internal investigations and recommendations; and

Verification on Allocation of Options pursuant to the ESOS

- as there were no options granted in 2015 pursuant to the ESOS, the AC was not required to verify the allocation of options under the ESOS and its compliance with the criteria for the basis of allocation of options in accordance with the By-Laws of the ESOS.

AUDIT COMMITTEE REPORT

EXTERNAL AUDIT - SUITABILITY AND INDEPENDENCE

The Board had in February 2014 approved the Policy together with a Questionnaire to assess the External Auditors performance and independence ("Questionnaire").

As part of the annual assessment on the suitability, performance and independence of External Auditors, the Policy and Questionnaire were circulated to the AC's Chairman and internally to the CEO, CFO and relevant departments and their personnel who have interaction with the External Auditors for feedback.

The feedback was gathered and tabled at the AC's meeting in February 2016. Input from the AC members was also considered at the same meeting. Based on the feedback received, the AC made its recommendation to the Board to retain the External Auditors for the ensuing year, subject to shareholders' approval.

INTERNAL AUDIT FUNCTION

The Company's Internal Audit function was previously fully outsourced to an external firm. On 1 March 2016, the Company appointed a Head of Internal Audit and is currently building an internal audit function within Bumi Armada. For FY2016, the Head of Internal Audit was still largely supported by an external team comprising internal and external resources on some audits performed during the year.

The Internal Audit function is independent from Management and performs audit assignments with impartiality, proficiency and due professional care. Reporting directly to the AC, it undertakes regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that the system continues to operate satisfactorily and effectively within the Group. The Head of Internal Audit has direct access to the Chairman of the AC on all internal control and audit issues. On a quarterly basis, the Head of Internal Audit presents the results of audits carried out and highlights any significant matters noted to the AC. The AC, meeting together or via its Chairman, also holds regular private sessions with the Head of Internal Audit to discuss matters relating to or arising from the reviews, including the level of cooperation provided by Management as well as their responsiveness in addressing identified issues.

The Internal Audit function utilises a risk-based approach in identifying and prioritising areas for review. The Company's risk profile is used as the baseline, combined with inputs from stakeholders and the results of prior reviews to derive an internal audit plan. The plan is refreshed periodically to address current issues affecting the Group.

During FY2016, the Internal Audit function carried out the following activities:

i. Prepared and presented the Internal Audit Plan which was based on the Group's risk profiles for review and approval of the AC;
ii. Based on the approved Internal Audit Plan, the Internal Audit function conducted audits covering the following key areas:
    a. Key conversion projects
    b. Engineering
    c. Supply Chain
    d. Transportation & Installation in the Caspian
    e. Offshore Support Vessel
    f. Automated Invoice Processing System implementation
    g. India shore based operations
    h. IT general controls - SAP system
iii. Recommended improvements and enhancements to the existing system of internal controls, risk management and governance processes;
iv. Presented and discussed audit reports during AC meetings for the AC's deliberation;
v. Carried out follow-up reviews and presented the updated status to the AC; and
vi. Performed ad-hoc and special reviews as requested by Management with the approval of the AC.

Findings of the internal audits were highlighted to the relevant Management who is responsible for ensuring that corrective action on reported weaknesses are taken within the required timeframe. The Internal Audit function also tracks all findings and corrective actions as well as the status is presented to the AC for review at its quarterly meetings.

The total cost incurred for the Group's internal audit function in respect of FY2016 amounted to RM3.7 million.

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, 1965, 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 2016 and of their financial performance and cash flows for the said financial year.

In preparing these financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable; and
- appropriately prepared the financial statements on a going concern basis.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Incorporated on pages 82 to 194 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2016.

This Statement is made in accordance with a resolution of the Board of Directors dated 10 April 2017.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit 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 2016.

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, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 17 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
(Loss)/Profit for the financial year attributable to:		
- Owners of the Company	**(1,967,651)**	**175,216**
- Non-controlling interests	**(37,385)**	**-**
	(2,005,036)	**175,216**

DIVIDENDS

The dividend paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as disclosed in the Directors' report of that financial year:	
Final cash dividend comprising a single tier tax-exempt dividend of 0.82 sen per ordinary share paid on 18 August 2016	48,103

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2016.

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.

DIRECTORS' REPORT

ISSUE OF SHARES

There were no new ordinary shares issued during the financial year.

MANAGEMENT INCENTIVE PLAN

At the Extraordinary General Meeting held on 23 May 2016, the Company's shareholders approved the establishment of a Management Incentive Plan ("MIP" or "Plan") for the eligible employees and Executive Directors 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 the compliance with the requirements pertaining to the Plan by the Company.

The salient features and other terms of the Plan are disclosed in Note 37 to the financial statements. As at the date of this report, the Company has yet to grant any shares under the Plan.

EMPLOYEE SHARE OPTION SCHEME

On 18 June 2011, the Company's shareholders approved the establishment of Employee Share Option Scheme ("ESOS" or "Scheme") to eligible employees of the Group, including Executive Directors of the Company for a period of 10 years from 28 June 2011 as part of the Company's long term plan to retain employees.

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

With the establishment of MIP, the Company has ceased awarding further options under the Scheme during the financial year.

DIRECTORS

The Directors of the Company in office during the financial period since the date of the last report and at the date of this report are as follows:

Tunku Ali Redhauddin ibni Tuanku Muhriz	
Saiful Aznir bin Shahabudin	
Alexandra Elisabeth Johanna Maria Schaapveld *	
Chan Chee Beng	
Shaharul Rezza bin Hassan	
Maureen Toh Siew Guat	
Steven Leon Newman	
Leon Andre Harland	(Appointed on 16 May 2016)
Uthaya Kumar A/L K Vivekananda	(Appointed on 10 April 2017)
Shapoorji Pallonji Mistry	(Resigned on 21 February 2017)
Ravi Shankar Srinivasan (alternate director to Shapoorji Pallonji Mistry)	(Resigned on 21 February 2017)

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

DIRECTORS' REPORT

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than share options granted under the ESOS.

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 12 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year, in shares and options over unissued shares in the Company during the financial year are as follows:

In the Company - Direct Interests

	Number of ordinary shares			
	As at 1.1.2016	Acquired	Disposed	As at 31.12.2016
Tunku Ali Redhauddin ibni Tuanku Muhriz [(1)]	20,000	-	-	20,000
Saiful Aznir bin Shahabudin [(2)]	1,626,000	500,000	-	2,126,000
Alexandra Schaapveld [(3)]	900,000	-	-	900,000
Chan Chee Beng [(2)]	2,511,200	-	-	2,511,200
Ravi Shankar Srinivasan	432,000	-	-	432,000

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

	Number of options over unissued ordinary shares				
	As at 1.1.2016	Granted	Exercised	Lapsed	As at 31.12.2016
Shaharul Rezza bin Hassan	9,964,105	-	-	(6,639,318)	3,324,787

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.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of income, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, 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 doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

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 doubtful debts 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 or 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 or 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 or of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

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 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.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 45 to the financial statements. Other than as disclosed in Note 45, there are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance which is within the period from 1 January 2017 to 10 April 2017.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 10 April 2017.

LEON ANDRE HARLAND
DIRECTOR

SHAHARUL REZZA BIN HASSAN
DIRECTOR

STATEMENTS OF INCOME

for the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000 Restated	Company 2016 RM'000	Company 2015 RM'000 Restated
Revenue	6	**1,317,389**	2,179,734	**405,376**	377,453
Cost of sales		**(1,517,549)**	(1,758,417)	**(227,826)**	(222,271)
Gross (loss)/profit		**(200,160)**	421,317	**177,550**	155,182
Other operating income	7	**188,207**	90,635	**26,835**	72,469
Selling and distribution costs		**(35,110)**	(15,769)	**-**	-
Administrative expenses		**(130,950)**	(173,328)	**(25,052)**	(49,292)
Operating (loss)/profit before impairment		**(178,013)**	322,855	**179,333**	178,359
Impairment	10	**(1,743,160)**	(423,064)	**-**	-
Operating (loss)/profit		**(1,921,173)**	(100,209)	**179,333**	178,359
Finance costs	8	**(100,784)**	(122,684)	**-**	(65)
Share of results of joint ventures	9	**77,693**	51,501	**-**	-
(Loss)/Profit before taxation	10	**(1,944,264)**	(171,392)	**179,333**	178,294
Taxation	13	**(60,772)**	(70,385)	**(4,117)**	(13,863)
(Loss)/Profit for the financial year		**(2,005,036)**	(241,777)	**175,216**	164,431
Attributable to:					
Owners of the Company		**(1,967,651)**	(234,566)		
Non-controlling interests		**(37,385)**	(7,211)		
		(2,005,036)	(241,777)		
Earnings per share (sen)	14				
- basic		**(33.54)**	(4.00)		
- diluted		**(33.54)**	(4.00)		

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 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit for the financial year	**(2,005,036)**	(241,777)	**175,216**	164,431
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss:				
- Available-for-sale financial assets:				
- Gain on fair value change	**7,385**	-	**-**	-
- Fair value gain/(loss) on cash flow hedges	**125,329**	(132,346)	**-**	-
- Foreign currency translation differences	**211,996**	1,044,147	**-**	-
- Share of other comprehensive gain of joint ventures	**569**	-	**-**	-
Other comprehensive income for the financial year, net of tax	**345,279**	911,801	**-**	-
Total comprehensive (expense)/income for the financial year	**(1,659,757)**	670,024	**175,216**	164,431
Total comprehensive (expense)/income attributable to:				
- Owners of the Company	**(1,624,559)**	664,036		
- Non-controlling interests	**(35,198)**	5,988		
	(1,659,757)	670,024		

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 RM'000	2015 RM'000 Restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**16,602,637**	14,143,868
Investments in joint ventures	9	**651,332**	583,511
Available-for-sale financial assets	18	**22,884**	20,240
Derivative financial instruments	34	**116,108**	-
Other receivables	25	**49,075**	-
Accrued lease rentals	19	**-**	117,605
Deferred tax assets	20	**6,467**	35,799
Amounts due from joint ventures	21	**19,470**	14,987
TOTAL NON-CURRENT ASSETS		**17,467,973**	14,916,010
CURRENT ASSETS			
Inventories	22	**6,356**	6,051
Amounts due from customers on contract	23	**-**	154,984
Trade receivables	24	**632,956**	513,349
Accrued lease rentals	19	**510,345**	572,922
Other receivables, deposits and prepayments	25	**85,904**	165,324
Tax recoverable		**2,312**	10,894
Amounts due from joint ventures	21	**335,032**	201,687
Deposits, cash and bank balances	28	**3,015,854**	1,525,718
		4,588,759	3,150,929
Non-current assets classified as held-for-sale	27	**33,397**	5,700
TOTAL CURRENT ASSETS		**4,622,156**	3,156,629
TOTAL ASSETS		**22,090,129**	18,072,639

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 RM'000	2015 RM'000 Restated
LIABILITIES			
LESS: CURRENT LIABILITIES			
Trade payables and accruals	29	**1,227,072**	1,298,857
Other payables and accruals	30	**1,129,761**	179,327
Amounts due to customers on contract	23	**69,645**	-
Amounts due to joint ventures	21	**36,562**	25,189
Hire purchase creditors	32	**88**	-
Borrowings	33	**2,517,059**	1,770,171
Derivative financial instruments	34	**42,250**	22,941
Taxation		**46,661**	72,831
TOTAL CURRENT LIABILITIES		**5,069,098**	3,369,316
NET CURRENT LIABILITIES		**(446,942)**	(212,687)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals	30	**97,014**	456,820
Provisions	31	**98,149**	-
Hire purchase creditors	32	**287**	-
Borrowings	33	**10,529,054**	6,259,383
Derivative financial instruments	34	**705,741**	654,769
Deferred tax liabilities	20	**709**	36,579
TOTAL NON-CURRENT LIABILITIES		**11,430,954**	7,407,551
NET ASSETS		**5,590,077**	7,295,772
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	35	**1,173,253**	1,173,253
Reserves	38	**4,413,708**	6,084,205
		5,586,961	7,257,458
NON-CONTROLLING INTERESTS		**3,116**	38,314
TOTAL EQUITY		**5,590,077**	7,295,772

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**11,814**	5,220
Investments in subsidiaries	17	**1,689,680**	1,891,340
Investments in joint ventures	9	**151,960**	151,943
Deferred tax assets	20	**5,605**	5,905
TOTAL NON-CURRENT ASSETS		**1,859,059**	2,054,408
CURRENT ASSETS			
Other receivables, deposits and prepayments	25	**10,106**	23,301
Amounts due from subsidiaries	26	**3,074,007**	3,390,999
Amounts due from joint ventures	21	**45,111**	53,278
Tax recoverable		**755**	-
Deposits, cash and bank balances	28	**68,230**	368,934
TOTAL CURRENT ASSETS		**3,198,209**	3,836,512
TOTAL ASSETS		**5,057,268**	5,890,920
LIABILITIES			
LESS: CURRENT LIABILITIES			
Other payables and accruals	30	**48,326**	59,704
Amounts due to subsidiaries	26	**198,055**	1,140,872
Amount due to a joint venture	21	**134**	227
Taxation		**-**	8,642
TOTAL CURRENT LIABILITIES		**246,515**	1,209,445
NET CURRENT ASSETS		**2,951,694**	2,627,067
NET ASSETS		**4,810,753**	4,681,475
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	35	**1,173,253**	1,173,253
Reserves	38	**3,637,500**	3,508,222
TOTAL EQUITY		**4,810,753**	4,681,475

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 2016

2016	Note	Attributable to Owners of the Company										
		Number of shares	Nominal value	Share premium	Foreign exchange reserve	Share option reserve	Hedging reserve	Other reserves	Retained earnings/ Accumulated losses	Total	Non-controlling interests	Total equity
		35	35	38(a)	38(b)	38(c)	38(d)	38(e)				
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January		5,866,269	1,173,253	3,137,730	1,383,557	44,817	(227,314)	6,562	1,738,853	7,257,458	38,314	7,295,772
Loss for the financial year		-	-	-	-	-	-	-	(1,967,651)	(1,967,651)	(37,385)	(2,005,036)
Other comprehensive income for the financial year, net of tax		-	-	-	209,867	-	125,840	7,385	-	343,092	2,187	345,279
Total comprehensive income/(expense) for the financial year, net of tax		-	-	-	209,867	-	125,840	7,385	(1,967,651)	(1,624,559)	(35,198)	(1,659,757)
Transactions with owners:												
- Employee share options granted	36	-	-	-	-	2,165	-	-	-	2,165	-	2,165
- Employee share options forfeited/lapsed	36	-	-	-	-	(27,054)	-	-	27,054	-	-	-
- Dividend paid	15	-	-	-	-	-	-	-	(48,103)	(48,103)	-	(48,103)
At 31 December		5,866,269	1,173,253	3,137,730	1,593,424	19,928	(101,474)	13,947	(249,847)	5,586,961	3,116	5,590,077

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 2016

2015	Note	Number of shares 35 '000	Nominal value 35 RM'000	Share premium 38(a) RM'000	Foreign exchange reserve 38(b) RM'000	Share option reserve 38(c) RM'000	Hedging reserve 38(d) RM'000	Other reserves 38(e) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to Owners of the Company										
At 1 January		5,866,269	1,173,253	3,137,730	352,580	44,862	(94,939)	6,562	2,065,151	6,685,199	32,326	6,717,525
Loss for the financial year		-	-	-	-	-	-	-	(234,566)	(234,566)	(7,211)	(241,777)
Other comprehensive income/(expense) for the financial year, net of tax		-	-	-	1,030,977	-	(132,375)	-	-	898,602	13,199	911,801
Total comprehensive income/(expense) for the financial year, net of tax		-	-	-	1,030,977	-	(132,375)	-	(234,566)	664,036	5,988	670,024
Transactions with owners:												
- Employee share options granted	36	-	-	-	-	3,843	-	-	-	3,843	-	3,843
- Employee share options forfeited	36	-	-	-	-	(3,888)	-	-	3,888	-	-	-
- Dividend paid	15	-	-	-	-	-	-	-	(95,620)	(95,620)	-	(95,620)
At 31 December		5,866,269	1,173,253	3,137,730	1,383,557	44,817	(227,314)	6,562	1,738,853	7,257,458	38,314	7,295,772

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 2016

2016	Note	Number of shares 35 '000	Nominal value 35 RM'000	Share premium 38(a) RM'000	Share option reserve 38(c) RM'000	Other reserves 38(e) RM'000	Retained earnings RM'000	Total RM'000
At 1 January		**5,866,269**	**1,173,253**	**3,137,730**	**44,817**	**6,550**	**319,125**	**4,681,475**
Total comprehensive income for the financial year, net of tax		-	-	-	-	-	**175,216**	**175,216**
Transactions with owners:								
- Employee share options granted	36	-	-	-	**2,165**	-	-	**2,165**
- Employee share options forfeited/lapsed	36	-	-	-	**(27,054)**	-	**27,054**	-
- Dividend paid	15	-	-	-	-	-	**(48,103)**	**(48,103)**
At 31 December		**5,866,269**	**1,173,253**	**3,137,730**	**19,928**	**6,550**	**473,292**	**4,810,753**
2015								
At 1 January		5,866,269	1,173,253	3,137,730	44,862	6,550	246,426	4,608,821
Total comprehensive income for the financial year, net of tax		-	-	-	-	-	164,431	164,431
Transactions with owners:								
- Employee share options granted	36	-	-	-	3,843	-	-	3,843
- Employee share options forfeited	36	-	-	-	(3,888)	-	3,888	-
- Dividend paid	15	-	-	-	-	-	(95,620)	(95,620)
At 31 December		5,866,269	1,173,253	3,137,730	44,817	6,550	319,125	4,681,475

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 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
OPERATING ACTIVITIES					
(Loss)/Profit for the financial year		**(2,005,036)**	(241,777)	**175,216**	164,431
Adjustments for non-cash items:					
Share of results of joint ventures		**(77,693)**	(51,501)	-	-
Depreciation of property, plant and equipment		**570,758**	606,658	**15,069**	6,241
Fair value through profit and loss on derivative financial instruments		**(7,190)**	15,208	-	-
Gain on disposal of a subsidiary		-	(17,645)	-	-
(Gain)/Loss on disposal of property, plant and equipment and non-current assets classified as held-for-sale		**(3,916)**	(1,113)	**294**	-
Fair value gain on remeasurement of a joint venture		**(27,277)**	-	-	-
Impairment of:					
- investment in a joint venture		-	2,691	-	-
- property, plant and equipment and non-current assets classified as held-for-sale		**1,737,994**	395,150	-	-
- available-for-sale financial assets		**5,166**	25,223	-	-
Write off of property, plant and equipment		-	1,928	-	-
Net allowance for doubtful debts		**91,356**	167,951	-	-
Bad debts written off		-	18	-	-
Unrealised foreign exchange (gain)/loss		**(10,071)**	(53,278)	**146**	(3,360)
Share-based payment		**2,165**	3,843	**2,165**	3,843
Interest income		**(17,374)**	(52,829)	**(26,243)**	(72,383)
Interest expense		**99,159**	123,227	-	65
Dividend income		-	(1,841)	**(172,504)**	(148,447)
Taxation		**60,772**	70,385	**4,117**	13,863
Operating profit/(loss) before changes in working capital		**418,813**	992,298	**(1,740)**	(35,747)
Changes in working capital:					
Inventories		**(305)**	(262)	-	-
Trade and other receivables		**202,421**	(379,772)	**12,585**	(14,065)
Trade and other payables		**97,675**	253,785	**(11,468)**	6,119
Cash from/(used in) operations		**718,604**	866,049	**(623)**	(43,693)
Interest paid		**(378,761)**	(233,159)	-	(8)
Tax paid		**(39,122)**	(109,981)	**(13,214)**	(6,619)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**300,721**	522,909	**(13,837)**	(50,320)

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 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	**(3,639,092)**	(3,568,056)	**(45)**	(81)
Proceeds from disposal of property, plant and equipment and non-current assets held-for-sale		**7,649**	10,449	**98**	-
Proceeds from disposal of subsidiaries		**-**	-	**6,481**	-
Interest received		**15,746**	56,750	**4,118**	52,790
Investments in joint ventures		**(16)**	(17,971)	**(16)**	-
Investments in subsidiaries		**-**	-	**-**	(36)
Dividend received from investments		**2,003**	-	**72,533**	148,447
Dividend received from a joint venture		**21,380**	12,452	**21,380**	12,452
Advances to joint ventures		**-**	-	**-**	(18,279)
Repayments from joint ventures		**-**	-	**8,074**	24
Advances to subsidiaries		**-**	-	**(351,387)**	(1,436,206)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,592,330)**	(3,506,376)	**(238,764)**	(1,240,889)
FINANCING ACTIVITIES					
Proceeds from bank borrowings		**5,941,250**	4,533,941	**-**	-
Decrease in deposit pledged as security		**-**	600	**-**	-
Repayment of bank borrowings		**(1,155,666)**	(3,558,602)	**-**	-
Proceeds from hire purchase creditors		**453**	-	**-**	-
Repayment of hire purchase creditors		**(66)**	(125)	**-**	(57)
Dividend paid		**(48,103)**	(95,620)	**(48,103)**	(95,620)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**4,737,868**	880,194	**(48,103)**	(95,677)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,446,259**	(2,103,273)	**(300,704)**	(1,386,886)
CURRENCY TRANSLATION DIFFERENCES		**43,877**	326,344	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**1,524,818**	3,301,747	**368,034**	1,754,920
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	B	**3,014,954**	1,524,818	**67,330**	368,034

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 2016

Notes to the statements of cash flows:

A Additions to property, plant and equipment (Note 16) which were acquired during the financial year were as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash	**3,639,092**	3,568,056	**45**	81
Movement in property, plant and equipment creditors	**82,104**	896,171	**22,011**	-
Interest expense capitalised for construction of vessels	**326,767**	128,479	**-**	-
	4,047,963	4,592,706	**22,056**	81

B Cash and cash equivalents consist of:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits with licensed banks	**2,755,841**	815,342	**63,527**	364,844
Cash and bank balances	**260,013**	710,376	**4,703**	4,090
	3,015,854	1,525,718	**68,230**	368,934
Pledged deposits placed with licensed banks	**(900)**	(900)	**(900)**	(900)
	3,014,954	1,524,818	**67,330**	368,034

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

1 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, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 17 to the financial statements.

There have been no significant changes in the principal activities of the Group and Company 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 of 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 Note 2 to the financial statements.

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 revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and 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 Note 3 to the financial statements.

Except as disclosed above, the Directors believe no material uncertainty exist that may cast significant doubt on the Group's ability to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

(a) Standards, amendments to published standards and interpretations that are effective

(i) Amendments and annual improvements to MFRS that are effective for the Group and Company's financial year beginning on or after 1 January 2016:

- Amendments to MFRS 101 'Presentation of Financial Statements' - Disclosure initiative
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 and 128 "Investment Entities" - Applying the Consolidation Exception
- Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" - "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above amendments and annual improvements that came effect on or after 1 January 2016 did not have significant impact on the financial statements of the Group and Company.

(b) Standards, amendments to published standards and interpretations that have been issued but are not yet effective

(i) Amendments to MFRS which are applicable to the Group and Company effective for annual periods beginning on or after 1 January 2017:

- Amendments to MFRS 107 "Statement of Cash Flows" – Disclosure Initiative
- Annual Improvements to MFRS 12 "Disclosures of Interests in Other Entities"
- Amendments to MFRS 112 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above amendments are not anticipated to have any significant impact on the financial statements of the Group and Company upon initial application.

(ii) New MFRS and amendments to MFRS which are applicable to the Group and Company effective for annual periods beginning on or after 1 January 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
- Annual Improvements to MFRS 128 "Investments in Associates and Joint Ventures"
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of the above new MFRS may result in a change in accounting policy. The Group will quantify the effect of adopting these standards when the full standard is effective.

(iii) New MFRS which is applicable to the Group effective for annual periods beginning on or after 1 January 2019:

- MFRS 16 "Leases"

The adoption of the above new MFRSs may result in a change in accounting policy. The Group will quantify the effect of adopting these standards when the full standard is effective.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation

(a) 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, except for the subsidiary as disclosed in Note 17, where the Group applies predecessor method of merger accounting to account for business combination under common control. Under predecessor method of merger accounting, assets and liabilities acquired are not restated to their respective fair value. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

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 value 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 139 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 group companies 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 income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

(b) 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.

(c) 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.

(d) 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 of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements 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 ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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 to the 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

(d) Joint arrangements (cont'd)

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 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.

2.3 Investments in subsidiaries and joint ventures

In the Company's separate financial statements, investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses (see accounting policy Note 2.8). On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

2.4 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, asset 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 accounting policy Note 2.9).

Drydocking expenditure represents major inspection and overhaul cost 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 in the profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the 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 vessels 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 its estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment (cont'd)

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

Leasehold land and building	50 years
Drydocking expenditure	2.5 to 5 years
Vessels	10 to 30 years
Equipment, furniture, fittings and office equipment	2 to 10 years
Spare parts	1 to 3 years
Motor vehicles	5 years

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 accounting policy Note 2.8).

2.5 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. Derivatives are also categorised as held for trading unless they are designated as hedges (see accounting policy Note 2.7). Derivatives are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets. The Group's and the Company's loan and receivables are disclosed in Note 44 to the financial statements.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial assets (cont'd)

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss.

(c) Subsequent measurement - gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

(d) Subsequent measurement - impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or "events") has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest and principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If "loans and receivables" has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial assets (cont'd)

(d) Subsequent measurement - impairment of financial assets (cont'd)

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above.

In the case of equity securities classified as available-for-sale, in addition to the criteria for "assets carried at amortised cost" above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

(e) De-recognition

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

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit or loss.

(f) 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.

2.6 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company 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. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Derivative and hedge 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 value 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 held for trading and accounted for in accordance with the accounting policy set out in Note 2.5. Derivatives that qualify for hedge accounting are designated as cash flow hedges 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 34. Movements on 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 of the reporting date, 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 and liability.

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

Amounts accumulated in equity are reclassified to the 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 hedging variable rate borrowings is recognised in the 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, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the transaction is ultimately recognised in the profit or loss.

2.8 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 of disposal 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the 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 the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 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 deferred 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 pre-payment 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.

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 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.

2.10 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.

2.11 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 is to 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 of disposal.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Non-current assets (or disposal groups) held-for-sale (cont'd)

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.

2.12 Construction contracts and conversion work

A construction contract is a contract 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 or use. Conversion work represents activities conducted to convert a vessel for its intended used in accordance to the customers' specifications.

When the outcome of a construction contract or conversion work can be estimated reliably, revenue and costs associated with the construction contract or conversion works are recognised as revenue and expenses respectively by reference to the stage of completion of the contract or conversion activity at the end of the reporting period. When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

Variations in contract/conversion work, claims and incentive payments are included in contract revenue to the extent agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract/conversion costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract/conversion.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

For conversion work in relation to vessels built to customers' specifications, these are shown as vessel under construction (under property, plant and equipment) during the conversion phase. Upon completion of the conversion activities, these amounts are recognised as finance lease receivables when the leases commence. Contractual milestone billings during the conversion phase are presented as advances from customers.

For construction contracts, the Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade receivables". The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and the Company's activities. Revenue is shown net of goods and services tax, value-added tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's and the Company's activities as described below. The Group and the Company base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement based on contractual terms. Revenue is recognised on the following bases:

(a) Vessel charter fees and support services

Vessel charter hire fees from FPSO contracts are recognised over the lease term based on classification of the contracts as finance or operating lease determined at the inception of the lease (see accounting policy Note 2.15). Charter hire income from other vessels is recognised upon rendering of services to customers.

Vessel sundry income, commission and agency income are recognised when services are rendered to the customers and recognised on an accrual basis.

(b) Vessel construction, conversion and engineering services

Revenue from construction contracts and conversion works in relation to vessels built to customers' specifications are accounted for under the percentage of completion method (see accounting policy Note 2.12).

(c) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(e) Rental income

The Group earns rental income from the rental of premises to third parties. Rental income is recognised on an accrual basis.

(f) Sale of goods

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Revenue recognition (cont'd)

(g) Central overhead fees

The Company earns central overhead fees from its subsidiaries and joint ventures as disclosed in Note 6 and Note 40. Central overhead fees is recognised on an accrual basis.

(h) Management fees

The Group earns management fees from its subsidiaries and joint ventures as disclosed in Note 10 and Note 40. Management fees is recognised on an accrual basis.

(i) Engineering services

Revenue represents the invoiced value for engineering services performed and cost recovery incurred less discounts and rebates, of which engineering services and cost recovery are recognised on an incurred basis.

2.14 Foreign currencies

(a) 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 currency.

(b) 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 next investment in a foreign operation.

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

(c) 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 presented 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Foreign currencies (cont'd)

(c) Group companies (cont'd)

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 are 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 significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future, are treated as part of the parent's net investment. Translation differences arising therefrom are recognised in other comprehensive income.

2.15 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.

(a) Accounting by lessee

<u>Finance leases</u>

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. 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. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance 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 expense.

<u>Operating leases</u>

Leases of assets where a significant pattern 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 period of the lease.

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Leases (cont'd)

(b) Accounting by lessor

Finance leases

Leases where the Group has transferred substantially all 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 on the statement of financial position as "finance lease receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable 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 receivable.

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 change in estimates, renewal and modification of a lease agreement that do not result in reclassification of the lease, the Group will apply the MFRS 139 de-recognition 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 all risks and rewards incidental to ownership 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 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 the 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 reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

Management 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 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 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 income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting date 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 liabilities are provided on temporary differences arising on investment in subsidiaries and joint ventures, except for deferred income tax liability 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 and income 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 income tax assets and liabilities relate to tax 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.

2.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are recognised in respect of employees' services up to the end of the reporting period and the amounts are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Employee benefits (cont'd)

(c) Share-based payment

The Group operates an equity-settled, share-based compensation plan ("Employee Share Option Scheme" or "ESOS") under which the Group receives services from employees as consideration for equity options over ordinary shares of the Company. The fair value of the options 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 options 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 options 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 options 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.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings. Where the options are granted by shareholders of the Company, the credit in equity is retained as "Other Reserves" when 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.

(d) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise 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 provision for impairment.

2.19 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 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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when 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 by discounting the expected future cash flows at 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 interest expense.

(a) Provision for demobilisation costs

Provision for demobilisation costs is made based on the estimated cost of demobilising the vessels at the end of the vessels' useful lives. 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 Note 2.4.

2.22 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.

2.23 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, and bank overdrafts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(b) 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.

(c) 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.

2.25 Earnings per share

The 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.

2.26 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 revenues and expenses are those directly attributable to the segments and include any expenses where a reasonable basis of allocation exists.

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3 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:

3.1 Revenue

Chartering of FPSO and vessels to customers are recognised as revenue based on whether the charter contract arrangement is considered to be an operating lease or finance lease in accordance with MFRS 117 "Leases". Classifications of these contracts as operating leases or finance leases are assessed at the inception of the lease. The estimated useful lives of the vessel and lease payment pattern are relevant in evaluating lease contracts. This assessment requires significant judgements in the following areas:

(i) Lease term

At lease inception, a lease contract is classified as either an operating or a finance lease. The lease term is 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) Purchase option

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 reasonably certain. The evaluation of the term "reasonably certain" involves judgement. The lessee's purchase option is considered in classifying the lease contract.

Contracts for leasing and operation of vessels are usually negotiated together. Leasing of vessels is accounted for under MFRS 117 "Leases" and operation of vessels is accounted for under MFRS 118 "Revenue". 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 market rates, comparable transactions and other market related information to be determined at lease inception.

If the terms and conditions of the lease contract change subsequently, management will reassess whether the new arrangements would be classified as a new lease based on the prevailing market conditions.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Impairment of non-financial assets

The Group periodically reviews non-financial assets, in particular investments in subsidiaries, vessels and related equipments within property, plant and equipment and non-current assets held for sale, to ensure that their carrying values are in line with their recoverable amounts as stated in Note 2.8.

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

The recoverable amount of each vessel, being defined as a cash generating unit, has been determined based on the higher of fair value, less cost of disposal ("FV") and value in-use ("VIU") calculations.

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, amongst others. 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 our non-financial assets or non-current assets held for sale.

During the financial year, the Group recognised an impairment loss on property, plant and equipment and non-current assets classified as held-for-sale of RM1,738.0 million (2015: RM395.1 million). The impairment assessments for property, plant and equipment and non-current assets classified as held-for-sale require the use of estimates as disclosed in Note 16.

Investments in subsidiaries

The recoverable amount of investments in subsidiaries has been determined based on 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, amongst others. The calculations of projected future cash flows of the subsidiaries are inherently judgemental and susceptible to change from period to period due to the assumptions stated above. Management has evaluated the carrying amounts of investments in subsidiaries based on its current plans and are satisfied that no impairment charge is required during the financial year.

3.3 Impairment of receivables

Trade and other receivables

Impairment is made for receivables that management considers the recoverability to be doubtful. On a regular basis, management reviews the receivables ageing report and repayment history for any objective evidence of impairment.

Amounts due from subsidiaries

Management reviews the repayment history and expected future cash flows for any objective evidence of impairment. The calculations of projected future cash flows of the subsidiaries are inherently judgmental and susceptible to change from period to period due to the assumptions made. Management has evaluated the carrying amounts of amounts due from subsidiaries based on its current plans and are satisfied that no impairment charge is required during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.4 Vessel useful life and residual value

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 and knowledge 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. Where appropriate, the Group will adjust the residual value and useful life of the individual vessel based on the particular conditions of the vessel. These adjustments require judgements to be exercised by management to assess the residual value and useful life for the individual vessels.

3.5 Taxation

The Group is subject to income and withholding taxes in numerous jurisdictions in which the Group operates. Significant judgement is required in determining the worldwide provision for these taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. The Group has also recognised certain tax recoverable for which the Group believe that there is a reasonable basis for recognition. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax recoverable/payable and deferred tax provision where relevant in the financial period in which such determination is made.

3.6 Construction contracts

The Group uses the "percentage-of-completion" method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred up to the end of reporting period as a percentage of estimated total costs for each contract.

Significant assumptions based on management's assessment of the contract progress and past experience are used to estimate the total contract costs that affect the stage of completion and the contract revenue respectively.

3.7 Liquidated damages and supplementary payments

The Group is subject to Liquidated Damages ("LD") and supplementary payments arising from delays in completion of the 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. Where the outcome is different from management's assessment, such differences may have an adverse impact on the profitability of the projects.

3.8 Demobilisation costs

Demobilisation costs are capitalised as part of property, plant and equipment based on management's 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.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

This note presents information about the Group's and the Company's exposure to risk 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. Further qualitative disclosures are included throughout these consolidated financial statements.

The Group's activities expose it to a variety of financial risks: market risk including currency risk and interest rate risk, credit risk and liquidity risk. The Group's overall risk management program 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 financial risks in close co-operation with the Group's management.

Foreign currency exchange risk

The Group is exposed to various currencies, primarily the United States Dollar ("USD"), Singapore Dollars ("SGD") and Russian Ruble ("RUB") (2015: USD, SGD and Norwegian Krone ("NOK")). The Group's foreign currency exchange risk arises from the revenue recognised and purchases of material, spares and services for maintenance of its vessels.

The objectives of the Group's foreign currency exchange risk management policies are to allow the Group to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. Foreign currency exchange forward contracts are used to manage foreign currency exchange exposures arising from all known material foreign currency denominated commitments as and when they arise and to hedge the movements in exchange rates by establishing the rate at which a foreign currency monetary item will be settled. Gains and losses on foreign currency exchange forward contracts entered into as hedges of foreign currency monetary items are recognised in the financial statements when the exchange differences of the hedged monetary items are recognised in the financial statements. Cross currency interest rate swap contracts are also used to hedge the volatility in the cash flows attributable to variability in the other currency denominated borrowings once identified to maturity of the borrowings.

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

	Denominated in currencies other than functional currencies					
As at 31 December 2016	**United States Dollar RM'000**	**Singapore Dollar RM'000**	**Russian Ruble RM'000**	**Others RM'000**	**Denominated in functional currencies RM'000**	**Total RM'000**
Trade receivables	10,824	-	-	19	622,113	632,956
Deposits, cash and bank balances	94,963	21,320	33,179	15,764	2,850,628	3,015,854
Trade payables and accruals	(2,085)	(30,698)	-	(2,549)	(1,191,740)	(1,227,072)
	103,702	(9,378)	33,179	13,234	2,281,001	2,421,738

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency exchange risk (cont'd)

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

As at 31 December 2015	Denominated in currencies other than functional currencies					
	United States Dollar RM'000	Singapore Dollar RM'000	Norwegian Krone RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
Trade receivables	13,535	169	-	142	499,503	513,349
Deposits, cash and bank balances	44,954	99,038	8,641	27,352	1,345,733	1,525,718
Trade payables and accruals	(3,332)	(34,917)	(18,115)	(1,786)	(1,240,707)	(1,298,857)
	55,157	64,290	(9,474)	25,708	604,529	740,210

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD, SGD and RUB (2015: USD, SGD and NOK) denominated balances as illustrated in the following table:

Currency	Strengthened by	Impact to loss before taxation [Increase/(decrease)] 2016 RM'000	2015 RM'000
USD	10%	**(10,374)**	(5,516)
SGD	10%	**938**	(6,429)
RUB	10%	**(3,318)**	-
NOK	10%	**-**	947

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

The Company has minimal exposure to foreign currency exchange risk as most balances are denominated in Ringgit Malaysia ("RM").

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 for the entire maturity period. Short term facilities which bear interest at floating interest rates are used for working capital and bridge financing requirements. The interest rate profile of the Group's borrowings is regularly reviewed against prevailing and anticipated market rates to determine hedging requirements.

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk (cont'd)

The contractual interest rates on borrowings and derivative financial instruments are disclosed on Notes 33 and 34 respectively.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

Group	2016 RM'000	2015 RM'000
Variable rate instruments		
Financial liabilities, comprising term loans, bridging loans and revolving credits	**11,516,645**	6,499,963
Less: Interest rate swap contracts	**(5,228,403)**	(1,204,346)
Less: Cross currency interest rate swap contract	**(49,000)**	(76,696)
	6,239,242	5,218,921

The sensitivity of the Group's loss before taxation for the financial year and equity to a reasonable possible change in RM and USD interest rates with all other factors held constant and based on composition of liabilities with floating interest rates at the reporting date are as follows:

	Impact on loss before taxation		Impact on equity [(1)]	
Group	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
RM				
- increased by 0.5% (2015: 0.5%)	**24**	883	**-**	-
- decreased by 0.5% (2015: 0.5%)	**(24)**	(883)	**-**	-
USD				
- increased by 0.5% (2015: 0.5%)	**31,125**	25,443	**23,818**	4,068
- decreased by 0.5% (2015: 0.5%)	**(31,125)**	(25,443)	**(23,818)**	(4,068)

[(1)] Represents cash flow hedging reserve

The impact on 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 the profit or loss.

The Company is exposed to the changes in interest rates in relation to an amount due from a subsidiary on floating interest rates as disclosed in Note 26. The Company does not hedge this interest rate risk. If the interest rates increase/(decrease) by 0.5% (2015: 0.5%), the impact on profit before taxation is approximately RM2.5 million/(RM2.5 million) (2015: RM2.5 million/(RM2.5 million)).

NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

Credit risk arises when sales are made on credit terms. The Group's activities limit the exposure and credit risk concentration to major clients in the oil and gas industry. The Group employs a credit policy that ensures clients are subjected to credit checks and outstanding accounts are followed up on a timely basis.

Several of the Group's contracts are long-term. There can be no guarantees that the financial position of the Group's major customers will not materially change during the contracted period. Given the limited number of major partners of the Group and the significant portion they represent of the Group's income, the inability of one or more of them to make full payment on any of the Group's customers may have a significant adverse impact on the financial position of the Group.

The credit risk of the Group arises primarily from the Group's 5 largest customers which accounted for 68% (2015: 63%) of the outstanding trade receivables at the end of the reporting period. The Group believes that the credit risk related to these counterparties is at an acceptable level. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

As such, management does not expect any counterparty to fail to meet their obligations except for the allowance for doubtful debts provided as disclosed in Note 24 to the financial statements. The allowance for doubtful debts provided includes 54% (2015: 56%) are arising from the Group's 5 largest customers.

The carrying amount of each class of financial assets mentioned in Note 21, Note 24, Note 25, Note 26, Note 28 and Note 34 to the financial statements represent the Group's maximum exposure to credit risk.

Management continues to review the credit risk concentration with respect to other receivables, amounts due from subsidiaries and joint ventures. These relates to receivables with no history of default and management expect these amounts to be recoverable over the course of business.

Liquidity risk

The Group and the Company adopt liquidity risk management by maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities from financial institutions to support its daily operations. Whenever the Group undertakes additional financing, the repayment and maturity profile of the underlying loans are structured after taking into consideration the cash inflows expected to be generated from the related assets or operations and economic life of the assets or operations being financed.

The Group's current liabilities exceeded its current assets by RM446.9 million due to the classification of advances from customers of approximately RM456.8 million from non-current liabilities to current liabilities during the year. Upon acceptance of conversion projects by the charterers, the advances from customers would become non-refundable by the Group. The Directors are of the view that the conversion projects will be accepted by the charterers in year 2017.

The Kraken FPSO project is progressing well (riser and umbilical hook up has been completed). The Group is negotiating with the charterers to revise the backstop date of 1 April 2017 for first production, failing which the charterers have the right to terminate the charter. As at the date of approval of the financial statements, the Group and the charterers have agreed in principle on a new backstop date of 15 July 2017. One of the consequences of termination by the charterers is the repayment of the term loan to the lenders if lenders serve a notice of default. Nevertheless, the charterers and the Group are fully aligned to the project delivery and achieving first production date.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

With regards to the above, the Directors have considered the impact of various outcomes on the liquidity position of the Group, taking into account the Group's forecast cash requirements and the funding sources available to the Group to meet its debt service obligation over the next 12 months from the date of the financial statements. The Directors have also noted the cost savings initiatives and asset rationalisation programme which have been initiated and continue to be pursued by management to improve cash flows.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period 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
31 December 2016					
Borrowings	**2,930,404**	**2,837,548**	**3,949,347**	**5,453,908**	**15,171,207**
Amounts due to joint ventures	**36,562**	-	-	-	**36,562**
Net settled derivative financial instruments					
- interest rate swaps	**(19,216)**	**5,104**	**68,574**	**54,062**	**108,524**
- cross currency interest rate swaps	**(23,459)**	**(28,332)**	**(68,368)**	**(800,340)**	**(920,499)**
Trade payables and accruals	**1,227,072**	-	-	-	**1,227,072**
Other payables and accruals	**578,453**	**97,014**	-	-	**675,467**

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
31 December 2015					
Borrowings	2,010,215	898,198	3,655,900	2,898,132	9,462,445
Amounts due to joint ventures	25,189	-	-	-	25,189
Net settled derivative financial instruments					
- interest rate swaps	(5,757)	(144)	391	-	(5,510)
- cross currency interest rate swaps	(54,095)	(58,937)	(111,398)	(660,840)	(885,270)
Trade payables and accruals	1,298,857	-	-	-	1,298,857
Other payables and accruals	151,009	-	-	-	151,009

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

All financial liabilities of the Company are assessed as current and correspondingly, no detailed maturity analysis is deemed necessary.

The corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiaries.

The maximum amount of the financial guarantees issued to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies, amounting to RM12,867.6 million as at 31 December 2016 (2015: RM7,188.9 million). The earliest period any of the financial guarantees can be called upon by the banks is within the next 12 months. 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 adjust the amount of dividends paid to shareholders, issue new shares or issue new debt and return capital 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total borrowings	**13,046,113**	8,029,554	**-**	-
Less: Cash and cash equivalents	**(3,014,954)**	(1,524,818)	**(67,330)**	(368,034)
	10,031,159	6,504,736	**(67,330)**	(368,034)
Total equity	**5,590,077**	7,295,772	**4,810,753**	4,681,475
	15,621,236	13,800,508	**4,743,423**	4,313,441

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.

NOTES TO THE FINANCIAL STATEMENTS
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5 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 Operation ("FPO") (this segment was renamed subsequent to the financial year end, and was previously known as FPSO and Floating Gas Solutions ("FGS")) - Own, operate and provide FPSO units, vessels that are used for receiving hydrocarbons sourced from oilfields. FGS focuses on innovative solutions for the offshore liquefied natural gas industry.

(ii) Offshore Marine Services ("OMS") (previously separately known as Offshore Support Vessel ("OSV") and Transport and Installation ("T&I")).
- OSV - Own, operates and charter vessels to provide support for exploration, development and production activities in the offshore oil and gas industry.
- Subsea Construction ("SC") (previously known as T&I) - 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 engineering services, which are not of a sufficient size to be reported separately, and management and other corporate support services provided to Group entities 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 that in 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 within the Group. These transactions are conducted based on terms and conditions negotiated with related parties.

	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
2016					
Revenue	394,176	923,213	-	-	1,317,389
Inter-segment revenue	-	-	270,591	(270,591)	-
Total revenue	394,176	923,213	270,591	(270,591)	1,317,389
Results					
Segment results	119,461	176,433	73,716	(73,716)	295,894
Depreciation and amortisation	(315,212)	(255,546)	-	-	(570,758)
Impairment	(1,004,821)	(733,173)	(5,166)	-	(1,743,160)
Net allowance for doubtful debts	(82,620)	(8,736)	-	-	(91,356)
Share of results of joint ventures	76,601	1,092	-	-	77,693
Other operating income					188,207
Finance costs					(100,784)
Taxation					(60,772)
Loss for the financial year					(2,005,036)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

5 SEGMENT INFORMATION (CONT'D)

	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
2015					
Revenue	1,305,596	874,138	-	-	2,179,734
Inter-segment revenue	-	-	185,865	(185,865)	-
Total revenue	1,305,596	874,138	185,865	(185,865)	2,179,734
Results					
Segment results	852,554	154,275	13,921	(13,921)	1,006,829
Depreciation and amortisation	(381,986)	(224,672)	-	-	(606,658)
Impairment	(41,341)	(353,811)	(27,912)	-	(423,064)
Net allowance for doubtful debts	(160,910)	(7,041)	-	-	(167,951)
Share of results of joint ventures	50,812	689	-	-	51,501
Other operating income					90,635
Finance costs					(122,684)
Taxation					(70,385)
Loss for the financial year					(241,777)

Although the Group's business segments are managed in Malaysia, they operate in the following main geographical areas:

- Malaysia - mainly charter hire of vessels, marine engineering and consultancy services
- Asia (excluding Malaysia) and Australia, Africa and Latin America - mainly charter hire of vessels and construction/conversion works

Revenue by location of the Group's operation are analysed as follows:

	Group	
	2016 RM'000	2015 RM'000
Malaysia	**155,720**	176,242
Asia (excluding Malaysia) and Australia	**863,682**	1,302,025
Africa	**227,360**	554,033
Latin America	**70,627**	147,434
	1,317,389	2,179,734

5 SEGMENT INFORMATION (CONT'D)

The Group's largest customers (by revenue contribution) are in the OMS segment (2015: FPO and SC segments). In 2016, 3 customers contributed revenue individually exceeding 10% of total revenue for the financial year, amounting to RM357.4 million, RM306.7 million and RM244.1 million respectively. In 2015, 3 customers contributed revenue individually exceeding 10% of total revenue for the financial year, amounting to RM306.0 million, RM269.5 million and RM262.5 million respectively.

The following comparative figures of the Group have been reclassified to conform with current financial year's presentation as required to be reported to the Chief Executive Officer.

Group	As previously reported 31.12.2015 RM'000	Effects of reclassification RM'000	As restated 31.12.2015 RM'000
Segment Information			
Revenue			
OMS	-	874,138	874,138
OSV	538,117	(538,117)	-
SC	336,021	(336,021)	-
Segment results			
FPO	309,658	542,896	852,554
OMS	-	154,275	154,275
OSV	(117,091)	117,091	-
SC	39,653	(39,653)	-
Impairment			
OMS	-	(353,811)	(353,811)
OSV	(249,094)	249,094	-
SC	(104,717)	104,717	-
Depreciation and amortisation			
FPO	-	(381,986)	(381,986)
OMS	-	(224,672)	(224,672)
Net allowance for doubtful debts			
FPO	-	(160,910)	(160,910)
OMS	-	(7,041)	(7,041)

NOTES TO THE FINANCIAL STATEMENTS
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6 REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Vessel charter fees and support services rendered	**1,109,375**	1,730,531	-	-
Construction and conversion work	**208,014**	449,203	-	-
Dividend income	-	-	**172,504**	148,447
Central overhead fees	-	-	**232,872**	229,006
	1,317,389	2,179,734	**405,376**	377,453

7 OTHER OPERATING INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain on disposal of property, plant and equipment and non-current assets classified as held-for-sale	**3,916**	1,113	-	-
Gain on disposal of a subsidiary	-	17,645	-	-
Gain on disposal of scrap materials	-	209	-	-
Fair value gain on remeasurement of a joint venture	**27,277**	-	-	-
Interest income				
- deposits with licensed banks	**17,374**	52,829	**3,508**	48,862
- loan to a subsidiary	-	-	**22,735**	23,521
Accretion of interest	**1,652**	2,252	**53**	73
Rental income from buildings	**45**	49	-	-
Insurance claims	**6,650**	6,127	-	-
Dividend income	-	1,841	-	-
Management and engineering services charged to joint ventures	**120,772**	-	-	-
Others	**10,521**	8,570	**539**	13
	188,207	90,635	**26,835**	72,469

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8 FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense	**99,159**	123,227	-	65
Accretion of interest	**1,200**	-	-	-
Fair value gain on ineffective portion of cash flow hedges for interest rate swaps	**425**	(543)	-	-
	100,784	122,684	-	65

9 INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	**278,080**	278,064	**151,960**	151,943
Share of net assets	**373,252**	305,447	-	-
Interests in joint ventures	**651,332**	583,511	**151,960**	151,943

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 2016 %	Group's effective interest 2015 %	Country of incorporation
Armada Century Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**49**	49	British Virgin Islands
Armada C7 Pte. Ltd. (4)	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. (4)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**50**	50	Singapore
Armada Synergy Ltd. (1)	To manage and operate vessels for subsea well services and services relating to oil and gas production	-	51	United Kingdom

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9 INVESTMENTS IN JOINT VENTURES (CONT'D)

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

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Century Bumi Limited	Oil and gas exploration, and product and marine services	**40**	40	Federal Republic of Nigeria
Shapoorji Pallonji Bumi Armada Offshore Limited (formerly known as Forbes Bumi Armada Offshore Limited) (4) & (5)	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**	49	Indonesia
SP Armada Oil Exploration Private Limited (4)	Marine support and other services to the oil and gas industry	**50**	50	India
SP Armada Offshore Private Limited	To provide marine support and other service to oil and gas industry and for that purpose to purchase, erect, construct, own, charter, manage vessels and rigs	**50**	50	India
Armada Madura EPC Limited (2)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	**49**	49	Republic of The Marshall Islands
Shapoorji Pallonji Bumi Armada Godavari Private Limited (3)	The contracting of the design, fabrication, installation charter, deployment, operations and maintenance of an FPSO facility	**49**	-	India

9 INVESTMENTS IN JOINT VENTURES (CONT'D)

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

(1) On 25 November 2015, Armada Kamelia Sdn. Bhd., a wholly-owned subsidiary of the Company, has filed a voluntarily strike off of Armada Synergy Ltd. ("ASL"), a private limited company incorporated in the United Kingdom. ASL was incorporated on 22 November 2013 to participate in the oilfield services ("OFS") business, with the principal activities to manage and operate vessels for subsea well services and services relating to oil and gas production.

Due to challenging market conditions for the oil and gas sector, it was decided that ASL would exit and cease activities in the OFS business. This is in line with the Group's rationalisation and efficiency plans.

Companies House (UK), in its supplement of the London Gazette on 24 November 2015, published a notice pursuant to Section 100(3) of the Companies Act 2006 (UK) that ASL would be struck off the register and deemed dissolved at the end of three (3) months from the date of the notice. As such, ASL had been dissolved and ceased to be a joint venture of the Company with effect from 23 February 2016.

(2) On 3 March 2015, Armada Madura EPC Limited ("Armada Madura") was incorporated as a wholly-owned subsidiary of Bumi Armada Offshore Holdings Limited ("BAOHL") (a wholly-owned subsidiary of the Company) in the Republic of The Marshall Islands, with an authorised capital of USD50,000 comprising 50,000 shares of USD1.00 each, of which 10 shares have been issued upon incorporation.

On 10 April 2015, the Company, BAOHL, Armada Madura, Shapoorji Pallonji And Company Private Limited ("SPCL") and Shapoorji Pallonji International FZE ("SPINT") (an indirect wholly-owned subsidiary of SPCL) entered into a shareholders agreement ("SHA") with respect to the joint investment in Armada Madura by the Company and BAOHL on the one part, and SPCL and SPINT on the other part, in connection with the engineering, design, acquisition, conversion, development, construction, fitting out, completion, mobilisation, transportation, installation, hook-up, testing, commission and integration of the FPSO at the Madura BD Field ("FPSO Project") to be carried out by Armada Madura, pursuant to which each of BAOHL and SPINT would hold a 50% economic interest and be responsible for 50% of the funding obligations with respect to the FPSO Project, in accordance with the terms of the SHA.

On 20 April 2015, BAOHL and SPINT subscribed for 24,489 and 25,501 new ordinary shares of USD1.00 each in Armada Madura, respectively, and consequently on 22 April 2015, SPINT transferred all of its Armada Madura shares to SPCL. Accordingly, the percentage shareholdings of BAOHL and SPCL in Armada Madura were 48.998% and 51.002% in Armada Madura, respectively. Upon completion of the share transferred above, Armada Madura was accounted as a joint venture in the Group's financial statements.

Details of the assets, liabilities and gain arising from the loss of controlling interest in Armada Madura are as follows:

	Group 2015 RM'000
Property, plant and equipment (Note 16)	65,499
Net current liabilities	(65,499)
Net assets disposed	-
Gain on deemed disposal of a subsidiary	17,645

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9 INVESTMENTS IN JOINT VENTURES (CONT'D)

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

(3) On 19 July 2016, Shapoorji Pallonji Bumi Armada Godavari Private Limited ("SPBAG") was incorporated as a private limited company in India under the Companies Act, 2013. SPBAG is a joint venture ("JV") company of the Company and Shapoorji Pallonji Oil and Gas Private Limited ("SPOG").

The JV is incorporated for the purpose of combining the capabilities and expertise of the JV partners in the bidding and if successful, the contracting of the design fabrication, installation, charter, deployment, and operations and maintenance of an FPSO facility.

Equity interest currently held by the Company in SPBAG is 49%.

(4) During the financial year, the Company ("BAB") and BAOHL have disposed approximately 1% of the issued and paid-up share capital of the following entities to SPOG as follows:

JV company	Date of transfer	Share transfer from	Equity interest after transfer
Armada C7 Pte. Ltd.	31 October 2016	BAOHL	49% less 1 share
Armada D1 Pte. Ltd.	31 October 2016	BAB	49% less 1 share
Shapoorji Pallonji Bumi Armada Offshore Limited (formerly known as Forbes Bumi Armada Offshore Limited)	22 October 2016	BAB	49% less 1 share
SP Armada Oil Exploration Private Limited	21 October 2016	BAB	49% less 1 share

By virtue of the respective shareholder's agreements with the relevant parties, the effective economic interest of these JV companies remain unchanged at 50%.

(5) With effect from 25 March 2017, the name of the joint venture company is changed from Forbes Bumi Armada Offshore Limited to Shapoorji Pallonji Bumi Armada Offshore Limited.

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9 INVESTMENTS IN JOINT VENTURES (CONT'D)

In the opinion of the Directors, the joint ventures which are material to the Group are as follows:
- Armada D1 Pte. Ltd. ("Armada D1")
- Armada C7 Pte. Ltd. ("Armada C7")
- Armada Madura EPC Limited ("Armada Madura")

Set out below are the summarised financial information of the material joint ventures and other joint ventures of the Group:

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	Others RM'000	Total RM'000
2016					
Current assets	353,593	349,673	385,800	115,783	1,204,849
Non-current assets	1,079,976	1,421,240	1,876,474	10,271	4,387,961
Current liabilities	(247,631)	(208,675)	(2,133,721)	(154,999)	(2,745,026)
Non-current liabilities	(560,600)	(964,032)	-	(941)	(1,525,573)
Net assets	625,338	598,206	128,553	(29,886)	1,322,211
The above include the following:					
Cash and cash equivalents	92,990	56,563	383,249	4,458	537,260
Current financial liabilities excluding trade and other payables	(195,370)	(167,500)	(1,794,701)	(110,270)	(2,267,841)
Non-current financial liabilities excluding trade and other payables	(560,600)	(964,032)	-	(941)	(1,525,573)
Revenue	222,174	135,395	362,037	666,549	1,386,155
Other (expenses)/income	(14,832)	9,640	(335,023)	(651,870)	(992,085)
Interest income	-	4	11	3	18
Depreciation	(93,825)	-	-	(4,854)	(98,679)
Finance costs	(27,528)	(45,453)	(31,456)	-	(104,437)
Taxation	(41,156)	8,021	-	(9,522)	(42,657)
Profit/(Loss) after taxation	44,833	107,607	(4,431)	306	148,315

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9 INVESTMENTS IN JOINT VENTURES (CONT'D)

Set out below are the summarised financial information of the material joint ventures and other joint ventures of the Group: (cont'd)

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	Others RM'000	Total RM'000
2015					
Current assets	391,189	486,665	14,919	209,942	1,102,715
Non-current assets	1,135,274	1,376,436	712,422	22,270	3,246,402
Current liabilities	(244,165)	(334,779)	(240,164)	(271,984)	(1,091,092)
Non-current liabilities	(688,746)	(1,066,148)	(375,751)	-	(2,130,645)
Net assets	593,552	462,174	111,426	(39,772)	1,127,380
The above include the following:					
Cash and cash equivalents	83,789	64,930	12,690	38,605	200,014
Current financial liabilities excluding trade and other payables	(194,708)	(308,156)	(101,929)	(267,111)	(871,904)
Non-current financial liabilities excluding trade and other payables	(643,633)	(1,041,598)	(375,751)	-	(2,060,982)
Revenue	208,373	81,683	108,894	294,923	693,873
Other (expenses)/income	(54,517)	(24,520)	209	(303,267)	(382,095)
Interest income	-	-	2	14	16
Depreciation	(88,061)	-	-	(4,134)	(92,195)
Finance costs	(46,823)	(31,300)	(1,534)	-	(79,657)
Taxation	(9,504)	(5,731)	-	(470)	(15,705)
Profit/(loss) after taxation	9,468	20,132	107,571	(12,934)	124,237

9 INVESTMENTS IN JOINT VENTURES (CONT'D)

Reconciliation of financial information:

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	Others RM'000	Total RM'000
2016					
Net assets	**625,338**	**598,206**	**128,553**	**(29,886)**	**1,322,211**
Group share in %	**50%**	**50%**	**49%**	-	-
Group's share	**312,669**	**299,103**	**62,991**	**(40,190)**	**634,573**
Unrealised profit	**(9,246)**	-	**(29,933)**	-	**(39,179)**
Share of hedging reserve	**1,440**	-	-	-	**1,440**
Fair value gain on remeasurement of a joint venture	-	-	-	**27,429**	**27,429**
Carrying amount	**304,863**	**299,103**	**33,058**	**(12,761)**	**624,263**
Reclassification to amounts due from joint ventures (Note 21)	-	-	-	**27,069**	**27,069**
Net carrying amount	**304,863**	**299,103**	**33,058**	**14,308**	**651,332**
2015					
Net assets	593,552	462,174	111,426	(39,772)	1,127,380
Group share in %	50%	50%	49%	-	-
Group's share	296,776	231,087	54,599	(19,208)	563,254
Unrealised profit	(9,767)	-	(17,645)	-	(27,412)
Carrying amount	287,009	231,087	36,954	(19,208)	535,842
Reclassification to amounts due from joint ventures (Note 21)	-	-	-	47,669	47,669
Net carrying amount	287,009	231,087	36,954	28,461	583,511

The negative interest in joint ventures categorised as "Others" of RM12.8 million (2015: RM19.2 million) includes the Group's share of losses over the cost of investment in PT Armada Gema Nusantara of RM27.1 million (2015: RM47.7 million) which is reclassified to amounts due from joint ventures as disclosed in Note 21.

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 2016 RM'000	Group 2015 RM'000
Profit for the financial year	**77,693**	51,501
Total comprehensive income for the financial year	**78,262**	51,501
Dividend received	**21,380**	12,452
Net assets before reclassification to amounts due from joint ventures	**624,263**	535,842

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10 (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
(Loss)/profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- fees for statutory audit				
- PricewaterhouseCoopers Malaysia				
- current year	**1,744**	1,300	**217**	210
- under accrual in respect of prior financial year	**444**	327	-	-
- member firms of PricewaterhouseCoopers International Limited	**817**	739	-	-
- non-PwC member firms	**64**	-	-	-
- fees for audit related services				
- PricewaterhouseCoopers Malaysia	**524**	527	**524**	464
- fees for non-audit services				
- PricewaterhouseCoopers Malaysia	**135**	1,071	**135**	690
- member firms of PricewaterhouseCoopers International Limited	**1,222**	604	-	-
Impairment of:				
- property, plant and equipment and non-current assets classified as held-for-sale (Note 16 & 27)	**1,737,994**	395,150	-	-
- investment in a joint venture	-	2,691	-	-
- available-for-sale financial assets	**5,166**	25,223	-	-
Net allowance for doubtful debts (Note 24)	**91,356**	167,951	-	-
Bad debts written off	-	18	-	-
Loss on disposal of property, plant and equipment	-	-	**294**	-
Write off of property, plant and equipment (Note 16)	-	1,928	-	-

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10 (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Depreciation of property, plant and equipment (Note 16)	**570,758**	606,658	**15,069**	6,241
Travel and freight	**36,845**	40,664	**6,841**	4,522
Repairs and maintenance	**98,588**	134,159	**11**	20
Management fees	**5,795**	6,166	**6,005**	5,564
Insurance	**40,266**	47,619	**-**	-
Fuel and oil	**36,163**	44,918	**-**	-
Advertisement and recruitment	**2,715**	2,934	**987**	131
Staff costs (Note 11)	**578,095**	620,066	**157,493**	194,838
Other crew costs	**113,687**	70,015	**-**	-
Rental of buildings	**17,090**	15,603	**8,252**	7,457
Hiring of equipment	**75,028**	131,702	**-**	-
Fair value loss/(gain) on derivatives:				
- Interest rate swaps	**425**	(543)	**-**	-
- Cross currency interest rate swaps	**(7,615)**	15,751	**-**	-
Net foreign exchange loss/(gain):				
- realised	**11,547**	38,984	**(7,357)**	(104)
- unrealised	**(10,071)**	(53,278)	**146**	(3,360)
Maintenance and services cost	**45,257**	77,915	**-**	-
Survey fee	**14,209**	12,826	**-**	-
Consultancy fee	**15,830**	11,586	**953**	1,120
Communication expenses	**12,894**	8,374	**-**	-

11 STAFF COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries and bonuses	**588,568**	619,339	**145,045**	169,135
Defined contribution plan	**25,404**	27,461	**5,022**	4,806
Share-based payments	**2,165**	3,843	**2,165**	3,843
Termination benefits	**2,129**	21,967	**1,103**	12,845
Other staff related costs	**44,108**	63,067	**4,158**	4,209
Total staff costs	**662,374**	735,677	**157,493**	194,838

Included in staff costs is Executive Directors' remuneration as disclosed in Note 12 and RM84.3 million (2015: RM115.6 million) which has been capitalised in the Group's property, plant and equipment.

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12 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-executive Directors:				
- fees	**2,252**	2,763	**2,252**	2,763
- allowances and defined contribution plan	**753**	603	**753**	603
Executive Directors:				
- salaries, bonuses, allowances and other staff related costs	**2,901**	851	**2,121**	71
- defined contribution plan	**94**	102	**-**	9
- share-based payments	**1,105**	2,038	**1,105**	2,038
	7,105	6,357	**6,231**	5,484

Benefits in kind received by the Executive Directors from the Group and the Company amounted to RM60,000 (2015: RM35,000).

13 TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:				
- Malaysian tax	**6,974**	22,637	**3,817**	18,096
- foreign tax	**51,514**	101,449	**-**	-
Deferred tax (Note 20)	**2,284**	(53,701)	**300**	(4,233)
	60,772	70,385	**4,117**	13,863
Income tax:				
- current financial year	**93,364**	123,073	**6,298**	18,096
- (over)/under provision in respect of prior financial years	**(34,876)**	1,013	**(2,481)**	-
	58,488	124,086	**3,817**	18,096
Deferred tax:				
- origination and reversal of temporary differences (Note 20)	**2,284**	(53,701)	**300**	(4,233)
	60,772	70,385	**4,117**	13,863

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13 TAXATION (CONT'D)

The explanation of the relationship between Malaysian tax rate and average effective tax rate is as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Malaysian tax rate	**(24)**	(25)	**24**	25
Tax effects of:				
- exempt income	**(6)**	(19)	**(23)**	(21)
- difference in tax rates in other countries	**3**	(11)	**-**	-
- withholding tax on foreign sourced income	**1**	30	**-**	-
- expenses not deductible for tax purposes	**29**	62	**3**	4
- deferred tax assets not recognised	**2**	3	**(1)**	-
- (over)/under provision in prior years	**(2)**	1	**(1)**	-
	3	41	**2**	8

The Group's effective tax rate for the financial year ended 31 December 2016 was negative 3%, as compared to the Malaysian statutory rate of 24%. The variance was mainly due to expenses not deductible for tax purposes, changes in the proportion of income of foreign subsidiaries which are subject to different statutory tax rates, withholding taxes deducted at source as well as exempt income which is not taxable.

The Company's effective tax rate for the financial year ended 31 December 2016 was 2% compared to the statutory tax rate of 24% as the Company's income was mainly exempted from tax for the financial year.

14 EARNINGS PER SHARE

Basic

The basic earnings per share ("EPS") is calculated by dividing the Group's loss attributable to the Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted

The diluted EPS is calculated by dividing the loss for the financial year attributable to the Owners of the Company (adjusted for interest income, net of tax, earned on the proceeds arising from the conversion of the ESOS options) by the weighted average number of ordinary shares as adjusted for the basic EPS and includes all potential dilutive shares on both arising from the ESOS options granted by the reporting date, as if the options had been exercised on the first day of the financial year or the date of the grant, if later.

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14 EARNINGS PER SHARE (CONT'D)

	Basic		Diluted	
	2016	2015	2016	2015
Loss attributable to the Owners of the Company for the financial year ended 31 December (RM'000)	**(1,967,651)**	(234,566)	**(1,967,651)**	(234,566)
Weighted average number/adjusted weighted average number of ordinary shares in issue for basic and diluted EPS ('000)	**5,866,269**	5,866,269	**5,866,269**	5,866,269
Basic and diluted EPS (sen)	**(33.54)**	(4.00)	**(33.54)**	(4.00)

15 DIVIDENDS IN RESPECT OF ORDINARY SHARES

	Group and Company	
	2016 RM'000	2015 RM'000
<u>Dividend paid</u>		
In respect of the financial year ended 31 December 2015:		
- Final cash dividend comprising a single tier tax-exempt dividend of 0.82 sen per ordinary share paid on 18 August 2016.	**48,103**	-
In respect of the financial year ended 31 December 2014:		
- Final cash dividend comprising a single tier tax-exempt dividend of 1.63 sen per ordinary share paid on 3 July 2015.	-	95,620

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2016.

16 PROPERTY, PLANT AND EQUIPMENT

Group	Short term leasehold land and building RM'000	Vessels under construction RM'000	Total vessel costs [1] Vessels 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
2016									
Net book value									
At 1 January	1,819	7,375,285	6,261,941	157,102	6,419,043	880	323,741	23,100	14,143,868
Additions	-	3,936,061	65,717	12,242	77,959	472	16,691	16,780	4,047,963
Disposal	-	-	(1,014)	(501)	(1,515)	-	(428)	-	(1,943)
Reclassification	-	(742,858)	742,858	-	742,858	-	-	-	-
Depreciation charge (Note 10)	(12)	-	(446,946)	(53,947)	(500,893)	(331)	(49,048)	(20,474)	(570,758)
Impairment (Note 10)	-	-	(1,718,956)	-	(1,718,956)	-	(14,622)	-	(1,733,578)
Transfer to non-current assets classified as held-for-sale (net) (Note 27)	(1,807)	-	(27,867)	(700)	(28,567)	-	(4,666)	-	(35,040)
Exchange differences	-	550,319	192,577	3,822	196,399	17	5,106	284	752,125
At 31 December	-	11,118,807	5,068,310	118,018	5,186,328	1,038	276,774	19,690	16,602,637
At 31 December 2016									
Cost	-	11,118,807	11,331,379	299,929	11,631,308	3,573	509,039	51,523	23,314,250
Accumulated depreciation	-	-	(4,541,164)	(181,911)	(4,723,075)	(2,535)	(217,643)	(31,833)	(4,975,086)
Accumulated impairment	-	-	(1,721,905)	-	(1,721,905)	-	(14,622)	-	(1,736,527)
Net book value	-	11,118,807	5,068,310	118,018	5,186,328	1,038	276,774	19,690	16,602,637

Included in property, plant and equipment are equipment, furniture and fittings and office equipment amounting to RM89.9 million which have been fully depreciated.

[1] The net book value of vessels at 31 December 2016 under operating lease agreements with charterers was RM1.0 billion.

16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Short term leasehold land and building RM'000	Vessels under construction RM'000	Total vessel costs [1] Vessels RM'000	Total vessel costs [1] Dry-docking RM'000	Total vessel costs [1] Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
2015									
Net book value									
At 1 January	1,866	2,452,700	5,757,327	84,266	5,841,593	422	149,632	13,568	8,459,781
Additions	-	4,291,984	131,425	61,842	193,267	650	98,408	8,397	4,592,706
Reclassification	-	(87,703)	64,499	24,894	89,393	-	(14,874)	13,184	-
Depreciation charge (Note 10)	(47)	-	(509,384)	(36,637)	(546,021)	(218)	(44,723)	(15,649)	(606,658)
Impairment (Note 10)	-	-	(329,268)	-	(329,268)	-	(41,341)	-	(370,609)
Write off (Note 10)	-	-	-	-	-	-	(1,928)	-	(1,928)
Disposal of a subsidiary (Note 9)	-	-	(65,499)	-	(65,499)	-	-	-	(65,499)
Transfer from non-current assets classified as held-for-sale (net) (Note 27)	-	-	33,030	6,466	39,496	-	832	591	40,919
Exchange differences	-	718,304	1,179,811	16,271	1,196,082	26	177,735	3,009	2,095,156
At 31 December	1,819	7,375,285	6,261,941	157,102	6,419,043	880	323,741	23,100	14,143,868
At 31 December 2015									
Cost	2,360	7,375,285	9,323,045	277,624	9,600,669	1,978	514,339	46,287	17,540,918
Accumulated depreciation	(541)	-	(2,731,836)	(120,522)	(2,852,358)	(1,098)	(149,257)	(23,187)	(3,026,441)
Accumulated impairment	-	-	(329,268)	-	(329,268)	-	(41,341)	-	(370,609)
Net book value	1,819	7,375,285	6,261,941	157,102	6,419,043	880	323,741	23,100	14,143,868

Included in property, plant and equipment are equipment, furniture and fittings and office equipment amounting to RM67.2 million which have been fully depreciated.

[1] The net book value of vessels at 31 December 2015 under operating lease agreements with charterers was RM2.9 billion.

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16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Office equipment, furniture and fittings RM'000	Motor vehicles under hire purchase RM'000	Total RM'000
2016			
Net book value			
At 1 January	**5,220**	-	**5,220**
Additions	**21,558**	**498**	**22,056**
Disposal	**(393)**	-	**(393)**
Depreciation charge	**(14,983)**	**(86)**	**(15,069)**
At 31 December	**11,402**	**412**	**11,814**
At 31 December 2016			
Cost	**81,114**	**998**	**82,112**
Accumulated depreciation	**(69,712)**	**(586)**	**(70,298)**
Net book value	**11,402**	**412**	**11,814**
2015			
Net book value			
At 1 January	11,325	55	11,380
Additions	81	-	81
Depreciation charge	(6,186)	(55)	(6,241)
At 31 December	5,220	-	5,220
At 31 December 2015			
Cost	57,816	500	58,316
Accumulated depreciation	(52,596)	(500)	(53,096)
Net book value	5,220	-	5,220

(a) Fixed charges have been created over certain vessels of the Group with net book values amounting to approximately RM12.6 billion (2015: RM6.4 billion) as security for term loans (Note 33).

(b) Included in vessels are borrowing costs amounting to RM326.8 million (2015: RM128.5 million) which were capitalised during the financial year as these were directly attributable to the conversion and construction of these vessels. Borrowing costs were capitalised at the weighted average of general borrowings of 4.25% (2015: 4.22%).

NOTES TO THE FINANCIAL STATEMENTS
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16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) 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.

(d) As a result of the decline in vessel utilisation and day rates, and the termination of contract between Armada Balnaves Pte. Ltd. ("ABPL") and Woodside Energy Julimar Pty Ltd. ("WEJ") as elaborated in Note 43, the Group recognised an impairment loss of RM1,738.0 million (2015: RM395.1 million) comprising impairment loss on property, plant and equipment of RM1,733.6 million (2015: RM370.6 million) and on non-current assets held for sale of RM4.4 million (2015: RM24.5 million) during the financial year. The Group considered each vessel within a segment as a cash-generating unit, however, they are grouped together for disclosure purposes.

The Group has made an impairment charge of RM1,738.0 million (2015: RM395.2 million) for certain FPSO and OMS vessels. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM1,988.7 million (2015: RM987.9 million), comprising RM814.2 million (2015: RM Nil million) in the FPO segment and RM1,174.5 million (2015: RM987.9 million) in the OMS segment, of which RM772.0 million (2015: RM235.4 million) were determined based on fair value ("FV") and RM1,216.7 million (2015: RM752.5 million) were determined based on value in use ("VIU").

Recoverable amount determined based on fair value ("FV")

The FV of the vessels have been assessed by independent professional valuers using the market approach.

FV for the FPSO vessels are assessed based on the assumptions that they are fully operational, in a good and seaworthy condition, have limited need of repair and life extension expenditure, and are based on a willing buyer and seller basis.

FV for the OMS vessels are assessed based on the assumptions that they are charter-free, free of encumbrances, maritime lines and other debts, and are based on a willing buyer and willing seller basis in an acceptable area.

The recoverable amount which is determined based on FV is classified as level 3 under the fair value hierarchy. The impairment recognised in respect of 2 FPSO vessels amounts to RM561.9 million and RM8.2 million, based on the recoverable amount of RM443.2 million and RM29.8 million, respectively. The impairment recognised in respect of OMS vessels is RM323.0 million, based on the recoverable amount of RM299.0 million.

Recoverable amount determined based on value in use ("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.

16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(d) The followings are key assumptions used in determining the VIU for the FPSO vessel:

- The cash flows projection is based on the expected contractual period of the vessels and/or redeployment opportunities;
- Capital expenditure including mobilisation and demobilisation of vessel are based on the expected production of the field;
- Inflationary rate of 3% is applied;
- Charter rates are based on existing charter contracts and future intended use of vessel;
- Discount rate of 10% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of 2 FPSO vessels amounts to RM246.2 million and RM188.5 million, based on recoverable amount of RM341.3 million and RM Nil million, respectively.

The followings are key assumptions used in VIU for the OMS vessels:

- The cash flows projection is based on the remaining useful lives of the vessels;
- Revenue projection are based on historical margins and expected future contracts;
- Drydocking expenditure are based on historical trends;
- Inflationary rate of 3% is applied;
- Utilisation rates and charter rates are based on historical trends, existing charter contracts and future intended use of vessel;
- Discount rate of 10% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of OMS vessels is RM410.2 million, based on the recoverable amount of RM875.4 million.

(e) The sensitivity of the key assumptions with all other variables being held constant to the profit or loss are as follows:

	Increase/(Decrease) in loss before taxation	
	2016 RM'000	**2015 RM'000**
Utilisation rate increased by 5%	**(3,563)**	(129,614)
Utilisation rate decreased by 5%	**292**	82,330
Charter rate increased by 5%	**(43,220)**	(91,624)
Charter rate decreased by 5%	**4,806**	97,126
Discount rate increased by 1%	**87,846**	47,053
Discount rate decreased by 1%	**(94,628)**	(43,446)
Residual value increased by 1%	**(9,283)**	(2,466)
Residual value decreased by 1%	**9,283**	2,466

(f) For the current financial year, the Group revised the useful lives of certain vessels ranging from remaining useful lives of 3 years to 24 years to remaining useful lives of 8 years to 18 years. The revision was accounted for as a change in accounting estimate and was effected on 31 December 2016. Accordingly, the depreciation charge is expected to be affected on a year-on-year basis from the financial year ended 31 December 2017 onwards.

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17 INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost	**46,190**	52,671
7% Cumulative Redeemable Preference Shares, at cost	**16,000**	16,000
	62,190	68,671
Less: Accumulated impairment loss	**(22,130)**	(22,130)
	40,060	46,541
Amounts due from subsidiaries	**1,649,620**	1,844,799
	1,689,680	1,891,340

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below:

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Direct subsidiaries:				
Armada Balnaves Pte. Ltd. (2) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	100	Singapore
Armada Floating Solutions Limited (3)	Bareboat charter of a floating production storage and offloading unit	**100**	100	The British Virgin Islands
Armada Mahakam Limited (3) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	100	The British Virgin Islands
Armada Marine Contractors Caspian Ltd. ("AMCCL") (3) & (11)	Investment holding	-	100	The British Virgin Islands
Armada Oyo Ltd. (3)	Bareboat charter of a floating production storage and offloading unit	**100**	100	The British Virgin Islands
Armada Ship Management (S) Pte. Ltd. (2) & (11)	Charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	100	Singapore

17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	2015 %	Country of incorporation
Direct subsidiaries (cont'd):				
Armada TGT Ltd.	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.	Dormant	**100**	100	Malaysia
Bumi Armada (Labuan) Ltd. (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	100	Federal Territory of Labuan, Malaysia
Bumi Armada (Singapore) Pte. Ltd. ("BASPL") (2)	Ship management and chartering operation and maintenance of FPSO	**100**	100	Singapore
Bumi Armada Automation International Sdn. Bhd. (6)	Provision of agency services to its holding company	**100**	100	Malaysia
Bumi Armada Engineering Sdn. Bhd. (4)	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 and vessel construction	**95**	95	Malaysia
Bumi Armada Offshore Holdings Limited ("BAOHL")	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 (3)	Dormant	**100**	100	Republic of The Marshall Islands
Tera Sea Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Direct subsidiaries (cont'd):				
Bumi Armada Holdings Labuan Ltd.	Provision of loans, advances and other facilities, and cash and debt management services, investment and financial risk management, and other treasury management services to Bumi Armada Group of companies	**100**	100	Federal Territory of Labuan, Malaysia
Offshore Marine Ventures Sdn. Bhd. [11]	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	Malaysia
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.	Providing and obtaining financing and other facilities, and providing cash and financial management services, investment and financial risk management services and other treasury management services to the Bumi Armada Group of companies	**100**	100	Malaysia
Bumi Armada Marine Holdings Limited ("BAMHL") [3]	Investment holding	**100**	100	The British Virgin Islands
Bumi Armada Singapore Holdings Pte. Ltd. ("BASH") [1]	Investment holding	**100**	100	Singapore
Subsidiaries of BAN:				
Armada Indah Sdn. Bhd.	Dormant	**95**	95	Malaysia

NOTES TO THE FINANCIAL STATEMENTS
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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	2015 %	Country of incorporation
Subsidiaries of BAN (cont'd):				
Armada Tankers Sdn. Bhd. ("ATSB")	Dormant	**95**	95	Malaysia
Bumi Armada Ship Management Sdn. Bhd.	Managers of ships and vessels, marine support and other services to offshore oil and gas companies	**95**	95	Malaysia
Bumi Care Offshore Production Sdn. Bhd.	Dormant	**57**	57	Malaysia
Bumi Armada Navigation Labuan Limited	Shipping on bare boat or time charter basis	**95**	95	Federal Territory of Labuan, Malaysia
Bumi Armada Navigation Labuan International Limited	Shipping on bare boat or time charter basis	**95**	95	Federal Territory of Labuan, Malaysia
Subsidiaries of BAOHL:				
Armada TLDD Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands
Angoil Bumi JV,LDA (8) & (9)	Service provider to the oil and gas industry, especially for repair and maintenance of FPSO and OSV companies	**49**	49	Angola
Bumi Armada Angola Servicos Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands
Bumi Armada Australia Pty. Ltd. (2)	Ship management and chartering operation and maintenance of FPSO	**100**	100	Australia
Bumi Armada Do Brasil Servicos Maritimos Ltda (3) & (7)	Dormant	**100**	100	Brazil

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	2015 %	Country of incorporation
Subsidiaries of BAOHL (cont'd):				
Bumi Armada Offshore Contractor Limited ("BAOCL") (3)	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 Blue LLC (3)	Dormant	**100**	100	The United States of America
Armada Offshore OSV Limited (3)	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	Remained dormant during the financial year except for certain vessel construction works	**100**	100	Republic of The Marshall Islands
Bumi Armada UK Limited (2)	Offshore oil and gas marine services	**100**	100	The United Kingdom
Armada Kraken Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands
Bumi Armada Ghana Limited (2) & (10)	Provision of marine transportation, floating production storage and offload and offshore supply vessels	**60**	100	Ghana
Armada Kraken Pte. Ltd. (2)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Singapore
Armada Cabaca Ltd.	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

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Subsidiaries of BAOHL (cont'd):				
Armada Etan Limited [3]	Dormant	**100**	100	Republic of The Marshall Islands
Armada Regasification Services Malta Ltd. [1]	Dormant	**100**	100	Malta
Armada Floating Gas Services Malta Ltd. [1]	Dormant	**100**	100	Malta
Armada Floating Gas Storage Malta Ltd. [1]	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. [2] & [11]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	-	Singapore
Subsidiary of BASPL:				
Bumi Armada Nigeria Limited [2]	Dormant	**100**	99	Federal Republic of Nigeria
Subsidiary of ATSB:				
Armada Alpha Sdn. Bhd.	Dormant	**95**	95	Malaysia
Subsidiaries of BAOCL:				
Bumi Armada Caspian LLC [2]	Activities relative 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

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Subsidiaries of BASH:				
Armada Constructor Pte. Ltd. (1)	Ship owners, charterers, managers of ships and vessels, marine support and other services to oil and gas companies	**100**	100	Singapore
Armada Mahakam Limited (3) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	-	The British Virgin Islands
Armada Marine Contractors Caspian Ltd. ("AMCCL") (3) & (11)	Investment holding	**100**	-	The British Virgin Islands
Bumi Armada (Labuan) Ltd. (11)	Leasing of vessel on time charter basis	**100**	-	Federal Territory of Labuan, Malaysia
Offshore Marine Ventures Sdn. Bhd. (11)	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**	-	Malaysia
Armada Ship Management (S) Pte. Ltd. (2) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	-	Singapore
Bumi Armada Marine Naryan Mar Pte. Ltd. (1)	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. (1)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Singapore

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Subsidiaries of BASH (cont'd):				
Bumi Armada Marine Uray Pte. Ltd. [(1)]	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Singapore
Subsidiary of AMCCL:				
Armada Marine Contractors Caspian Pte. Ltd. [(2) & (5)]	Chartering of ships, barges and boats with crew	**100**	100	Singapore

(1) The financial statements of these companies are audited by firms other than member firms of PricewaterhouseCoopers International Limited.
(2) These companies are audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers, Malaysia.
(3) These companies are not required by their local laws to appoint statutory auditors.
(4) Shares are held by the entity's directors for the benefit of and on behalf of the Company.
(5) Shares are held through a nominee, namely Malaysia Nominees (Asing) Sendirian Berhad.
(6) Consolidated using predecessor method of merger accounting.
(7) The effective interest of the Company is 99.99%.
(8) Notwithstanding the Group holding less than 50% equity interest, the investment in Angoil Bumi JV, LDA is classified as subsidiary (not a joint venture) due to the Group's control pursuant to the shareholders' agreement.
(9) Auditors not appointed yet.
(10) On 19 January 2016, BAOHL disposed 40% of its interest in Bumi Armada Ghana Limited to Cypress Energy Company Limited.
(11) The Group is undergoing an internal realignment of its holding structure for its various subsidiaries to streamline its business operations. As part of this, certain directly held subsidiaries of the Company were transferred to other subsidiaries within the Group:

(i) With effect from 30 December 2016, the Company has transferred its effective interest in Armada Balnaves Pte. Ltd. to BAOHL.
(ii) With effect from 29 December 2016, the Company has transferred its effective interest in the following companies to BASH:
- Armada Mahakam Limited
- Armada Marine Contractors Caspian Ltd.
- Bumi Armada (Labuan) Ltd.
- Offshore Marine Ventures Sdn. Bhd.

(iii) With effect from 30 December 2016, the Company has transferred its effective interest in Armada Ship Management (S) Pte. Ltd. to BASH.

In addition to the internal realignment of the Group's holding structure, certain amounts owing by the Company's subsidiaries were novated by the Company to the other subsidiaries within the Group.

As at the reporting date, the Company assessed the recoverability of its cost of investments and amounts due from subsidiaries based on future estimated cash flows. Please refer to Note 3 for the significant estimates and judgement applied.

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18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2016 RM'000	2015 RM'000
Quoted equity securities, outside Malaysia		
At 1 January	**20,240**	38,103
Less: Impairment (Note 10)	**(5,166)**	(25,223)
Exchange differences	**425**	7,360
	15,499	20,240
Less: Fair value gain recognised in equity (Note 38 (e))	**7,385**	-
At 31 December	**22,884**	20,240

The fair value of quoted equity securities is determined by reference to published price quotations.

19 ACCRUED LEASE RENTALS

	Group	
	2016 RM'000	2015 RM'000
Current	**510,345**	572,922
Non-current	**-**	117,605
	510,345	690,527

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2016 RM'000	2015 RM'000
No later than 1 year	**328,288**	633,097
Later than 1 year and no later than 5 years	**218,859**	1,109,309
	547,147	1,742,406

The Group leases vessels under various agreements which terminate between 2017 and 2018. These agreements include extension options. No contingent rent is recognised during the financial year. A total of RM24.7 million was recognised during the prior financial year which is included as part of vessel charter fees and support services rendered in Note 6.

20 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	**6,467**	35,799	**5,605**	5,905
Deferred tax liabilities	**(709)**	(36,579)	**-**	-
Subject to income tax:				
Deferred tax assets				
- payables	**6,986**	40,599	**4,946**	6,324
- unutilised tax losses	**-**	2,504	**-**	-
- property, plant and equipment	**659**	20,859	**659**	-
	7,645	63,962	**5,605**	6,324
Offsetting	**(1,178)**	(28,163)	**-**	(419)
Deferred tax assets (after offsetting)	**6,467**	35,799	**5,605**	5,905
Deferred tax liabilities				
- property, plant and equipment	**(335)**	(28,672)	**-**	(419)
- receivables	**(1,552)**	(28,740)	**-**	-
- amounts due from customers on contract	**-**	(7,330)	**-**	-
	(1,887)	(64,742)	**-**	(419)
Offsetting	**1,178**	28,163	**-**	419
Deferred tax liabilities (after offsetting)	**(709)**	(36,579)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

20 DEFERRED TAXATION (CONT'D)

The movements during the financial year relating to deferred taxation are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
At 1 January	**(780)**	(45,127)	**5,905**	1,672
(Credited)/Charged to the profit or loss (Note 13)				
- property, plant and equipment	**8,138**	(33,128)	**1,078**	1,444
- receivables	**25,090**	225,361	**-**	-
- payables	**(40,338)**	(142,305)	**(1,378)**	2,789
- unutilised tax losses	**(2,504)**	669	**-**	-
- amounts due from customers on contract	**7,330**	3,104	**-**	-
	(2,284)	53,701	**(300)**	4,233
Exchange differences	**8,822**	(9,354)	**-**	-
At 31 December	**5,758**	(780)	**5,605**	5,905

The amount of unabsorbed capital allowance and unutilised tax losses (which have no expiry date) 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Unutilised tax losses	**355,660**	231,347	**8,753**	8,753
Unabsorbed capital allowance	**17,392**	22,071	**17,392**	22,071

NOTES TO THE FINANCIAL STATEMENTS
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21 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Amount due from joint ventures				
- interest bearing	**13,492**	-		
- non-interest bearing	**321,540**	201,687	**45,111**	53,278
	335,032	201,687	**45,111**	53,278
Amount due to joint ventures	**(36,562)**	(25,189)	**(134)**	(227)
Non-current				
Amount due from joint ventures				
- interest bearing	**46,539**	-	-	-
- non-interest bearing	**-**	62,656	-	-
Reclassification from investment in joint venture (Note 9)	**(27,069)**	(47,669)	-	-
	19,470	14,987	-	-
	317,940	191,485	**44,977**	53,051

The amounts due from joint ventures classified as current which are non-interest bearing are unsecured and ranging from no credit terms to 30 days (2015: no credit terms to 30 days).

The amounts due from joint ventures classified as current and non-current which are interest bearing bear interest rate ranging from 5% to 6% (2015: Nil). As at 31 December 2016, there was no impairment (2015: RM Nil) on amounts due from joint ventures.

The amounts due to joint ventures classified as current are repayable on demand.

Past due but not impaired

Amounts that are past due but not impaired relate to a number of joint ventures for whom there is no recent history of default but remain slow paying. The ageing analysis of amounts due from joint ventures is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than 30 days past due	**727**	1,421	**1,197**	60
Between 31 and 60 days past due	**33,864**	3,943	**534**	10,105
Between 61 and 90 days past due	**35,444**	5,834	**2,913**	861
Between 91 days and 1 year past due	**108,737**	38,442	**955**	9,607
More than 1 year past due	**57,674**	128,281	**38,444**	31,778
	236,446	177,921	**44,043**	52,411

NOTES TO THE FINANCIAL STATEMENTS
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22 INVENTORIES

	Group	
	2016	**2015**
	RM'000	**RM'000**
Fuel	**6,356**	6,051

23 AMOUNTS DUE (TO)/FROM CUSTOMERS ON CONTRACT

	Group	
	2016	**2015**
	RM'000	**RM'000**
Aggregate costs incurred	**1,313,087**	982,517
Profit recognised to-date	**117,130**	112,114
Cumulative contract revenue recognised	**1,430,217**	1,094,631
Less: Progress billings	**(1,499,862)**	(939,647)
	(69,645)	154,984

24 TRADE RECEIVABLES

	Group	
	2016	**2015**
	RM'000	**RM'000**
Trade receivables	**1,034,536**	818,147
Less: Impairment	**(401,580)**	(304,798)
	632,956	513,349

Neither past due nor impaired

With respect to trade receivables that are neither past due nor impaired, these relates to customers with no recent history of default. Management believes that these trade receivables are with customers that are of good credit quality and collectable and as such no impairment provision is necessary.

24 TRADE RECEIVABLES (CONT'D)

Past due but not impaired

Amounts that are past due but not impaired relate to a number of customers for whom there is no recent history of default but remain slow paying. The ageing analysis of these receivables is as follows:

	Group	
	2016 RM'000	2015 RM'000
Less than 30 days past due	**34,257**	49,437
Between 31 and 60 days past due	**14,541**	27,439
Between 61 and 90 days past due	**18,336**	30,405
Between 91 days and 1 year past due	**52,673**	162,780
More than 1 year past due	**87,983**	12,127
	207,790	282,188

If the above past due but not impaired receivables had been impaired by 5% (2015: 5%) from management's estimates, the allowance for impairment of the Group would have been higher by RM10.4 million (2015: RM14.1 million).

Impaired and provided for

During the financial year, trade receivables totaling to RM91.4 million (2015: RM168.0 million) were impaired and charged to profit or loss. As at 31 December 2016, the amount of the provision was RM401.6 million (2015: RM304.8 million). The individually impaired receivables mainly relate to a number of customers, which are in unexpectedly difficult financial position due to the current industry conditions.

Movements of the Group's impairment of trade receivables are as follows:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	**304,798**	115,459
Charged to profit or loss (Note 10)	**91,356**	167,951
Exchange differences	**5,426**	21,388
At 31 December	**401,580**	304,798

NOTES TO THE FINANCIAL STATEMENTS
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25 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Other receivables	**49,075**	-	**-**	-
Current				
Other receivables	**23,865**	88,779	**2,582**	20,229
Deposits and prepayments	**61,830**	75,647	**7,524**	2,960
Staff advances	**209**	898	**-**	112
	85,904	165,324	**10,106**	23,301

The non-current other receivables relate to amount due from charterer and is not expected to be recovered within the next 12 months.

As at 31 December 2016, there was no impairment (2015: RM Nil) on other receivables, deposits and prepayments and staff advances. These amounts are interest free, unsecured and have no fixed term of repayment.

26 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from subsidiaries are unsecured and have no fixed term of repayment. These amounts are interest free except for an amount due from a subsidiary of RM500.0 million (2015: RM500.0 million) which bears floating interest rates ranging from 4.40% to 4.74% (2015: 4.69% to 4.86%) per annum. As at 31 December 2016, there was no impairment (2015: RM Nil) on amounts due from subsidiaries.

All balances are non-trade in nature except for an amount of RM330.5 million (2015: RM355.5 million) due from subsidiaries which are trade in nature. Included in the amounts due from subsidiaries is RM78.6 million of dividends receivable (2015: RM Nil million).

The amounts due to subsidiaries classified as current are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
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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	
	2016 RM'000	2015 RM'000
Net book value		
At 1 January	**5,700**	66,481
Transfer from property, plant and equipment (Note 16)	**44,056**	5,700
Transfer to property, plant and equipment (Note 16)	**(9,016)**	(46,619)
Impairment (Note 10)	**(4,416)**	(24,541)
Disposals	**(3,182)**	(9,431)
Exchange differences	**255**	14,110
At 31 December	**33,397**	5,700

28 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	**257,714**	710,376	**4,703**	4,090
Deposits with licensed banks	**2,758,140**	815,342	**63,527**	364,844
	3,015,854	1,525,718	**68,230**	368,934

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	
	2016 %	2015 %	2016 %	2015 %
Deposits with licensed banks	**0.78**	2.38	**0.98**	3.97

Bank balances were deposits held at call with banks and earn interest ranging between 0% to 2.6% (2015: 0% to 1.9%).

Included in deposits with licensed banks were RM0.9 million for the Group and the Company (2015: RM0.9 million for the Group and the Company) which have been designated for specific purposes.

Bank deposits are mainly deposits with banks which have high credit-ratings as determined by international credit-rating agencies.

NOTES TO THE FINANCIAL STATEMENTS
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29 TRADE PAYABLES AND ACCRUALS

	Group	
	2016 RM'000	2015 RM'000
Trade payables	**207,275**	635,123
Trade accruals	**1,019,797**	663,734
	1,227,072	1,298,857

30 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Advances from customers	**550,792**	19,848	-	-
Other payables	**495,355**	51,004	**5,308**	19,444
Accruals	**83,614**	108,475	**43,018**	40,260
	1,129,761	179,327	**48,326**	59,704
Non-current				
Advances from customers	-	456,820	-	-
Other payables	**97,014**	-	-	-
	1,226,775	636,147	**48,326**	59,704

NOTES TO THE FINANCIAL STATEMENTS
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31 PROVISIONS

	Group	
	2016 RM'000	2015 RM'000
At 1 January	-	-
Additions	**96,942**	-
Accretion of interest	**1,207**	-
At 31 December	**98,149**	-

The provisions are subject to the following maturity period:

	Group	
	2016 RM'000	2015 RM'000
Non-current		
Provision for demobilisation cost	**98,149**	-

Provision for demobilisation cost consists of the net present value of the estimated cost of demobilising the vessel at the end of its useful life.

32 HIRE PURCHASE CREDITORS

	Group	
	2016 RM'000	2015 RM'000
Analysis of hire purchase commitments:		
- payable within one year	**100**	-
- payable between one and two years	**192**	-
- payable between two and five years	**133**	-
	425	-
Less: Interest in suspense	**(50)**	-
	375	-
Representing hire purchase liabilities		
- due within 12 months	**88**	-
- due after 12 months	**287**	-
	375	-

NOTES TO THE FINANCIAL STATEMENTS
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33 BORROWINGS

	Group 2016 RM'000	Group 2015 RM'000
Current		
Term loans - secured	**717,725**	936,737
Term loans - unsecured	**190,670**	174,910
	908,395	1,111,647
Revolving credits - unsecured	**1,578,271**	627,869
Sukuk Murabahah - unsecured [1]	**30,393**	30,655
	2,517,059	1,770,171
Non-current		
Term loans - secured	**6,694,379**	2,338,297
Term loans - unsecured	**2,335,600**	2,422,150
Sukuk Murabahah - unsecured [1]	**1,499,075**	1,498,936
	10,529,054	6,259,383
Total borrowings	**13,046,113**	8,029,554

[1] 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.

The weighted contractual interest/profit rates per annum of borrowings that were effective as at the financial year end are as follows:

	Group 2016 %	Group 2015 %
Revolving credits	**3.05**	1.51
Term loans	**3.31**	3.19
Sukuk Murabahah	**6.35**	6.35

33 BORROWINGS (CONT'D)

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 2016							
Unsecured:							
- term loans	Floating rates varies based on cost of funds ("COF")	RM	**275,000**	**182,500**	**92,500**	-	-
	Floating rates varies based on London Interbank Offer Rate ("LIBOR")	USD	**2,251,270**	**8,170**	**1,493,905**	**749,195**	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years	RM	**1,529,468**	**30,393**	-	-	**1,499,075**
- revolving credit	Floating rates varies based on LIBOR	USD	**1,578,271**	**1,578,271**	-	-	-
Secured:							
- term loans	Floating rates varies based on LIBOR	USD	**7,362,871**	**690,037**	**842,103**	**2,406,752**	**3,423,979**
	Floating rates varies based on COF	RM	**49,233**	**27,688**	**21,545**	-	-
			13,046,113	**2,517,059**	**2,450,053**	**3,155,947**	**4,923,054**

NOTES TO THE FINANCIAL STATEMENTS
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33 BORROWINGS (CONT'D)

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 2015							
Unsecured:							
- term loans	Floating rates varies based on cost of funds ("COF")	RM	445,465	170,465	182,500	92,500	-
	Floating rates varies based on London Interbank Offer Rate ("LIBOR")	USD	2,151,595	4,445	-	2,147,150	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years	RM	1,529,591	30,655	-	-	1,498,936
- revolving credit	Floating rates varies based on LIBOR	USD	627,869	627,869	-	-	-
Secured:							
- term loans	Floating rates varies based on LIBOR	USD	3,197,891	908,587	438,998	885,707	964,599
	Floating rates varies based on COF	RM	77,143	28,150	27,688	21,305	-
			8,029,554	1,770,171	649,186	3,146,662	2,463,535

The term loans were secured as follows (either single security or combination of securities):

(i) Fixed charges over certain vessels in subsidiaries (Note 16).
(ii) Assignment of insurance policies for the vessels charged in (i) above.
(iii) Assignment of charter proceeds for the vessels charged in (i) above.
(iv) Assignment of ship building contracts for the vessels charged in (i) above.
(v) Corporate guarantee from the Company.
(vi) Shares of certain subsidiaries.

Certain term loans facilities were arranged to finance the construction of vessels of the Group and for working capital purposes.

34 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2016		2015	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Derivatives used for hedging:				
- Interest rate swaps	**116,108**	**(19,177)**	-	(3,948)
- Cross currency interest rate swaps	**-**	**(728,814)**	-	(673,762)
Total	**116,108**	**(747,991)**	-	(677,710)
Less: Non-current portion				
Derivatives used for hedging:				
- Interest rate swaps	**116,108**	**(76)**	-	202
- Cross currency interest rate swaps	**-**	**(705,665)**	-	(654,971)
	116,108	**(705,741)**	-	(654,769)
Current portion	**-**	**(42,250)**	-	(22,941)

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 2016, the net derivative financial liabilities of the Group amounted to RM631.9 million (2015: RM677.7 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM45.8 million from the previous financial year ended 31 December 2015, a net amount of RM36.5 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests and RM9.3 million was recycled to the profit or loss which was included in administrative expenses for cross currency interest rate swaps and finance cost for interest rate swaps.

RM86.3 million was reclassified to the statements of profit or loss to offset the foreign exchange losses which arose from the weakening RM against USD, and RM3.0 million was recycled to the profit or loss. This has resulted in a decrease in the credit balance of the cash flow hedging reserve as at 31 December 2016 by RM125.8 million.

As at 31 December 2015, the Group recognised derivative financial liabilities of RM677.7 million (2014: RM181.8 million) on re-measuring the fair value of the derivative financial instruments. Of the increase of the RM495.9 million from the previous financial year, an amount of RM488.8 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interest, of which RM356.4 million was recycled to profit or loss which RM15.2 million was recorded as fair value loss from derivative financial instruments through profit or loss.

The Group's cash flow hedging reserve as at 31 December 2016 represents 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 hedging reserve will be released to the profit or loss within finance cost over the period of the underlying borrowings.

NOTES TO THE FINANCIAL STATEMENTS
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34 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

(a) Cross currency interest rate swaps

A subsidiary whose functional currency is in USD had entered into cross currency interest rate swaps used to manage its floating interest rate term loans denominated in RM as disclosed in Note 33.

At 31 December 2016, the fixed interest was 2.85% (2015: 2.85%) per annum and the main floating rate was cost of funds ("COF") plus a margin of 1.75% (2015: COF plus a margin of 1.75%) per annum. The swaps mature on 24 May 2018.

Another 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 2016 were RM1,549.0 million (2015: RM1,576.7 million).

(b) Interest rate swaps

The notional principal amounts of interest rate swap contracts used to manage the floating interest rate risk arising from term loans were RM5,228.4 million (2015: RM1,204.3 million). These interest rate swap contracts receive fixed interest rate ranging from 0.99% to 4.69% (2015: 0.99% to 4.69%) per annum and have the same maturity terms as the bank borrowings.

35 SHARE CAPITAL

		Group and Company			
		Number of shares		Nominal value	
	Par value	2016	2015	2016	2015
	RM	'000	'000	'000	'000
Authorised:					
Ordinary shares					
At 1 January/At 31 December	0.20	**10,000,000**	10,000,000	**2,000,000**	2,000,000
Issued and fully paid:					
Ordinary shares					
At 1 January/At 31 December	0.20	**5,866,269**	5,866,269	**1,173,253**	1,173,253

NOTES TO THE FINANCIAL STATEMENTS
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36 EMPLOYEE SHARE OPTION SCHEME

The Company implemented an Employees' Share Option 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 acceptance of that 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 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 ("LR") 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 with regards to the options granted to the Directors and senior management during the financial year.

The fair value as at the grant date of share options granted in the prior financial year 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 option (years)	1 to 4 years
Share price at date of grant (RM)	1.83 to 2.39
Exercise price of option (RM)	1.83 to 2.39
Fair value of option at date of grant (RM)	0.26 to 0.50

NOTES TO THE FINANCIAL STATEMENTS
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36 EMPLOYEE SHARE OPTION SCHEME (CONT'D)

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:

	2016		2015	
	Average exercise price per share option (RM)	Options ('000)	Average exercise price per share option (RM)	Options ('000)
At 1 January	**2.11**	**94,969**	2.14	112,957
Forfeited	**2.18**	**(48,902)**	2.24	(17,988)
At 31 December	**2.31**	**46,067**	2.11	94,969

Out of the 46,067,088 outstanding options (2015: 94,969,255 outstanding options), 36,647,979 options (2015: 74,643,011 options) were exercisable as at the end of the reporting period.

There were no options exercised in the financial year ended 31 December 2016 and 31 December 2015.

Share options outstanding at 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)	
			2016	2015
2011/2012	2016	1.82	-	935
2011/2013	2016	1.82	-	1,979
2011/2014	2016	1.82	-	13,388
2011/2015	2016	1.82	-	22,574
2012/2013	2017	2.25	**2,685**	3,725
2012/2014	2017	2.25	**2,988**	4,028
2012/2015	2017	2.25	**3,984**	5,371
2013/2013	2018	2.27/2.28	**3,859**	3,859
2013/2014	2018	2.27/2.28/2.43	**3,859**	4,606
2013/2015	2018	2.27/2.28/2.43	**5,145**	5,892
2013/2016	2018	2.43	-	996
2014/2015	2019	1.83/2.39	**7,064**	8,284
2014/2016	2019	1.83/2.39	**7,064**	8,284
2014/2017	2019	1.83/2.39	**9,419**	11,048
			46,067	94,969

With the establishment of the Management Incentive Plan (Note 37), the Company has ceased awarding further options under the Scheme during the financial year.

37 MANAGEMENT INCENTIVE PLAN

The Company established a Management Incentive Plan ("MIP" or "the 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 subjected 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 participant 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) 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.

(c) 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").

(d) 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.

As at the end of the financial year, the Company has yet to grant any shares under the Plan.

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38 RESERVES

(a) Share premium

Share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at issue price above the nominal value.

(b) 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.

(c) 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 and a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options.

(d) Hedging reserve

The hedging reserve comprises the effective portion of the fair value changes on derivatives under cash flow hedges.

(e) Other reserves

Other reserves represent the preference share redemption reserve for the Company and a subsidiary amounting to RM0.3 million (2015: RM0.3 million), fair value change in available-for-sale financial assets amounting to RM7.4 million (2015: RM Nil) and fair value change of a call option granted to a former executive director of RM6.3 million (2015: RM6.3 million).

39 COMMITMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(i) Capital expenditure for property, plant and equipment not provided for in the financial statements				
- authorised and contracted	**1,143,530**	1,212,538	**353**	-
- authorised but not contracted	**827,809**	3,885,120	**-**	-
	1,971,339	5,097,658	**353**	-
(ii) Commitments for amounts payable under operating leases for rental of premises:				
- payable within one year	**4,172**	13,298	**656**	8,096
- payable later than one year and not later than five years	**9,111**	10,992	**1,263**	2,842
- payable later than five years	**2,529**	7,049	**-**	-
	15,812	31,339	**1,919**	10,938

The Group and the Company have entered into lease arrangements (classified as operating leases) for office premises with durations varying from 1 to 8 years and 1 to 4 years respectively (2015: 1 to 9 years and 1 to 2 years respectively).

40 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of the Group and the Company are:

(a) Subsidiaries

Details of the subsidiaries are shown in Note 17.

(b) Joint ventures

Details of the joint ventures shown in Note 9.

(c) 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 the Company either directly or indirectly. The key management personnel of the Group and the Company include Directors of the Company and certain members of senior management of the Company and of the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

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.

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	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(i)	Transactions with UTSB Management Sdn. Bhd. [(1)]				
	- management fees	**9,844**	11,623	**9,844**	11,623
(ii)	Telecommunication expenses to				
	- Maxis Berhad [(2)]	**481**	1,974	**-**	680
	- Maxis Broadband Sdn. Bhd. [(2)]	**1,192**	-	**197**	-
(iii)	Rental to Malaysian Landed Property Sdn. Bhd. [(3)]	**8,004**	7,713	**8,002**	7,039
(iv)	Management and engineering assistance services charged to joint ventures	**120,772**	4,385	**-**	-
(v)	Transaction with key management:				
	Key management personnel compensation:				
	- Non-Executive Directors fees	**2,252**	2,763	**2,252**	2,763
	- salaries, bonus, allowances and other staff related costs	**10,248**	8,266	**9,468**	7,486
	- defined contribution plan	**1,272**	1,797	**1,178**	1,703
	- share-based payment	**1,105**	2,038	**1,105**	2,038
(vi)	Central overhead fees charged/(reversed)				
	- subsidiaries	**-**	-	**201,256**	237,054
	- joint ventures	**15,754**	(8,048)	**15,754**	(8,048)
(vii)	Payment on behalf of:				
	- subsidiaries	**-**	-	**31,550**	1,481,612
	- joint ventures	**27,909**	14,974	**1,281**	5,194
(viii)	Repayment on behalf by subsidiaries	**-**	-	**(42,895)**	(174,610)

(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.

41 FAIR VALUES

The carrying amounts of financial assets and financial liabilities of the Group and the Company at the reporting date approximated their fair values except as set out below:

Group	Carrying amount		Fair value	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate Sukuk Murabahah (Note 33)	**1,529,468**	1,529,591	**1,485,270**	1,483,474

The fair value of fixed rate Sukuk Murabahah is within Level 3 of the fair value hierarchy.

The Group estimates the fair value of fixed rate Sukuk Murabahah and amounts due from joint ventures 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 fixed rate Sukuk Murabahah and amounts due from joint ventures range between 5.86% and 6.51% respectively (2015: 4.00% and 6.52% 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.

42 CONTINGENT LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank guarantees extended to third parties	**708,794**	1,134,677	**458,901**	892,783
Corporate guarantees given to banks for credit facilities granted to subsidiaries	**-**	-	**12,867,557**	7,188,911
	708,794	1,134,677	**13,326,458**	8,081,694

Total borrowings, of which corporate guarantees are given, are disclosed above. The fair value on initial recognition of corporate guarantees was not material as the possibility of default by subsidiaries is negligible.

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. The Company believes that the financial guarantee contracts are unlikely to be called by the subsidiaries' banks.

The maximum amount of the financial guarantees issued to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies, amounting to RM12,867.7 million as at 31 December 2016 (2015: RM7,188.9 million). The earliest period the financial guarantee can be called upon by the banks is within the next 12 months. The Company believes that the liquidity risk in respect of the financial guarantees is minimum as it is unlikely that the subsidiary companies will not make payment to the banks when their respective borrowings fall due.

NOTES TO THE FINANCIAL STATEMENTS
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43 MATERIAL LITIGATION

Save as disclosed below, as at 31 December 2016, neither our Company nor any of our subsidiaries is involved in any material litigation, claims or arbitration, and our Company and our subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against our Company and our 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"), our 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 that this purported termination by WEJ was 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 filed a Writ of Summons 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.

Subsequently, on 20 April 2016, ABPL filed its Statement of Claim in the Supreme Court against WEJ claiming for damages in general for WEJ's repudiation of the Contract, and the amount of such damages has been quantified by ABPL to include the sum of USD275.8 million (being the amount of the termination payment to which ABPL is entitled had the Contract been terminated without breach) plus any additional damages for loss of bargain caused to ABPL as a consequence of WEJ's repudiation of the Contract. ABPL is also claiming for the additional sum of USD7.7 million for work done and materials supplied pursuant to the Contract. WEJ had, on 2 June 2016, filed its defence to ABPL's Statement of Claim. The matter is currently progressing towards trial. No date for trial has been fixed yet.

The management is of the view that there are reasonable grounds to expect a favourable outcome in respect of ABPL's claims with regards to the said repudiation by WEJ of the Contract. Notwithstanding the foregoing, the award of damages in the event of a favourable outcome is subject to final determination by the Supreme Court.

NOTES TO THE FINANCIAL STATEMENTS
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44 FINANCIAL INSTRUMENTS BY CATEGORY

Analysis of the financial instruments for the Group is as follows:

	Derivatives used for hedging RM'000	Available-for-sale RM'000	Loans and receivables RM'000	Total RM'000
At 31 December 2016				
Financial assets:				
Derivative financial instruments	116,108	-	-	116,108
Available-for-sale financial assets	-	22,884	-	22,884
Trade receivables	-	-	632,956	632,956
Other receivables excluding deposits and prepayments	-	-	73,149	73,149
Amounts due from joint ventures	-	-	354,502	354,502
Deposits, cash and bank balances	-	-	3,015,854	3,015,854
	116,108	22,884	4,076,461	4,215,453

	Derivatives used for hedging RM'000	Other financial liabilities at amortised costs RM'000	Total RM'000
At 31 December 2016			
Financial liabilities:			
Trade payables and accruals	-	1,227,072	1,227,072
Other payables and accruals	-	675,467	675,467
Hire purchase creditors	-	375	375
Borrowings	-	13,046,113	13,046,113
Amounts due to joint ventures	-	36,562	36,562
Derivative financial instruments	747,991	-	747,991
	747,991	14,985,589	15,733,580

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Analysis of the financial instruments for the Group is as follows (cont'd):

	Available-for-sale RM'000	Loans and receivables RM'000	Total RM'000
At 31 December 2015			
Financial assets:			
Available-for-sale financial assets	20,240	-	20,240
Trade receivables	-	513,349	513,349
Other receivables excluding deposits and prepayments	-	89,677	89,677
Amounts due from joint ventures	-	216,674	216,674
Deposits, cash and bank balances	-	1,525,718	1,525,718
	20,240	2,345,418	2,365,658

	Other financial liabilities at amortised costs RM'000	Derivatives used for hedging RM'000	Total RM'000
At 31 December 2015			
Financial liabilities:			
Trade payables and accruals	1,298,857	-	1,298,857
Other payables and accruals	151,009	-	151,009
Borrowings	8,029,554	-	8,029,554
Amounts due to joint ventures	25,189	-	25,189
Derivative financial instruments	-	677,710	677,710
	9,504,609	677,710	10,182,319

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

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 instrument traded in active market is based on quoted market price at the balance sheet 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 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 2016:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	**-**	**116,108**	**-**	**116,108**
Available-for-sale financial assets	**22,884**	**-**	**-**	**22,884**
Amounts due from joint ventures	**-**	**-**	**354,502**	**354,502**
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	**-**	**(728,814)**	**-**	**(728,814)**
- Interest rate swaps	**-**	**(19,177)**	**-**	**(19,177)**

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2015:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Available-for-sale financial assets	20,240	-	-	20,240
Amounts due from joint ventures	-	-	216,674	216,674
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	(673,762)	-	(673,762)
- Interest rate swaps	-	(3,948)	-	(3,948)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Analysis of the financial instruments for the Company is as follows:

	2016 RM'000	2015 RM'000
Financial assets classified as loans and receivables:		
Other receivables excluding deposits and prepayments	**2,582**	20,341
Amounts due from subsidiaries	**3,074,077**	3,390,999
Amounts due from joint ventures	**45,111**	53,278
Deposits, cash and bank balances	**68,230**	368,934
	3,190,000	3,833,552
Financial liabilities classified at amortised costs:		
Other payables and accruals	**48,326**	59,704
Amounts due to subsidiaries	**198,055**	1,140,872
Amount due to joint venture	**134**	227
	246,515	1,200,803

It was not practical to estimate the fair value of the Group's and the Company's investment in unquoted preference shares due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The carrying amounts of financial instruments of the Group and the Company with a maturity of less than one year at the reporting date are assumed to be approximate their fair values.

45 SIGNIFICANT AND SUBSEQUENT EVENTS

During the financial year, an Amendment Agreement was signed between Armada Kraken Pte. Ltd. ("AKPL"), a subsidiary of the Company, with the charterers of the FPSO to be deployed at the Kraken Field at the United Kingdom Sector of the North Sea ("Field"). Salient features of the Amendment Agreement are as follows:

(1) AKPL's 8-year FPSO contract for deployment at the Field is subsisting and the Company is continuing work on the same;

(2) The charter rates and the charter term under the FPSO contract remain unchanged; and

(3) New key dates were agreed with the charterers, including a new sail away date and scheduled first production date ("Backstop Date").

As a result of the Amendment Agreement, the Group recognised supplementary payments (included in other payables) for the Kraken FPSO project during the financial year, and agreed to partial reimburse an upfront amount previously paid by the charterers commencing from the first half of 2017.

45 SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D)

As at the date of approval of the financial statements, the Group is negotiating a new backstop date for the commissioning and acceptance of the FPSO with the charterers, and have agreed in principle on the following:

(1) The charterers will not terminate, or exercise their purchase option by reason of delay before 15 July 2017, or on the first production date (whichever is earlier);

(2) The charter rates of the FPSO contract remain unchanged; and

(3) There would be no extension to the contract period.

As a result, the Group recognised additional supplementary payments (included in other payables) as an adjusting event after the financial year end. The Group expects to finalise the above principles before 17 April 2017. The Group and the charteres are fully aligned with regards to the project delivery and achieving first production date.

46 COMPARATIVE FIGURES

The following comparative figures of the Group have been reclassified to conform with current financial year's presentation, which more appropriately reflects the nature of relevant transactions.

Group	As previously reported 31.12.2015 RM'000	Effects of reclassification RM'000	As restated 31.12.2015 RM'000
Statement of Income			
Cost of sales	(1,766,197)	7,780	(1,758,417)
Selling and distribution costs	(27,735)	11,966	(15,769)
Administrative expenses	(153,582)	(19,746)	(173,328)
Consolidated Statement of Financial Position			
Non-current assets			
Investments in joint ventures	535,842	47,669	583,511
Amounts due from joint ventures	62,656	(47,669)	14,987

Certain expenses previously classified as cost of sales, have been reclassified to selling and distribution costs and administrative expenses.

Certain investment in joint ventures have been reclassified to amount due from joint ventures to appropriately reflect the nature of the balances.

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 10 April 2017.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

48 SUPPLEMENTARY INFORMATION

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to the Main Market Listing Requirements of Bursa Securities, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Securities.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and subsidiaries				
- realised	**(610,418)**	1,428,577	**467,833**	309,860
- unrealised	**15,829**	52,498	**5,459**	9,265
	(594,589)	1,481,075	**473,292**	319,125
Total share of retained earnings from joint ventures				
- realised	**388,889**	287,541	**-**	-
- unrealised	**(44,147)**	(29,763)	**-**	-
	344,742	257,778	**-**	-
Total retained earnings	**(249,847)**	1,738,853	**473,292**	319,125

The disclosure of realised and unrealised retained earnings above is solely for compliance with the directive issued by Bursa Securities and should not be used for any other purpose.

The disclosure of realised and unrealised retained earnings has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Main Market Listing Requirements of Bursa Securities, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Securities.

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Leon Andre Harland and Shaharul Rezza bin Hassan, two of the Directors of Bumi Armada Berhad, state that, in our opinion, the financial statements set out on pages 87 to 183 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results of the Group and of the Company and the cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 April 2017.

LEON ANDRE HARLAND
DIRECTOR

SHAHARUL REZZA BIN HASSAN
DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Pierre Philippe Georges Savy, 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 87 to 183 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.

PIERRE PHILIPPE GEORGES SAVY

Subscribed and solemnly declared by the above named Pierre Philippe Georges Savy in Kuala Lumpur on 10 April 2017, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 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 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 183.

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 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.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
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(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. 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.

Key audit matters	How our audit addressed the key audit matters
Impairment of vessels *Refer to Note 2.4 – Significant accounting policies, Note 3.2 – Critical accounting estimates and judgements, Note 16 – Property, plant and equipment*	
Given the lack of recovery in the market, management had performed an impairment assessment of its vessels which were affected by the downturn. This was predominantly the Offshore Marine Services ("OMS") segment where certain vessels do not have long term charter contracts, but spot or short charter contracts. The carrying amounts of the vessels were written down to the respective recoverable amounts, which is the higher of the fair value less costs of disposal and the value in use. Management engaged external independent valuers to determine the fair value of vessels with impairment indicators. The existence of significant estimation and judgement to arrive at fair value and value in use, is why we have given specific audit focus and attention to this area. The details of the significant estimates and judgement used by management have been disclosed in Note 3.2 to the financial statements.	In relation to the fair value of the vessels estimated by the valuers, we held discussions with both the valuers and management to understand the methods and assumptions used in arriving at the fair value of the vessels. From our discussions with management and the valuers, we noted considerations were made to each vessel's individual specifications when estimating the fair value. We considered the valuers' objectivity and expertise based on their experience and reputation. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised. In relation to the value in use for certain vessels, we evaluated the reasonableness of key assumptions used by the management in arriving at the projected cash flows, i.e. future vessel utilisation and charter rates. We held discussions with management on future prospects of the OMS business and industry outlook on the OMS segment, in particular the anticipated period for oil and gas market to recover. We also corroborated the industry outlook on the OMS segment with external industry reports. Based on our procedures, the key assumptions were materially in line with our expectations.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Delay in the Kraken FPSO project in meeting the Backstop date *Refer to Note 2.12 & 2.13 – Significant accounting policies, Note 3.1 & 3.7 – Critical accounting estimates and judgements, Note 4 – Financial risk management objectives and policies, Note 6 – Revenue, Note 45 – Significant and subsequent events*	
An Amendment Agreement was signed during the year between Armada Kraken Pte. Ltd. ("AKPL"), a subsidiary of Bumi Armada Berhad, with the charterers of the floating production, storage and offloading vessel ("FPSO") to be deployed at the Kraken Field at the United Kingdom Sector of the North Sea ("Field"). The key terms are as disclosed in Note 45 to the financial statements. As at the date of approval of the financial statements, the Kraken FPSO project is progressing (riser and umbilical hook up have been completed). The Group is negotiating with the charterers to revise the backstop date of 1 April 2017 for first production, failing which the charterers have the right to terminate the charter. As at the date of approval of the financial statements, the Group and the charterers have agreed in principle on a new backstop date of 15 July 2017. Please refer to Note 45 of the financial statements for further details. One of the consequence of a termination by the charterers is the repayment of the term loan to the lenders if lenders serve a notice of default.	Revenue recognition We read the terms of the Amendment Agreement and evaluated the financial impact to the change in milestone dates to the FPSO charter. Correspondingly, we considered management's accounting over liquidated damages and supplemental payments arising from any delays in fulfilling the terms of the Amendment Agreement based on management's assessment of the anticipated new Backstop Date. We also corroborated our understanding of contractual terms through discussions with the Legal Department on their assessment of AKPL's obligations. We discussed with management to understand progress of projects and its related cost estimates to assess whether there was any related impact to forecasted costs to complete and contractual obligations. We validated project budgetary controls and tested approval over changes in cost estimates. Based on the procedures performed above, we did not find any material exceptions in revenue recognition. Liquidity position of the Group We had discussions with the Chief Executive Officer, Chief Financial Officer, Head of Legal to understand: ▪ Action plans in mitigating the delay and achievability of the new Backstop Date being negotiated; and ▪ Status of negotiations with the charterers and lenders on the consequences of delay. We read minutes of discussions between the legal counsels of the charterers and lenders with management on the status of negotiations as at the date of approval of financial statements, assess whether management's present assessment that the outflow of resources based on the various outcomes anticipated, had a material impact to the liquidity position of the Group for the next 12 months from the date of approval of the financial statements.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Delay in the Kraken FPSO project in meeting the Backstop date (cont'd)	
With regards to the above, the Directors have considered the impact of various outcomes on the liquidity position of the Group, taking into account the Group's forecast cash requirements and the funding sources available to the Group to meet its debt service obligation over the next 12 months from the date of approval of the financial statements. Please refer to Note 4 of the financial statements for further details. Given the contractual right for termination by the charterers and the consequent potential for the lenders to serve a notice of default and seek repayment of the loan thereafter, we gave audit focus in considering the financial implications of the terms of the Amendment Agreement on the Group's conversion revenue recognition and the ability of the Group to meet its obligations as and when it arise.	We have also tested Group's cash flow forecast for the next 12 month from the date of approval of the financial statements to assess the reasonableness of management's assessment that the Group is not likely to have any event of default declared on its debt service obligations arising from various outcomes of the ongoing negotiations, taking into consideration sources of funding available to the Group to meet its obligations as and when they arise. Based on the procedures performed, we found the assessment made by management in relation to the liquidity position of the Group to be reasonable.
Termination of services agreement relating to FPSO vessel Armada Claire to Woodside Energy Julimar Pty. Ltd. ("Woodside") and the potential financial impact *Refer to Note 16 – Property, plant and equipment, Note 19 – Accrued lease rentals, Note 43 – Material litigation*	
In March 2016, Woodside, the charterer of a Floating Production Storage and Offloading ("FPSO") vessel – Armada Claire terminated the services agreement with a subsidiary of the Group, Armada Balnaves Pte. Ltd. ("ABPL"). The vessel was subsequently demobilised. The termination of contract was an indication of impairment to the carrying amount of the vessel and the recoverability of the amounts in relation to the contract, by ABPL, which has been assessed as follows: Recoverability of the carrying amount of the vessel Management conducted an impairment assessment over the carrying amount of the said vessel. An impairment was recorded during the current financial year as disclosed in Note 16 based on an independent valuation report provided by an external valuer dated 12 April 2016. An updated valuation report dated 27 March 2017 was provided by the external valuer specifying the fair value as at balance sheet date, indicating no further impairment. We gave audit focus to the key assumptions used in determining the recoverable amount of the vessel based on its fair value less costs of disposal as it involved significant judgement.	Recoverability of the carrying amount of the vessel In respect of both valuations, we discussed the key assumptions and valuation methodology with the independent valuer to understand the basis of the valuation and the assumptions considered. We had also checked the independence and credentials of the valuer. We held discussions with the management of the Group, Audit Committee and Board of Directors on the key assumptions underlying the valuation of the vessel in particular the probability of redeployment and the market outlook for FPSO. Based on the procedures performed above, we did not find any material exceptions to the assumptions and methodology used by the valuer in estimating the vessel's recoverable amount.

INDEPENDENT AUDITORS' REPORT

to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Termination of services agreement relating to FPSO vessel Armada Claire to Woodside Energy Julimar Pty. Ltd. ("Woodside") and the potential financial impact (cont'd)	
Recoverability of amounts in relation to the contract	Recoverability of amounts in relation to the contract
The Group, having evaluated its contractual position including an independent due diligence review, has taken the view that the termination was unlawful and ABPL is therefore contractually entitled to compensation claims as stated in the services agreement.	We held discussions with senior management personnel, and read materials provided by management and experts with direct knowledge of the matter engaged by management, to understand the latest status and ABPL's contractual rights based on the contract.
Management has taken into consideration the probability of receiving the compensation claims and the estimated amount receivable in assessing the recoverability of the amounts in relation to the contract and concluded that there was no impairment on these amounts. We gave audit focus to this area in view of judgement involved surrounding the purported termination of the services agreement.	We found the information provided and the discussions with the parties described above to be consistent with management's assessment of the recoverability of the amount.
Recoverability of trade receivables *Refer to Note 2.5 – Significant accounting policies, Note 3.3 – Critical accounting estimates and judgements and Note 24 – Receivables*	
The Group's total gross receivables as at 31 December 2016 was RM1,035 million. Of this amount, RM91 million has been provided for as impairment loss during the financial year. In doing so, management of the Group has applied judgment in assessing the credit risk of their customers to arrive at the present value of the estimated future cash flows in calculating the impairment loss of the affected trade receivables.	We have examined management's correspondences with customers for those with impairment indicators and held discussions with management on the status of their negotiations with those customers. We have also examined the historical collection trends from these customers. We further checked the subsequent receipts of the affected customers received after year end to corroborate the reasonableness of management's assumptions on the expected timing and quantum of future cash flows of these customers.
We gave audit focus and attention to this area considering the material amounts involved and significant management judgment required over the timing and amount of repayments due to the downturn in the oil and gas industry which affected the Group's customers.	We found management's assessment of its trade receivables' recoverability to be materially consistent with the supporting information provided to us.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Bumi Armada Berhad - Assessment of recoverability of amounts due from subsidiaries and cost of investments in subsidiaries *Refer to Note 2.3, 2.5 – Significant accounting policies, Note 3.2, 3.3 – Critical accounting estimates and judgement and Note 17 and 26 – Investment in subsidiaries and amounts due from subsidiaries*	
Company The Company's investments in subsidiaries and amounts due from subsidiaries amounted to RM1.7 billion and RM3.1 billion, respectively. During the current financial year, the Group is undergoing an internal realignment of its holding structure for its various subsidiaries to streamline its business operations. As part of this, certain directly held subsidiaries of the Company were transferred to intermediary subsidiary holding companies and amounts owing by the Company's subsidiaries were novated to the respective intermediary subsidiary holding companies as disclosed in Note 17. We focused on the impairment assessment of the above balances given the significant estimates involved in determining the future cash flow of the subsidiaries.	Cost of investments in subsidiaries We held discussions with management to understand the underlying assumptions of the respective future cash flows in determining the recoverable amount of the investments. We examined the key assumptions used in estimating operational cash flows of each subsidiary, in particular contractual and estimated revenue, estimated utilisation and charter rates of vessels. These key assumptions were corroborated against historical trends and revenue agreements. The estimated financing and tax cash flows were deducted from the estimated operational cash flows to assess the cash flow available for dividends. Amounts due from subsidiaries We held discussions with management to understand the underlying assumptions of the respective future cash flows used. We examined the assumptions that affect the amount and timing of cash flows available to the subsidiaries for repayment of the amounts due. These assumptions are contractual and estimated revenue, estimated utilisation and charter rates of vessels. 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 said amounts is materially consistent with management's assessment, considering the internal realignment plan in place.

INDEPENDENT AUDITORS' REPORT

to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 Directors' Report, Statement of Risk Management and Internal Controls and other sections of the 2016 Annual Report, which we obtained prior to the date of this auditors' report. Other information 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 on the other information that we obtained prior to the date of this auditors' report, 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, 1965 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)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and 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 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 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 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)
(Company No. 370398 X)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 48 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SUBATHRA GANESAN
03020/08/2018 J
Chartered Accountant

Kuala Lumpur
10 April 2017

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, the following additional information is provided:

1. Non-audit Fees

The amount of non-audit fees incurred for services rendered by the Company's External Auditors to the Company and its subsidiaries for the financial year ended 31 December 2016 was RM1.4 million.

2. Material Contracts

Save as disclosed 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 2016 or entered into since the end of the previous financial year:

(1) In connection with a charter contract with ONGC dated 10 August 2011 ("D1 Time Charter") for the provision of a floating production, storage and offloading facility ("Armada Sterling") for charter and deployment at the D1 field located on the west coast of Mumbai, India and for the operation and maintenance of Armada Sterling to be carried out by Shapoorji Pallonji Bumi Armada Offshore Limited ("SPBAOL") (formerly known as Forbes Bumi Armada Offshore Limited) ("D1 Project"), the following joint venture arrangements had been entered into by the Company:

(i) SPBAOL was established for the purpose of undertaking obligations under the D1 Time Charter, and the Company and Shapoorji Pallonji Oil & Gas Private Limited ("SPOG") are parties to a joint venture arrangement with respect to SPBAOL pursuant to a shareholders agreement dated 13 January 2012 (which has been superseded by a shareholders agreement dated 9 November 2016), with respect to the parties' joint investment in SPBAOL for the D1 Project; and

(ii) Armada D1 Pte Ltd ("ADPL") was established for the purpose of owning, converting and chartering Armada Sterling via bareboat charter to SPBAOL, and the Company and SPOG are parties to a joint venture arrangement with respect to ADPL pursuant to a shareholders agreement dated 16 April 2012 (which has been superseded by a shareholders agreement dated 9 November 2016).

In conjunction with the abovementioned joint venture arrangements, the respective joint venture partners are required to make their respective cash contributions to fund the joint venture companies. Further, cash payments were also made by ADPL to the Company and its related companies for services rendered to ADPL in connection with such joint venture arrangements.

(2) Similar joint venture arrangements were entered into in connection with another charter contract with ONGC dated 13 March 2013 ("C7 Time Charter") for the provision of a floating production, storage and offloading facility ("Armada Sterling II") for charter and deployment at the Cluster-7 field located on the west coast of Mumbai, India and for the operation and maintenance of Armada Sterling II to be carried out by SP Armada Oil Exploration Company Limited ("SPAOL") ("C7 Project") whereby:

(i) SPAOL was established for the purpose of undertaking obligations under the C7 Time Charter, and the Company and SPOG are parties to a joint venture arrangement with respect to SPAOL; and

(ii) Armada C7 Pte Ltd ("ACPL") was established for the purpose of owning, converting and chartering Armada Sterling II to SPAOL, and BAOHL and SPOG are parties to a joint venture arrangement with respect to ACPL,

upon the joint venture terms as recorded, evidenced and confirmed respectively pursuant to two (2) shareholders agreements both dated 9 November 2016.

ADDITIONAL COMPLIANCE INFORMATION

(3) In connection with (a) a charter contract with Husky-CNOOC Madura Limited dated 10 December 2014 for the provision of a floating production, storage and offloading facility ("FPSO") for charter and deployment at the Madura BD field, offshore East Java, Indonesia and for the operation and maintenance of the FPSO to be carried out by an unincorporated consortium comprising BAOHL and PT Armada Gema Nusantara ("PT AGN") ("Project Madura") and (b) a sale and purchase agreement dated 10 April 2015 between Armada Madura EPC Limited ("Armada Madura") and PT AGN whereby Armada Madura will engineer, procure, convert, construct and complete the FPSO for sale and delivery to PT AGN, to enable PT AGN to perform its obligations under the aforesaid charter contract, a shareholders agreement was entered into on 10 April 2015 by the following parties with respect to the joint investment in Armada Madura:

(i) the Company and BAOHL;

(ii) SPCL and SPINT; and

(iii) Armada Madura.

In conjunction with the above mentioned joint venture arrangement, the respective joint venture partners are required to make their respective cash contributions to fund the joint venture companies. Further, there are also cash payments required to be made by Armada Madura to the Company and SPCL and their respective related companies for services rendered to Armada Madura in relation to the joint venture arrangements.

Mr. Shapoor Mistry is a director of BAB [(1)], a director of SPOG and SPCL, and also a major shareholder of SPCL by virtue of the SPCL shares held by him and persons connected with him. All the joint venture arrangements listed above are still subsisting. However, the joint ventures concerning D1 Project and C7 Project were not regarded as related party transactions then as Mr. Shapoor Mistry was only appointed as a director of the Company on 27 October 2014. As for the joint venture in respect of Project Madura, the Company had obtained its shareholders' approval at an Extraordinary General Meeting held on 8 June 2015.

(4) In relation to Project Madura as per item 3 above, BAOHL has granted loans to Armada Madura totalling USD43,100,000.00 (equivalent to RM191,407,100.00 [(2)]) to date, with similar rate and terms for the purpose of ordinary business operations in respect of the Project Madura and general corporate purposes. The loans are unsecured, bears a fixed interest rate of 5% p.a. and repayable at the end of 24 months from the disbursement date.

(1) Mr. Shapoor Mistry has resigned as a director of BAB with effect from 21 February 2017.

(2) Exchange rate USD1.00 = RM4.4410 as at 10 April 2017.

ANALYSIS OF SHAREHOLDINGS
as at 27 March 2017

Issued Shares : 5,866,269,344 ordinary shares
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
Less than 100	404	6	5,704	214	0.00	0.00
100 - 1,000	1,536	20	1,029,308	12,722	0.02	0.00
1,001 - 10,000	11,128	105	61,261,501	584,556	1.04	0.01
10,001 - 100,000	7,236	158	248,111,272	6,669,913	4.23	0.11
100,001 - 293,313,466*	1,305	219	2,323,591,729	681,664,625	39.61	11.62
293,313,467 and above**	2	-	2,543,337,800	-	43.36	0.00
Total	21,611	508	5,177,337,314	688,932,030	88.26	11.74
Grand Total	22,119		5,866,269,344		100.00	

* 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	16,409	181	417,231,742	12,132,553	7.11	0.21
Banks/Finance Companies	36	1	923,588,950	266,900	15.74	0.00
Investment Trusts/ Foundation/Charities	4	-	442,900	-	0.01	0.00
Other Types of Companies	192	3	2,449,067,456	296,200	41.75	0.00
Government Agencies/ Institutions	3	-	975,000	-	0.02	0.00
Nominees	4,967	323	1,386,031,266	676,236,377	23.63	11.53
Total	21,611	508	5,177,337,314	688,932,030	88.26	11.74
Grand Total	22,119		5,866,269,344		100.00	

ANALYSIS OF SHAREHOLDINGS
as at 27 March 2017

DIRECTORS' INTERESTS

Directors' direct and deemed Interests in the issued shares and options over unissued shares in the Company and in its related corporations as at 27 March 2017 are set out below:

1. In the Company - Issued Shares

Name	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)]	Negligible	-	0.00
Saiful Aznir bin Shahabudin	2,126,000[(2)]	0.04	-	0.00
Alexandra Schaapveld	900,000[(3)]	0.02	-	0.00
Chan Chee Beng	2,511,200[(2)]	0.04	-	0.00

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

2. In the Company - Unissued Shares

	No. of Unissued Shares	
Name	Direct	Deemed
Shaharul Rezza bin Hassan	3,324,787[(1)]	-

(1) These relate to options over unissued shares of the Company, granted pursuant to the Company's Employee Share Option Scheme ("ESOS").

ANALYSIS OF SHAREHOLDINGS
as at 27 March 2017

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The direct and deemed interests of the Substantial Shareholders in the shares of the Company as at 27 March 2017, based on the Register of Substantial Shareholders of the Company are set out below:

	Direct		Deemed	
Name	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Objektif Bersatu Sdn. Bhd.	2,048,288,000	34.92	-	0.00
Employees Provident Fund Board	301,110,895	5.13	-	0.00
AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	495,049,800	8.44	-	0.00
Saluran Abadi Sdn. Bhd.	-	0.00	360,002,600[(1)]	6.14
Farah Suhanah binti Ahmad Sarji	-	0.00	360,002,600[(2)]	6.14
Mutu Saluran Sdn. Bhd.	-	0.00	2,048,288,000[(3)]	34.92
Usaha Tegas Sdn. Bhd.	-	0.00	2,048,288,000[(4)]	34.92
Pacific States Investment Limited	-	0.00	2,048,288,000[(5)]	34.92
Excorp Holdings N.V.	-	0.00	2,048,288,000[(6)]	34.92
PanOcean Management Limited	-	0.00	2,048,288,000[(6)]	34.92
Ananda Krishnan Tatparanandam	-	0.00	2,048,288,000[(7)]	34.92

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 Act. 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 Act. However, she does not have any economic interests in the Shares held via SASB Subsidiaries as such interest is held subject to the terms and 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 Act.*

(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 27 March 2017

TOP 30 SECURITIES ACCOUNT HOLDERS BASED ON THE RECORD OF DEPOSITORS

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Objektif Bersatu Sdn. Bhd.	2,048,288,000	34.92
2.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	495,049,800	8.44
3.	Karisma Mesra Sdn. Bhd.	236,278,650	4.03
4.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	210,071,395	3.58
5.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Ombak Damai Sdn. Bhd. (PBCL-0G0080)	181,682,100	3.10
6.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	152,058,400	2.59
7.	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	144,384,400	2.46
8.	Kumpulan Wang Persaraan (diperbadankan)	79,857,100	1.36
9.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for Citibank New York (Norges Bank 14)	78,782,450	1.34
10.	Wijaya Sinar Sdn. Bhd.	78,759,550	1.34
11.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	69,311,898	1.18
12.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Asia Discovery Emerging Companies Master Fund Pte. Ltd.	67,500,000	1.15
13.	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund	61,156,340	1.04
14.	Lembaga Tabung Haji	51,962,800	0.89
15.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	47,258,000	0.81
16.	Wijaya Baiduri Sdn. Bhd.	44,964,400	0.77
17.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	43,591,800	0.74
18.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (VCAM Equity FD)	42,953,000	0.73
19.	AmanahRaya Trustees Berhad AS 1Malaysia	40,764,100	0.69
20.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Yayasan Hasanah (AUR-VCAM)	31,500,000	0.54
21.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV For Rochdale Emerging Markets Portfolio	30,646,200	0.52
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for AIA Bhd.	29,025,300	0.49
23.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN For Citibank New York (Norges Bank 12)	28,130,700	0.48
24.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Malaysian ESG Opportunity Fund	27,560,000	0.47
25.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	24,333,100	0.41
26.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Ombak Damai Sdn. Bhd. (PB)	22,583,000	0.38
27.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	22,096,600	0.38
28.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	21,867,792	0.37
29.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-ASING)	20,953,425	0.36
30.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	20,857,900	0.36

LIST OF PROPERTIES
as at 31 December 2016

No.	Location	Tenure	Remaining lease period (year)	Land area/ built-up area (square feet)	Description of existing use	Age of building (year)	Net Book Value RM'000
1.	Lot 704 Bintulu Industrial Estate Mile 2 1/2 Miri Road 97008 Bintulu, Sarawak	Leasehold	27 years (23.10.2043)	12,809	2-storey office building and showhouse	32 (23.07.1984)	199

GLOSSARY OF TECHNICAL AND OTHER TERMS

Term	Description
AKPL	Armada Kraken Pte Ltd
Amni	Amni International Petroleum Development Company Limited
BAB	Bumi Armada Berhad
BMS	Business Management System
CAPEX	Capital Expenditure
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment
EPS	Earnings Per Share
Erin	Erin Petroleum Nigeria Limited
ESG	Environmental Societal & Governance
FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FEED	Front End Engineering Design
FGS	Floating Gas Solutions
FID	Final Investment Decision
FLNG	Floating Liquefied Natural Gas
FPO	Floating Production and Operation
FPSO	Floating Production Storage & Offloading
FSO	Floating Storage & Offloading
FSU	Floating Storage Unit
GHG	Green House Gas
HCML	Husky CNOOC Madura Ltd
HSE	Health Safety & Environment
HSSEQ	Health, Safety, Security, Environment & Quality
IMO	International Maritime Organisation
IRCSD	Investor Relations, Communications and Sustainability Department
LNG	Liquefied Natural Gas
LTI	Lost Time Incident
LukOil	LUKOIL Nizhnevolzhskneft
OMS	Offshore Marine Services
OPEC	Organisation of Petroleum Exporting Countries
OSV	Offshore Support Vessel
Petronas Turkmenistan	A Petroliam Nasional Berhad subsidiary operating in Turkmenistan
PwC	PricewaterhouseCoopers
SC	Subsea Construction
SComm	Sustainability Committee
TRIFC	Total Recordable Incident Frequency Rate
UNICEF	United Nations Children's Emergency Fund
VLCC	Very Large Crude Carrier

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting ("21st AGM") of Bumi Armada Berhad ("Bumi Armada" or the "Company") will be held at 2.30 p.m. on Tuesday, 30 May 2017 at Ballrooms 1 & 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 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 2016 and the Reports of the Directors and Auditors therein.
   (Please see Explanatory Note 1)

2. To re-elect Alexandra Elisabeth Johanna Maria Schaapveld who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers herself for re-election as a Director of the Company. **Resolution 1**
   (Please see Explanatory Note 2)

3. To re-elect Maureen Toh Siew Guat who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers herself for re-election as a Director of the Company. **Resolution 2**
   (Please see Explanatory Note 2)

4. To re-elect Shaharul Rezza bin Hassan who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers himself for re-election as a Director of the Company. **Resolution 3**
   (Please see Explanatory Note 2)

5. To elect Uthaya Kumar A/L K Vivekananda in accordance with Article 120 of the Company's Articles of Association, and who being eligible, offers himself for election as a Director of the Company. **Resolution 4**
   (Please see Explanatory Note 2)

6. To approve the payment of fees and benefits to the Non-Executive Directors up to an amount of RM6.0 million from 31 January 2017 until the conclusion of the next AGM. **Resolution 5**
   (Please see Explanatory Note 3)

7. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration for that year. **Resolution 6**
   (Please see Explanatory Note 4)

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS
To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

8. Authority to 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. **Resolution 7**

   "THAT, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 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 Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act 2016, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of all relevant regulatory bodies being obtained (if required)."
   (Please see Explanatory Note 5)

9. Proposed offer, grant and/or allotment in respect of ordinary shares in the Company to Leon Andre Harland, Executive Director/Chief Executive Officer and Shaharul Rezza bin Hassan, Executive Director/Head of Offshore Marine Services pursuant to the Company's Management Incentive Plan ("MIP").

   "THAT authority be and is hereby given to the Directors of the Company to: **Resolution 8**

   (i) make and/or award offers and grants to Leon Andre Harland, 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 annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held **("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 RM11,287,500 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 Malaysia Securities Berhad (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."

NOTICE OF ANNUAL GENERAL MEETING

"THAT authority be and is hereby given to the Directors of the Company to: **Resolution 9**

(i) make and/or award offers and grants to Shaharul Rezza bin Hassan, Executive Director/Head of Offshore Marine Services 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 annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held ("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 RM1,998,000 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 Malaysia Securities Berhad (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 6)

By Order of the Board
Noreen Melini binti Muzamli
(LS0008290)
Noor Hamiza binti Abd Hamid
(MAICSA 7051227)
Joint Company Secretaries

Kuala Lumpur
28 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Instructions for Appointment of Proxy

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote for him/her provided that the number of proxies appointed shall not be more than two except in the circumstances set out in Note 2. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

2. 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 by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. 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.

4. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

5. The instrument appointing a proxy must be deposited at the office of the **Company's Share Registrars, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia,** not less than 24 hours before the time appointed for the taking of the poll at the 21st AGM 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. Faxed copies of the duly executed form of proxy are not acceptable.

6. The resolutions put to the votes at the AGM shall be determined by polls. 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.

7. The lodging of a form of proxy does not preclude a member from attending and voting in person 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 21st 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 23 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend on their behalf.

NOTICE OF ANNUAL GENERAL MEETING

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 2016, will be laid before the Company at the 21st AGM for consideration of the members pursuant to the Companies Act, 2016 ("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 Article 113 of the Company's Articles of Association ("Articles"), 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, pursuant to Article 120 of the Articles, any Director of the Company appointed by the Board of Directors ("Board") pursuant to Article 120 shall not be taken into account in determining the Directors who are to retire by rotation. Presently we have nine Directors on the Board, one of them, namely Uthaya Kumar A/L K Vivekananda was appointed by the Board on 10 April 2017. Accordingly, three Directors will be up for retirement by rotation pursuant to Article 113 at the 21st AGM. Ms Alexandra Elisabeth Johanna Maria Schaapveld, a Non-Executive Director, Ms Maureen Toh Siew Guat, a Non-Executive Director, and Mr Shaharul Rezza bin Hassan, an Executive Director, are due for retirement at the 21st AGM, and being eligible, they have offered themselves for re-election as Directors of the Company.

Mr Uthaya Kumar A/L K Vivekananda who was appointed as a Non-Executive Director of the Company by the Board on 10 April 2017, is required to submit himself for election at the 21st AGM pursuant to Article 120. On being eligible, he has offered himself for election pursuant to Article 120. His recent appointment was based on the Nomination & Corporate Governance Committee's recommendation after considering relevant criteria in respect of his appointment including his experience, qualifications, potential contribution and time commitments. The Board was also satisfied that his appointment will further strengthen the composition of the Board and a suitable successor to the outgoing Independent Director and Audit Committee Chairman, Mr Saiful Aznir bin Shahabudin.

The Board is satisfied that the Directors standing for re-election or election will continue to bring to bear their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions.

All Directors offering themselves for re-election or election, as the case may be, have consented to the same.

For details of the Directors who are standing for re-election, Ms Alexandra Elisabeth Johanna Maria Schaapveld, Ms Maureen Toh Siew Guat and Mr Shaharul Rezza bin Hassan, please refer to the Directors' Profiles on pages 24, 27 and 29 of the Annual Report 2016 respectively.

For details of the Director who is standing for election, Mr Uthaya Kumar A/L K Vivekananda's profile is stated in the Statement accompanying this Notice on page 209 of the Annual Report 2016.

3) 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 21st AGM on the Directors' remuneration.

Since the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad in 2011 and until 30 January 2017, the payment of fees to Non-Executive Directors has been made pursuant to Article 121 of the Company's Articles of Association that allows the Company to pay its directors fees of up to RM3.0 million per year. The payment of fees to Non-Executive Directors for FYE 31 December 2016 did not exceed RM3.0 million.

NOTICE OF ANNUAL GENERAL MEETING

The Directors' remuneration comprises fees, meeting allowances and other emoluments payable to the Chairmen and members of the Board and Board Committees. The Non-Executive Directors' current remuneration policy came into effect on 1 July 2014 and neither the policy nor fees paid to individual directors have been revised since then.

The proposed amount of RM6.0 million for the payment of directors' fees and benefits for the 16-month period from 31 January 2017 to the next AGM estimated to be in May 2018 comprise the estimated total fees of RM4.5 million and estimated total benefits of RM1.5 million.

4) Re-appointment of Auditors

Messrs. PricewaterhouseCoopers ("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 2017. 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.

5) Authority to issue ordinary shares pursuant to Section 75 and Section 76 of the CA 2016 and the MMLR

Proposed Resolution 7 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.

As at 10 April 2017, the Company has not issued any new shares pursuant to the previous mandate.

Proposed Resolution 7, 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.

6) Proposed offer, grant and/or allotment in respect of ordinary shares in the Company to Leon Andre Harland, Executive Director/Chief Executive Officer and Shaharul Rezza bin Hassan, Executive Director/Head of Offshore Marine Services pursuant to the Company's Management Incentive Plan ("MIP")

Proposed Resolutions 8 and 9 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 Leon Andre Harland, Chief Executive Officer/Executive Director and Shaharul Rezza bin Hassan, Executive Director/Head of Offshore Marine Services.

On 23 May 2016, we had obtained your approval for 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 details on the proposed offer, grant and/or allotment in respect of ordinary shares under the Company's MIP to both the Executive Directors are set out in the Circular to the Shareholders dated 28 April 2017 which accompanies this notice. These Executive Directors will abstain from voting on the proposed Resolution 8 and Resolution 9 respectively and will ensure that persons connected to them abstain from doing so.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

STATEMENT ACCOMPANYING NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING OF BUMI ARMADA BERHAD ("Bumi Armada" or the "Company") pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Further details of individual who is standing for election as Director:

Name	Uthaya Kumar A/L K Vivekananda
Age	63
Gender	Male
Date of Appointment*	10 April 2017
Length of Service * *He was appointed by the Board pursuant to Article 120 of the Company's Articles of Association. He is therefore subject to election at this 21st AGM of the Company*	1 month
Nationality	Malaysian
Qualification	Fellow of the Institute of Chartered Accountants in England & Wales Corporate Finance, Institute of Chartered Accountants in England & Wales Chartered Accountant, Malaysian Institute of Accountants Member of Malaysian Association of Certified Public Accountants
Position in the Company	Independent Non-Executive Director (since 10 April 2017) Member of Audit Committee, Remuneration Committee, Nomination & Corporate Governance Committee (since 10 April 2017)
Working Experience and Occupation	1979 - Qualified as a Chartered Accountant with Price Waterhouse, London 1982 to 1987 - Regional Manager and Head of Price Waterhouse in East Malaysia 1990 - Admitted Partner, Price Waterhouse Malaysia 1996 - Head of Energy, Utilities, Media and InfoComm Group 1997 to 2003 - Markets Leader responsible for top clients and industry development of Price Waterhouse 2003 to 2012 - Markets and Advisory Leader in Malaysia and on merger of PwC Regional Firm became Markets Leader followed by Advisory Leader of PwC SEAPEN* 2012 to 2014 - Partner of PwC South East Asia Peninsula
Other directorship of public companies and listed issuers	None
Details of any interest in the securities of the Company and its subsidiaries	None
Family relationship with any director and/or major shareholder of the Company	None
Conflict of interest that he has with the Company	None
Other than traffic offences, list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

* PwC SEAPEN Region comprises Malaysia, Thailand, Vietnam, Cambodia and Laos, where over 3,000 people across these five countries share knowledge, resources and experience to best serve their clients' needs across the region.

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BUMIARMADA

FORM OF PROXY

BUMI ARMADA BERHAD (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] [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-First Annual General Meeting of the Company to be held on 30 May 2017 at 2.30 p.m. at Ballrooms 1 & 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 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.	Ordinary Resolutions	For	Against
1	To re-elect Alexandra Elisabeth Johanna Maria Schaapveld who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers herself for re-election as a Director of the Company.		
2	To re-elect Maureen Toh Siew Guat who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers herself for re-election as a Director of the Company.		
3	To re-elect Shaharul Rezza bin Hassan who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers himself for re-election as a Director of the Company.		
4	To elect Uthaya Kumar A/L K Vivekananda in accordance with Article 120 of the Company's Articles of Association, and who being eligible, offers himself for election as a Director of the Company.		
5	To approve the payment of fees and benefits to the Non-Executive Directors up to an amount of RM6.0 million from 31 January 2017 until the conclusion of the next AGM.		
6	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration for that year.		
7	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.		
8	To offer, grant and/or allotment in respect of ordinary shares in the Company to Leon Andre Harland, Executive Director/Chief Executive Officer pursuant to the Company's Management Incentive Plan ("MIP").		
9	To offer, grant and/or allotment in respect of ordinary shares in the Company to Shaharul Rezza bin Hassan, Executive Director/Head of Offshore Marine Services pursuant to the Company's MIP.		

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.

<table>
<tr>
<td>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)</td>
<td>No. of shares held: ______________
Securities Account No.: ___________
(CDS Account No.) (Compulsory)

Date:</td>
<td rowspan="2">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: ______________ %</td>
</tr>
<tr>
<td>If appointment of proxy by a corporation is under seal

The Common Seal of
____
was hereto affixed in accordance with its Articles of Association in the presence of :-

__________ __________
Director *Director/*Secretary

in its capacity as *member/*attorney of member/*authorised nominee of
____
(beneficial owner)</td>
<td>Seal

No. of shares held: ______________
Securities Account No.: ___________
(CDS Account No.) (Compulsory)

Date:</td>
</tr>
</table>

* *Delete if inapplicable*

NOTES :

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote for him/her provided that the number of proxies appointed shall not be more than two except in the circumstances set out in Note 2. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

2. 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 by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. 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.

4. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

5. The instrument appointing a proxy must be deposited at the office of the **Company's Share Registrars, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia,** not less than 24 hours before the time appointed for the taking of the poll at the 21st AGM 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. Fax copies of the duly executed form of proxy are not acceptable.

6. 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/her 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.

7. The lodging of a form of proxy does not preclude a member from attending and voting in person 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 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 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.

This flap for sealing

STAMP

THE SHARE REGISTRARS OF
BUMI ARMADA BERHAD
(Company No.:370398-X)

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1st fold here

www.**bumiarmada**.com

BUMI ARMADA BERHAD (370398-X)
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Tel +603 2171 5799
Fax +603 2163 5799